

ICI Paints Royalties Company Limited

**Directors' report and financial
statements**

Registered number 2881649

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

To receive royalty income from other group companies, in respect of technical and marketing expertise.

Business review

After providing for all operating costs, the company made a profit of £3,242,301 for the year ended 31 December 1999.

Payment policy

The company values its relationship with its suppliers. As part of meeting its obligation under each purchase transaction the company's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

Dividend

The directors do not propose the payment of a dividend (1998: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

IR McMahon
NM Bicknell

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the Imperial Chemical Industries PLC ("ICI") Group as recorded in the register of directors' share and debenture interests:

	Holding at end of year	Holdings at beginning of year or date of appointment	ICI ordinary shares under option at end of year	ICI ordinary shares under option at beginning of year	Options granted	Options exercised
IR McMahon	800	800	87,994	40,178	47,816	-
NM Bicknell	-	-	17,846	6,886	10,960	-

By order of the board



IR McMahon
Director

Imperial Chemical House
Millbank
London
SW1P 3JF

18 October 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Arlington Business Park

Theale

Reading RG7 4SD

United Kingdom

Report of the auditors to the members of ICI Paints Royalties Company Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23/10/2000

Profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	3,052,188	2,942,189
Cost of sales		-	-
		<hr/>	<hr/>
Profit on ordinary activities before tax		3,052,188	2,942,189
Tax on profit on ordinary activities	4	190,113	(912,000)
		<hr/>	<hr/>
Retained profit for the year		3,242,301	2,030,189
		<hr/>	<hr/>

There were no recognised gains or losses in either year, other than those shown above which were entirely derived from continuing activities.

Balance sheet
at 31 December 1999

	<i>Note</i>	1999 £	1998 £
Current assets			
Debtors	5	8,158,959	4,916,658
		<hr/>	<hr/>
Net assets		8,158,959	4,916,658
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	6	100	100
Retained profit for the year		8,158,859	4,916,558
		<hr/>	<hr/>
Shareholders funds	8	8,158,959	4,916,658
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18 October 2000 and were signed on its behalf by:



IR McMahon

Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flows

The company is exempt from the requirements of Financial Reporting Standard No. 1 (Revised) to prepare a cash flow statement as it is wholly owned subsidiary undertaking of Imperial Chemical Industries PLC and its cash flows are included with the consolidated cash flow statement of that company.

Related party transactions

As 90% or more of the company's voting rights are controlled within the group headed by Imperial Chemical Industries PLC and the company is included within the publicly available consolidated accounts of Imperial Chemical Industries PLC, the company is exempt from the requirement of Financial Reporting Standard No. 8 to disclose related party transactions within the group.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover represents the amounts (excluding value added tax) invoiced by the company in respect of royalties.

3 Directors' emoluments

The directors do not receive any emoluments in their role as directors of the company (1998: £nil).

Notes (continued)

4 Taxation

	1999 £	1998 £
UK corporation tax at 20.25% (1998: 31%) on the profit for the year on ordinary activities	42,110	912,000
Adjustment relating to an earlier year	(232,223)	-
	<u>(190,113)</u>	<u>912,000</u>

5 Debtors

	1999 £	1998 £
Amounts owed by parent undertaking	8,158,859	4,916,658
	<u>8,158,859</u>	<u>4,916,658</u>

6 Called up share capital

	1999 £	1998 £
<i>Authorised, allotted and called up</i>		
100 shares of £1 each	100	100
	<u>100</u>	<u>100</u>

7 Reserves

	Profit and loss account 1999	Profit and loss account 1998 £
At beginning of year	4,916,558	2,886,369
Retained profit for the financial year	3,242,301	2,030,189
	<u>8,158,859</u>	<u>4,916,558</u>
At end of year	8,158,859	4,916,558

Notes (continued)

8 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Shareholders' funds at beginning of year	4,916,658	2,886,469
Total recognised gains and losses for the financial year	3,242,301	2,030,189
	<hr/>	<hr/>
Shareholders' funds at end of year	8,158,959	4,916,658
	<hr/>	<hr/>

9 Ultimate holding company

The company is a wholly owned subsidiary of Imperial Chemical Industries PLC which is incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Imperial Chemical Industries PLC. Copies of the group accounts can be obtained from:

Imperial Chemical House
 Millbank
 London
 SW1P 3JF