

ICI Paints Royalties Company Limited

**Directors' report and financial
statements**

Registered number 2881649

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 £1,992,221 for the year ended 31 December 2003.

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 (2002: *£nil*).

Directors and directors' interests

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

KM Hulme
JT Webb

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company's ultimate holding company Imperial Chemical Industries PLC as recorded in the register of directors' share and debenture interests:

	Imperial Chemical Industries PLC	
	Interest at end of year	Interest at start of year or date of appointment
JT Webb	338	338
KM Hulme	24,724	15,873

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company or of any other group companies.

Directors' report (continued)

Directors and directors' interests (continued)

According to the register of directors' interests, no rights to subscribe for shares in Imperial Chemical Industries PLC or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	At start of year	Granted	Exercised	Cancelled	At end of year	Exercise price (pence)	Expiry date
JT Webb	19,366	41,044	-	-	19,366 41,044	284.0 134.0	13 Dec 2005 17 Mar 2006
					<hr/> 60,410 <hr/>		
KM Hulme	218,655	133,208	-	-	6,991 7,586 30,618 36,048 76,849 60,563 133,208	284.0 1,007.7 433.3 424.2 429.2 284.0 134.0	1 Feb 2007 18 May 2008 8 Mar 2008 21 Feb 2010 5 Mar 2011 13 Mar 2012 17 Mar 2013
					<hr/> 351,863 <hr/>		

During the year, none of the directors had any material interest in any contract of significance in relation to the companies business.

Donations

The company has not made any political or charitable donations during the year (2002:£nil)

Auditor

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditor annually and KPMG Audit Plc will therefore continue in office.

By order of the board



KM Hulme
 Director

20 Manchester Square
 London
 W1U 3AN

27 October 2004

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
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United Kingdom

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

We have audited the financial statements on pages 5 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 1985. 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 audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Turnover	2	2,849,116	918,090
Administrative expenses		(2,163)	(2,080)
		<hr/>	<hr/>
Profit on ordinary activities before tax	4	2,846,953	916,010
Tax on profit on ordinary activities	5	(854,732)	(454,941)
		<hr/>	<hr/>
Retained profit for the year	8	1,992,221	461,069
		<hr/>	<hr/>

The profit for the year was entirely derived from continuing operations.

The company has no recognised gains and losses other than those gains shown above.

Historical cost profits do not differ materially from those disclosed above.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £	2002 £
Current assets			
Debtors	6	14,147,685	12,155,464
		<u> </u>	<u> </u>
Net assets		14,147,685	12,155,464
		<u> </u>	<u> </u>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	14,147,585	12,155,364
		<u> </u>	<u> </u>
Equity shareholders funds	9	14,147,685	12,155,464
		<u> </u>	<u> </u>

These financial statements were approved by the board of directors on 20 October 2004 and were signed on its behalf by:



KM Hulme
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 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 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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 (2002: £nil).

4 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors remuneration	2,163	2,080

Notes (continued)

5 Taxation

Analysis of charge in period

	2003		2002	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the period	854,732		709,790	
Adjustment in respect of prior periods	-		190,129	
		854,732		899,919
Double taxation relief	(118,844)		(185,185)	
		(118,844)		(185,185)
<i>Foreign tax</i>				
Current tax on income for the period	118,844		185,185	
		118,844		185,185
Current tax on income for the period		854,732		899,919
Deferred tax				
Origination/reversal of timing differences	-		(434,987)	
Adjustment in respect of prior periods	-		(9,991)	
		-		(444,978)
Tax on profit on ordinary activities		854,732		454,941

Factors affecting the tax charge for the current period

The current tax charge for the period is equal to (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,846,953	916,010
Current tax at 30% (2002: 30%)	854,732	274,803
<i>Effects of:</i>		
Adjustment in respect of prior periods	-	190,129
Other short term timing differences	-	434,987
Total current tax charge (see above)	854,732	899,919

Notes (continued)

6 Debtors

	2003 £	2002 £
Amounts owed by parent undertaking	14,147,685	12,155,464

7 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted, called up and fully paid</i>		
100 shares of £1 each	100	100

8 Reserves

	Profit and loss account £
At 1 January 2003	12,155,364
Retained profit for the financial year	1,992,221
At 31 December 2003	14,147,585

Notes (continued)

9 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	1,992,221	461,069
Net addition to shareholders' funds	1,992,221	461,069
Opening equity shareholders' funds	12,155,464	11,694,395
Closing equity shareholders' funds	14,147,685	12,155,464

10 Ultimate holding company

As from 19 December 2002 the immediate parent undertaking is TIL Limited. Previous to this date it was Imperial Chemical Industries PLC.

The ultimate parent undertaking and controlling party is 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:

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