

Ineos Phenol Limited
Annual report
for the year ended 31 December 2003

Registered Number 4122347



Ineos Phenol Limited

Annual report

for the year ended 31 December 2003

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Ineos Phenol Limited

Directors' report for the year ended 31 December 2003

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

Principal activities

The principal activity of the company is to act as a general limited partner in a partnership registered in Germany. See note 5 of the financial statements for further details. The directors do not expect any change in the company's activities during the next financial year.

Review of the business

The directors consider the development of the Company's business during the year to be satisfactory.

Results and dividends

During the year to 31 December 2003 the company made a profit after taxation of €35,615,000 (2002: €21,004,000). The directors do not recommend the payment of a dividend (2002: €Nil).

Directors and their interests

The directors who held office during the period are given below:

J Reece

N Verbinnen (resigned 8 July 2003)

A Verrijckt

G Leask

None of the directors had any interest in the share capital of the company.

J Reece and A Verrijckt are also directors of Ineos Group Limited, the company's ultimate parent company. Their interests at the year end in the share capital of that company are disclosed in the financial statements of Ineos Group Limited. G Leask is also a director of Ineos Holdings Limited. His interests in the share capital of Ineos Group Limited are disclosed in the financial statements of Ineos Holdings 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 year ended 31 December 2003 and that applicable accounting standards have been followed.

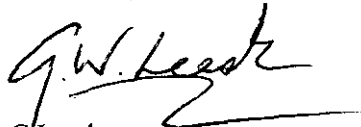
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

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Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. In accordance with Section 386 of the Companies Act 1985 the company has elected to dispense with the obligation to appoint auditors annually.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G. W. Leask', with a long horizontal flourish extending to the right.

G Leask

Director

29 April 2004

Ineos Phenol Limited

Independent auditors' report to the members of Ineos Phenol Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

29 April 2004

Ineos Phenol Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 €'000	2002 €'000
Administrative expenses		(30)	(7)
Income from group undertakings	2	65,064	47,097
Operating profit		65,034	47,090
Interest receivable and similar income	3	2,289	2,271
Interest payable and similar charges	3	(21,132)	(30,756)
Profit on ordinary activities before taxation		46,191	18,605
Tax on profit on ordinary activities	4	(10,576)	2,399
Retained profit for the financial year	10	35,615	21,004

All the activities of the company relate to continuing operations.

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

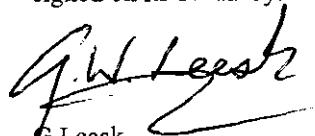
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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Balance sheet as at 31 December 2003

	Note	2003 €'000	2002 €'000
Fixed assets			
Investments	5	233,854	233,963
Current assets			
Debtors: amounts falling due within one year	6	123,536	70,807
Debtors: amounts falling due after more than one year	6	65,064	47,097
		188,600	117,904
Creditors - Amounts falling due within one year	7	(95,764)	(55,883)
Net current assets		92,836	62,021
Total assets less current liabilities		326,690	295,984
Creditors - Amounts falling due after more than one year	8	(243,310)	(248,219)
Net assets		83,380	47,765
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	83,380	47,765
Equity shareholders' funds	11	83,380	47,765

The financial statements on pages 4 to 12 were approved by the board of directors on 29 April 2004 and were signed on its behalf by:


G Leask
Director

Ineos Phenol 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.

Investments

Investments held as fixed assets are carried out at cost less any provisions for impairment.

Foreign currencies

Transactions are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in the balance sheet are translated at the closing rate for the period. All translation gains or losses on the settlement of monetary assets and liabilities are included in the determination of profit for the year.

Cash flow and related party transactions

The company is a wholly owed subsidiary of Ineos Holdings Limited and is included in the consolidated financial statements of Ineos Group Limited. Consequently, the company has taken advantage of the exemptions from preparing a cash flow statement under the terms of Financial Reporting Number 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are more than 90% owned by the Ineos Group Limited group.

Income from group undertakings

Income from group undertakings represents income received from the companies' partnership interest in Ineos Phenol GmbH & Co KG.

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Notes to the financial statements for the year ended 31 December 2003

1 Reporting currency

The financial statements are expressed in Euros as the company primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in Euros.

The exchange rate as at 31 December 2003 was €1.421 to £1 (2002: €1.534 to £1).

2 Income from group undertakings

	2003 €'000	2001 €'000
Income from group undertakings	65,064	47,097

Income from group undertakings represents the Company's share in the results of the Ineos Phenol GmbH & Co. KG partnership in Germany for the year ended 31 December 2003.

3 Interest

	2003 €'000	2002 €'000
Group interest receivable	2,289	2,271

	2003 €'000	2002 €'000
Group interest payable	20,634	30,756
Exchange differences	498	-
	21,132	30,756

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4 Taxation

Analysis of tax charge/(credit) in period:

	2003	2002
	€'000	€'000
United Kingdom		
Corporation tax at 30% (2002: 30%)	11,913	7,182
Double taxation relief	(11,913)	(7,182)
Group relief receivable at 30% (2002: 30%)	(3,281)	(5,323)
Adjustments in respect of previous periods	5,323	2,924
	2,042	(2,399)
Foreign tax		
Corporation taxes	5,815	-
Adjustments in respect of previous periods	2,719	-
Total current tax	10,576	(2,399)

The tax rate for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003	2002
	€'000	€'000
Profit on ordinary activities before tax	46,191	18,605
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	13,857	5,581
Effects of:		
Income not taxable	(5,225)	(3,722)
Double taxation relief	(6,098)	(7,182)
Adjustments in respect of previous periods	8,042	2,924
Tax charge/(credit) for the year	10,576	(2,399)

There are no factors which are expected to affect the future tax charge.

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5 Fixed asset investments

	Interests in partnership €'000	Interests in subsidiary undertakings €'000	Total €'000
Cost			
At 1 January 2003	233,846	117	233,963
Adjustments	(109)	-	(109)
At 31 December 2003	233,737	117	233,854

The Company owns the partnership interest in Ineos Phenol GmbH & Co. KG, a partnership registered in Germany.

Interests in subsidiary undertakings

The following information relates to the principal subsidiary undertakings of the Company:

Subsidiary undertaking	Country of registration or incorporation and operation	Principal activity	Class/percentage of shares held
Ineos Phenol Verwaltungsgesellschaft mbH *	Germany	Production and distribution of phenol and acetone and their by-products	Ordinary 100%
Ineos Phenol Thailand Limited	Thailand	Production and distribution of phenol and acetone and their by-products	Ordinary 100%
Ineos Phenol Services (Thailand) Limited	Thailand	Production and distribution of phenol and acetone and their by-products	Ordinary 100%
Ineos Phenol Asia Pte. Limited	Singapore	Production and distribution of phenol and acetone and their by-products	Ordinary 100%

* Held directly by the Company.

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6 Debtors

	2003	2002
	€'000	€'000
Amounts falling due within one year		
Other debtors	19	-
Amounts due from group undertakings	123,517	70,807
	123,536	70,807
Amounts falling due after more than one year		
Amounts due from group undertakings	65,064	47,097

7 Creditors – Amounts falling due within one year

	2003	2002
	€'000	€'000
Other creditors	34	3
Corporation tax	5,815	-
Amounts due to group undertakings	89,915	55,880
	95,764	55,883

8 Creditors – Amounts falling due after more than one year

	2003	2002
	€'000	€'000
Amounts due to group undertakings	243,310	248,219

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9 Share capital

	2003	2002
	€	€
Authorised		
Equity		
10,000,000 ordinary shares of 0.01p each	1,676	1,676
Allotted, called up and fully paid		
Equity		
600,000 ordinary shares of 0.01p each	101	101

As the reporting currency of the Company is the Euro, share capital has been converted to Euros at the effective rate of exchange ruling at the date of issuance.

10 Profit and loss account

	€'000
At 1 January 2003	47,765
Retained profit for the year	35,615
At 31 December 2003	83,380

11 Reconciliation of movement in equity shareholders' funds

	2003	2002
	€'000	€'000
Opening equity shareholders' funds	47,765	26,761
Profit for the year	35,615	21,004
Closing equity shareholders' funds	83,380	47,765

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12 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 2003 was €515.6 million (2002: €623.2 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.

13 Ultimate parent company and controlling party

The immediate parent undertaking is Ineos Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Ineos Group Limited, a company registered in England and Wales. Copies of the accounts of Ineos Group Limited can be obtained from The Company Secretary, Ineos Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The ultimate controlling party is Mr J A Ratcliffe, director and majority shareholder in the ultimate parent undertaking Ineos Group Limited.