

INEOS Holdings (Fluor & Silicas) Limited
Annual report
for the year ended 31 December 2001

Registered Number 3938607



INEOS Holdings (Fluor & Silicas) Limited

Annual report

for the year ended 31 December 2001

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INEOS Holdings (Fluor & Silicas) Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company is a holding company.

Review of the business

The company was incorporated on 2 March 2000 as Valueclip Limited. On 8 January 2001 the name of the company was changed to INEOS Holdings (Fluor and Silicas) Limited.

On 9 January, 2001 the company's subsidiaries, acquired the business of ICI Klea and ICI Crosfield from Imperial Chemical Industries plc for €448.7 million in cash including related acquisition costs. These businesses have been renamed INEOS Fluor and INEOS Silicas respectively. The acquisition has been accounted for as a purchase in the consolidated financial statements of INEOS Group Limited. INEOS Fluor is a major producer of industrial fluorocarbons, including HFC 134a, a replacement for CFC refrigerants. INEOS Silicas is a major producer of Silicas, Silicates, and Zeolites. These are used as ingredients in a wide range of consumer and industrial products, including detergents, toothpaste, surface coatings and plastics and as processing aids in the brewing and textile industries.

Results and dividends

During the year to 31 December 2001 the group made a loss before taxation of £10,788,000 (ten months ended 31 December 2000: £Nil). The directors do not recommend the payment of a dividend (2000: £Nil).

Directors and their interests

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

A Currie (resigned 16 May 2001)
J Ratcliffe (resigned 16 May 2001)
J Reece
T P Crotty (appointed 17 July 2001)
R Bell (appointed 17 July 2001)

J Ratcliffe, J Reece and A Currie are also directors of the ultimate parent company, INEOS Group Limited, and their interests in the share capital of that company are disclosed in that companies directors report.

At 31 December 2001 the interest of R Bell and TP Crotty in the share capital of INEOS Group Limited was as follows:

	Number of "B" Fluor Shares	Number of "B" Phenol Shares	Number of "B" Silicas Shares
R Bell	1,406	1,500	1,551
TP Crotty	4,700	4,700	4,700

None of the other directors had a beneficial interest in the shares of the company.

INEOS Holdings (Fluor & Silicas) Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

During the year the directors appointed PricewaterhouseCoopers as auditors. The auditors, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



R Bell
Secretary
29 April 2002

INEOS Holdings (Fluor & Silicas) Limited

Independent auditors' report to the members of INEOS Holdings (Fluor & Silicas) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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 at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

29 April 2002

INEOS Holdings (Fluor & Silicas) Limited

Profit and loss account for the year ended 31 December 2001

		2001 £'000	10 months ended 31 December 2000 £'000
	Note		
Administration expenses		(232)	-
Operating loss	1	(232)	-
Interest receivable and similar income	4	27,927	-
Interest payable and similar charges	5	(38,483)	-
Loss on ordinary activities before taxation		(10,788)	-
Tax on loss on ordinary activities	6	1,983	-
Retained loss for the financial period	14	(8,805)	-

All activities of the company relate to continuing operations.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

INEOS Holdings (Fluor & Silicas) Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Investments	7	9,750	-
Current assets			
Debtors:			
- amounts falling due within one year	9	7,821	-
- amounts falling due after more than one year	9	273,464	-
Cash at bank and in hand		3,475	-
		284,760	-
Creditors: amounts falling due within one year	10	(1,122)	-
Net current assets		283,638	-
Total assets less current liabilities		293,388	-
Creditors: amounts falling due after more than one year	11	(302,193)	-
Net liabilities		(8,805)	-
Capital and reserves			
Called up equity share capital	13	-	-
Profit and loss account	14	(8,805)	-
Total equity shareholders' deficit	15	(8,805)	-

The financial statements on pages 4 to 12 were approved by the board of directors on 29 April 2002 and were signed on its behalf by:



Director

INEOS Holdings (Fluor & Silicas) Limited

Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis. The going concern assumption is based on confirmation that the company will be supported by its parent company to finance its activities for twelve months following the date of approval of these accounts.

Basis of preparation

The company is included in the consolidated financial statements of INEOS Group Limited, the ultimate parent undertaking. The company has taken advantage of the Companies Act 1985 (S228) in not preparing consolidated financial statements with these of its subsidiary companies. These financial statements therefore present information about the company as an individual undertaking and not about the group.

Intangible assets

Acquisition costs relating to the purchase of INEOS Fluor and INEOS Silicas have been capitalised in the balance sheet. Management are amortising acquisition costs over a period of ten years.

Investments

Investments held as fixed assets are carried at cost less any provision for permanent diminution in value.

Cash flow statement

The company is a wholly owned subsidiary of INEOS Group Limited the ultimate parent company. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

INEOS Holdings (Fluor & Silicas) Limited

Notes to the financial statements for the year ended 31 December 2001

1 Operating loss

	2001 £'000	10 months ended 31 December 2000 £'000
Operating loss is stated after charging:		
Auditors remuneration	3	-

2 Directors' emoluments

None of the directors received any remuneration for their services provided during the year ended 31 December 2001 (2000: £Nil).

3 Staff number and costs

No employees other than directors of the company during the year (2000: £Nil).

4 Other interest receivable and similar income

	2001 £'000	10 months ended 31 December 2000 £'000
Bank deposit interest	71	-
Loans with group undertakings	27,856	-
	27,927	-

INEOS Holdings (Fluor & Silicas) Limited

5 Interest payable and similar charges

	2001 £'000	10 months ended 31 December 2000 £'000
Bank loans and overdrafts	8,274	-
Loans with group undertakings	13,832	-
Exceptional financing charges	16,377	-
	38,483	-

6 Taxation

The taxation charge for the period comprises:

	2001 £'000
Group relief receivable at 30%	1,983

The principal reason for the tax not being 30% is that a deferred tax asset has not been provided in respect of the tax losses carried forward as at 31 December 2001.

7 Investments

	2001 £'000
Cost and net book value	
Acquisition costs capitalised in year	9,750
At 31 December 2001	9,750

Acquisition costs capitalised in the year following the acquisition of INEOS Fluor and INEOS Silicas.

INEOS Holdings (Fluor & Silicas) Limited

8 Fixed asset investments

Effective from 9 January 2001 the company acquired 100% of the ordinary share capital of INEOS Fluor Holdings Limited and INEOS Silicas Holdings Limited.

Interests in subsidiary undertakings

The subsidiaries, all of which are wholly owned, are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Fluor Holdings Limited	England	Manufacture of industrial fluorocarbons	Ordinary 100%
INEOS Silicas Holdings Limited	England	Manufacture of Silicas, Silicates and Zeolites	Ordinary 100%

The subsidiaries of INEOS Fluor Holdings Limited and INEOS Silicas Holdings Limited are disclosed in those companies accounts.

9 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year		
Amounts due from group undertakings	7,821	-
Amounts falling due more than one year		
Amounts due from group undertakings	273,464	-
	281,285	-

INEOS Holdings (Fluor & Silicas) Limited

10 Creditors – Amounts falling due within one year

	2001	2000
	£'000	£'000
Accruals	3	-
Amounts due to group undertakings	1,119	-
	1,122	-

11 Creditors – Amounts falling due after more than one year

	2001	2000
	£'000	£'000
Amounts due to group undertakings	302,193	-

12 Provisions for liabilities and charges

The potential deferred tax asset which has not been provided is as follows:

	2001	2000
	£'000	£'000
Losses	1,386	-

13 Equity share capital

	2001	2000
	£	£
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

INEOS Holdings (Fluor & Silicas) Limited

14 Reserves

	Profit and loss account
	£'000
At 1 January 2001	-
Retained loss for the financial year	(8,805)
At 31 December 2001	(8,805)

15 Reconciliation of movements in shareholders' deficit for the year ended 31 December 2001

	2001 £'000
Shareholders' funds at 1 January 2001	-
Retained loss for the year	(8,805)
Shareholders' deficit at 31 December 2001	(8,805)

16 Contingent liabilities

The company is party to a credit agreement (the "Senior Credit Agreement") dated 23 May 2001. The Senior Credit Agreement comprises of Term Loans ("Term Loan A", "Term Loan B" and "Term Loan C") and a revolving credit facility ("the Revolving Credit Facility"). The total outstanding indebtedness under the Senior Credit Agreement at 31 December 2001 was £740.7 million. The company is a guarantor under the Senior Credit Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

17 Related party transactions

The ultimate parent company and controlling party is INEOS Group Limited. As 100% of the company's voting rights are controlled within the group headed by INEOS Group Limited, the company has not disclosed transactions with fellow subsidiaries in accordance with the exemption under the terms of Financial Reporting Standard No. 8.

INEOS Holdings (Fluor & Silicas) Limited

18 Parent undertaking and controlling party

The directors regard INEOS Intermediate Holding (Fluor & Silicas) Limited, a company incorporated in the United Kingdom to be the immediate parent undertaking of the company. The directors regard INEOS Group Limited, a company incorporated in the United Kingdom to be the ultimate parent undertaking of the company. Copies of INEOS Group Limited consolidated financial statements can be obtained from the Company Secretary, INEOS Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Group Limited.