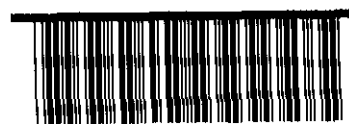


ICI Paints Royalties Company Limited

**Directors' report and financial
statements**

Registered number 2881649

31 December 2002



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Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of ICI Paints Royalties Company Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 £461,069 for the year ended 31 December 2002.

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 (2001: *£nil*).

Directors and directors' interests

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

CA Watts	(resigned 28/10/02)
KM Hulme	
JT Webb	(appointed 28/10/02)

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	15,873	9,864

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	-	-	-	19,366	284.0	13 Dec 2005
KM Hulme	158,092	60,563	-	-	6,991	284.0	1 Feb 2007
					7,586	1,007.7	18 May 2008
					30,618	433.3	8 Mar 2008
					36,048	424.2	21 Feb 2010
					76,849	429.2	5 Mar 2011
					60,563	284.0	13 Mar 2012
					<hr/> 218,655 <hr/>		

The number of shares under option as at 1 January 2002 and their exercise prices are stated after adjustment for the impact of the rights issue.

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



K M Hulme
 Director

20 Manchester Square
 London
 W1U 3AN

31 October 2003

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 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 2002 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

31st October 2003

Profit and loss account
for the year ended 31 December 2002

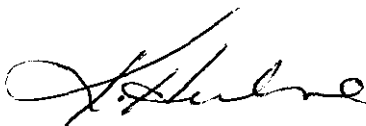
	<i>Note</i>	2002 £	2001 £
Turnover	2	918,090	3,703,980
Administrative expenses		(2,080)	(2,080)
		<hr/>	<hr/>
Profit on ordinary activities before tax	4	916,010	3,701,900
Tax on profit on ordinary activities	5	(454,941)	(1,110,570)
		<hr/>	<hr/>
Retained profit for the year	9	461,069	2,591,330
		<hr/>	<hr/>

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

Balance sheet
 at 31 December 2002

	Note	2002 £	2001 £
Current assets			
Debtors	6	12,155,464	12,139,373
		<u> </u>	<u> </u>
Net current assets		12,155,464	12,139,373
Provision for liabilities and charges	7	-	(444,978)
		<u> </u>	<u> </u>
Net assets		12,155,464	11,694,395
		<u> </u>	<u> </u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	12,155,364	11,694,295
		<u> </u>	<u> </u>
Equity shareholders funds	10	12,155,464	11,694,395
		<u> </u>	<u> </u>

These financial statements were approved by the board of directors on 31 October 2003 and were signed on its behalf by:-



K M 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. The company has adopted FRS 18 'Accounting Policies' and FRS 19 'Deferred tax' in these financial statements. No restatement in the comparative figures is required as deferred tax was fully provided in the 2001 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 (2001: £nil).

4 Profit on ordinary activities before taxation

<i>Profit on ordinary activities before taxation is stated after charging:</i>	2002 £	2001 £
Auditors remuneration	2,080	2,080
	<hr/>	<hr/>

Notes (continued)

5 Taxation

Analysis of charge in period

	2002		2001
	£	£	£
<i>UK corporation tax</i>			
Current tax on income for the period	709,790		665,592
Adjustment in respect of prior periods	190,129		-
	<u> </u>		<u> </u>
		899,919	665,592
Double taxation relief	(185,185)		(203,070)
	<u> </u>		<u> </u>
		(185,185)	(203,070)
<i>Foreign tax</i>			
Current tax on income for the period	185,185		203,070
	<u> </u>		<u> </u>
		185,185	203,070
		<u> </u>	<u> </u>
Total current tax		899,919	665,592
Deferred tax (see note 7)			
Origination/reversal of timing differences	(434,987)		444,978
Adjustment in respect of prior periods	(9,991)		-
	<u> </u>		<u> </u>
		(444,978)	444,978
		<u> </u>	<u> </u>
Tax on profit on ordinary activities		454,941	1,110,570
		<u> </u>	<u> </u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002	2001
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	916,010	3,701,900
	<u> </u>	<u> </u>
Current tax at 30% (2001: 30%)	274,803	1,110,570
	<u> </u>	<u> </u>
<i>Effects of:</i>		
Adjustment in respect of prior periods	190,129	-
Other short term timing differences	434,987	(444,978)
	<u> </u>	<u> </u>
Total current tax charge (see above)	899,919	665,592
	<u> </u>	<u> </u>

Notes (continued)

6 Debtors

	2002 £	2001 £
Amounts owed by parent undertaking	12,155,464	12,139,373

7 Provisions for liabilities and charges

	Deferred tax £	
At beginning of year		(444,978)
Credited to profit and loss account		444,978
At end of year		-
	Amount provided	
	2002 £	2001 £
The elements of deferred taxation are as follows:		
Other timing differences	-	444,978

8 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>		
100 shares of £1 each	100	100

9 Reserves

	Profit and loss account £
At 1 January 2002	11,694,295
Retained profit for the financial year	461,069
At 31 December 2002	12,155,364

Notes (continued)

10 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	461,069	2,591,330
Net addition to shareholders' funds	461,069	2,591,330
Opening equity shareholders' funds	11,694,395	9,103,065
Closing equity shareholders' funds	12,155,464	11,694,395

11 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:

20 Manchester Square
 London
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Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of ICI Paints Royalties Company Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7