

INEOS Chlor Holdings Limited
Annual report
for the year ended 31 December 2002

Registered Number 3965021



INEOS Chlor Holdings Limited

Annual report

for the year ended 31 December 2002

Contents

Directors' report.....	1
Independent Auditors' report.....	2
Group profit and loss account for the year ended 31 December 2002.....	3
Group balance sheet at 31 December 2002	4
Company balance sheet at 31 December 2002	5
Group cash flow statement for the year ended 31 December 2002	7
Statement of Group total recognised gains and losses for the year ended 31 December 2002.....	8
Reconciliation of movements in Group equity shareholders' deficit for the year ended 31 December 2002	8
Accounting policies.....	9
Notes to the accounts.....	11

INEOS Chlor Holdings Limited

Directors' report for the year ended 31 December 2002

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

Principal activities

The Company acts as a holding Company.

Review of the business

Group turnover for the year was £363.4m (2001: £401.4m) and the loss on ordinary activities before taxation was £37.5m (2001: £8.8m) after taking into account an exceptional operating charge of £40.6m (2001: £19.1m). The Directors do not recommend the payment of a dividend.

As detailed in Note 30, on 31 July 2003 the Company, INEOS, ICI and the Department of Trade and Industry announced that final agreement had been reached on a financing package for the Company's subsidiary undertaking, INEOS Chlor Limited's substantial modernisation of the its chlor-alkali assets at Runcorn Site, Cheshire. On 10 December 2003 the European Commission approved the Department of Trade and Industry's granting of Regional Selective Assistance. On 31 December 2003 the Company completed the refinancing and restructuring of the Group.

Directors and their interests

The Directors who held office during the year their beneficial interests in the shares of the Company were as follows:

	1p Ordinary shares at 31 December 2002	£1 Ordinary shares at 31 December 2001
JA Ratcliffe (resigned 8 September 2003)	4,798	1
J Reece (resigned 8 September 2003)	1,634	-
AC Currie (resigned 8 September 2003)	1,634	-

During the year Mr JA Ratcliffe subscribed for a further 46 Ordinary shares of £1 each prior to his total shareholding being subdivided into 4,700 Ordinary shares of 1p each. He then acquired a further 98 Ordinary shares of 1p each.

During the year Mr J Reece and Mr AC Currie both subscribed for 16 Ordinary shares of £1 each prior to both of their shareholdings being subdivided into 1,600 Ordinary shares of 1p each. They then both acquired a further 34 Ordinary shares of 1p each.

Mr TP Crotty, Mr LH Heemskerk, Mr CE Tane and Mr A Traynor were all appointed as Directors on 8 September 2003.

Political and charitable contributions

The Group made no political contributions during the year. Charitable donations amounted to £87,000(2001: £108,000).

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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. Further information relating to this point is shown in Note 30 to the accounts.

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 2002 and that applicable accounting standards have been followed.

INEOS Chlor Holdings Limited

Directors' report for the year ended 31 December 2002 (continued)

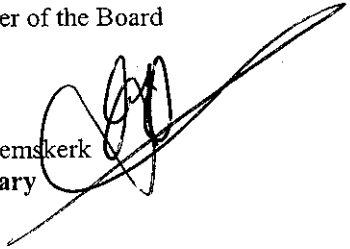
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

Auditors

The Auditors, PricewaterhouseCoopers, converted to a Limited Liability Partnership (LLP) with effect from 1 January 2003. PricewaterhouseCoopers resigned as Auditors on 24 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as Auditors on the same date.

By order of the Board

LH Heemskerk
Secretary



31 December 2003

INEOS Chlor Holdings Limited

Independent Auditors' report to the members of INEOS Chlor Holdings Limited

We have audited the financial statements which comprise the Group profit and loss account, the Group balance sheet, the Company balance sheet, the Group cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in Group equity shareholders' deficit and the related notes which have been prepared under 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 affairs of the Company and the Group at 31 December 2002 and of the loss and cash flows of the Group 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
31 December 2003

INEOS Chlor Holdings Limited

Group profit and loss account for the year ended 31 December 2002

	Note	2002 Before Exceptional Items £m	2002 Exceptional Items £m	2002 After Exceptional Items £m	2001 Before Exceptional Items £m	2001 Exceptional Items £m	2001 After Exceptional Items £m
Turnover	1	363.4	-	363.4	401.4	-	401.4
Cost of sales		(317.6)	(0.3)	(317.9)	(344.2)	(14.6)	(358.8)
Gross profit		45.8	(0.3)	45.5	57.2	(14.6)	42.6
Selling and distribution costs		(18.0)	-	(18.0)	(20.0)	(1.4)	(21.4)
Administrative expenses before amortisation of goodwill		(25.3)	(40.3)	(65.6)	(30.2)	(3.1)	(33.3)
Amortisation of goodwill		4.7	-	4.7	4.9	-	4.9
Administrative expenses		(20.6)	(40.3)	(60.9)	(25.3)	(3.1)	(28.4)
Other operating income		2.2	-	2.2	2.7	-	2.7
Operating profit/(loss)	2,3	9.4	(40.6)	(31.2)	14.6	(19.1)	(4.5)
Net interest payable	6	(6.3)	-	(6.3)	(4.3)	-	(4.3)
Profit/(loss) on ordinary activities before taxation	1	3.1	(40.6)	(37.5)	10.3	(19.1)	(8.8)
Tax on loss on ordinary activities	7			(0.5)			(1.0)
Loss on ordinary activities after taxation				(38.0)			(9.8)
Minority equity interests	21			-			(0.1)
Retained loss for the financial year	20			(38.0)			(9.9)

All turnover and operating profit/(loss) is from continuing operations.

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.

As permitted by Section 230 (1) of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of loss after taxation dealt with in the accounts of the Company is £nil (2001: £nil).

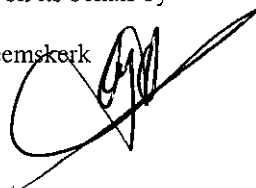
INEOS Chlor Holdings Limited

Group balance sheet as at 31 December 2002

	Note	2002 £m	2001 £m
Fixed assets			
Intangible assets	8	(38.8)	(48.7)
Tangible assets	9	105.2	87.4
Investments	10	13.5	50.4
		79.9	89.1
Current assets			
Stocks	12	24.5	26.5
Debtors due within one year	13	64.3	77.8
Debtors due after one year	13	0.1	0.2
Cash at bank and in hand		7.2	9.8
		96.1	114.3
Borrowings	14	(12.9)	(30.4)
Other creditors	15	(72.2)	(77.2)
Creditors – amounts falling due within one year		(85.1)	(107.6)
Net current assets		11.0	6.7
Total assets less current liabilities		90.9	95.8
Financed by :			
Borrowings	14	128.2	88.9
Other creditors	16	0.7	0.9
Creditors - amounts falling due after more than one year		128.9	89.8
Provisions for liabilities and charges	17	2.9	9.1
Deferred income	18	4.4	4.0
		136.2	102.9
Capital and reserves			
Called up share capital	19	-	-
Share premium account	20	1.1	1.1
Profit and loss account	20	(48.4)	(10.2)
Total shareholders' deficit		(47.3)	(9.1)
Minority shareholders' equity interests	21	2.0	2.0
		(45.3)	(7.1)
		90.9	95.8

The Financial statements on pages 4 to 33 were approved by the Board of Directors on 31 December 2003 and are signed on its behalf by

LH Heemskerk



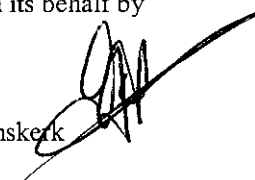
INEOS Chlor Holdings Limited

Company balance sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Fixed asset investment		1	1
Cash at bank and in hand		96	-
Total assets		97	1
Called up equity share capital	19	100	1
Profit and loss account	20	(3)	-
Total equity Shareholders' funds		97	1

The Financial statements on pages 4 to 33 were approved by the Board of Directors on 31 December 2003 and are signed on its behalf by

LH Heemskerk



INEOS Chlor Holdings Limited

Group cash flow statement for the year ended 31 December 2002

	Note	2002 £m	2001 £m
Net cash inflow from operating activities	22	19.8	13.7
Returns on investment and servicing of finance			
Interest received		0.1	0.4
Interest paid		(4.1)	(2.6)
Net cash outflow from returns on investment and servicing of finance		(4.0)	(2.2)
Tax paid		(1.1)	(0.4)
Capital expenditure			
Purchase of tangible fixed assets		(34.6)	(46.9)
Less: Grants and similar receipts		0.7	4.0
Net cash outflow from capital expenditure		(33.9)	(42.9)
Acquisitions and disposals			
Purchase of business		-	(5.9)
Cash acquired with business		(0.8)	16.3
Disposal of fixed asset investment		-	6.0
Net cash inflow from acquisitions and disposals		(0.8)	16.4
Net cash outflow before financing		(20.0)	(15.4)
Financing			
Net proceeds from issue of share capital		-	1.1
Increase in loans receivable		-	(41.2)
Increase in loans payable	23	35.0	35.0
Capital element of finance lease payments	23	(0.1)	(0.1)
Net cash inflow/(outflow) from financing		34.9	(5.2)
Increase/(decrease) in net cash	23	14.9	(20.6)

INEOS Chlor Holdings Limited

Statement of total recognised gains and losses for the year ended 31 December 2002

	2002 £m	2001 £m
Retained loss for the year	(38.0)	(9.9)
Exchange translation effect on results of subsidiaries	(0.2)	(0.3)
Total recognised gains and losses for the financial year	(38.2)	(10.2)

Reconciliation of movements in Group equity shareholders' deficit for the year ended 31 December 2002

	2002 £m	2001 £m
Retained loss for the year	(38.0)	(9.9)
Other recognised gains and losses	(0.2)	(0.3)
Net increase in equity shareholders' deficit	(38.2)	(10.2)
Equity shareholders' deficit at start of year	(10.2)	-
Equity shareholders' deficit at end of year	(48.4)	(10.2)

INEOS Chlor Holdings Limited

Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Group consolidation

The Group accounts include the accounts of INEOS Chlor Holdings Limited and its subsidiary undertakings. The results of businesses acquired during the year are included from the effective date of acquisition.

Turnover

Turnover represents the sales value of goods and services supplied to customers during the year. It excludes sales between Group companies, VAT and similar sales based taxes. Revenue is recognised at the point at which title passes.

Tangible fixed assets and depreciation

Freehold land and assets in the course of construction are not depreciated. Assets in the course of construction are transferred to land and buildings or plant and machinery upon completion. Depreciation is charged when these assets come into use.

Depreciation on all other tangible fixed assets is calculated so as to write off the historic cost of the assets on a straight line basis over their effective lives. The typical effective lives of assets are:

Freehold buildings	-	50 years
Plant and machinery		
• Major items of plant	-	10 to 20 years
• Major plant overhauls	-	2 to 4 years
• Motor vehicles	-	5 years
• Fixtures, fittings and equipment	-	5 to 10 years
• Computer hardware and major software	-	2 to 4 years

Any impairment in the value of fixed assets, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period to which the impairment relates.

Negative goodwill

When the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress includes an appropriate proportion of overhead expenses.

Government grants and similar deferred income

Government grants and similar cash contributions are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental costs are charged to the profit and loss account on a straight line basis over the life of the lease.

INEOS Chlor Holdings Limited

Accounting policies (Continued)

Pension costs

One of the Company's UK subsidiary undertakings participates in a pension scheme providing benefits based on final pensionable pay. The assets of this scheme are held separately from those of the Company. Certain other Group companies also participate in local pension schemes providing similar benefits. Contributions to the schemes are charged to the profit and loss account so as to spread the cost over employees' working lives with the companies.

The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

Deferred taxation

Deferred tax is recognised as a liability or asset in respect of all timing differences which have originated but not reversed at the balance sheet date if transactions have occurred at the balance sheet date which give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured at the average tax rates which are expected to apply in the periods during which the timing differences are expected to reverse, based on the tax rates and laws which are in place at the balance sheet date. Deferred tax assets and liabilities are not discounted.

No provision is made to cover any further liability to taxation which would arise in respect of the distribution of profits retained by overseas subsidiary undertakings.

The adoption of Financial Reporting Standard 19 has had no effect on the reported results.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Where the cost of investments includes long term loans, these are included within investments.

Research and development

Expenditure on research and development is written off when incurred.

Foreign currencies

Results and assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The net difference arising from the restatement of the net assets of overseas subsidiary and related Companies at the beginning of the financial year, using the exchange rates prevailing at the end of the financial year, is taken directly to reserves. Exchange differences on foreign currency loans are also taken directly to reserves where there is an appropriate offset.

INEOS Chlor Holdings Limited

Notes to the accounts

1 Segmental information

2002	UK £m	Continental Western Europe £m	North America £m	Asia Pacific £m	Other £m	Total £m
Turnover, by destination:						
Total	196.8	121.3	17.4	29.6	31.0	396.1
Less intra-group business	(24.8)	(1.5)	(6.4)	-	-	(32.7)
External	172.0	119.8	11.0	29.6	31.0	363.4
Analysis by origin:						
Turnover	324.3	24.3	9.6	5.2	-	363.4
Profit/(loss) before tax	(37.8)	(0.3)	0.3	0.3	-	(37.5)
Net assets/(liabilities)	(52.5)	2.4	(0.2)	5.0	-	(45.3)
2001	UK £m	Continental Western Europe £m	North America £m	Asia Pacific £m	Other £m	Total £m
Turnover, by destination:						
Total	235.4	128.1	17.0	31.2	34.8	446.5
Less intra-group business	(37.2)	(1.9)	(6.0)	-	-	(45.1)
External	198.2	126.2	11.0	31.2	34.8	401.4
Analysis by origin:						
Turnover	376.2	12.3	7.9	5.0	-	401.4
Profit/(loss) before tax	(9.4)	0.7	(0.4)	0.3	-	(8.8)
Net assets/(liabilities)	(8.7)	(0.2)	(0.4)	2.2	-	(7.1)

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

2 Operating profit before exceptional operating items

	2002 £'000	2001 £'000
Operating profit before exceptional operating items is stated after charging/(crediting):		
Auditors' remuneration:		
Audit fees, including £nil (2001: £nil) relating to the Company	100	100
Non-audit services (2001: includes £526,000 charged to costs of acquisition)	159	715
Depreciation	10,800	6,600
Amortisation	(5,000)	(4,900)
Rentals payable under operating leases:		
Land and buildings	866	2,717
Plant and machinery	2,935	2,299

3 Exceptional operating items

	2002 £m	2001 £m
Closure of Lostock manufacturing site	(0.8)	2.8
Closure of Wilton manufacturing site	0.3	6.3
Organisation restructuring	1.6	9.5
Post-acquisition transition costs	-	0.5
Provision against fixed asset investments	39.5	-
	40.6	19.1

Further details relating to the site closures and the organisation restructuring are given in Note 17.

Post-acquisition transition costs represent items of expenditure which were incurred after 9 January 2001 and which arose as a direct consequence of the change of business ownership.

The provision against the carrying value of fixed asset investments reflects a permanent diminution in the values of loans receivable from related parties. Further details are shown in Note 27.

4 Directors' emoluments

The Directors did not receive any remuneration during the year (2001: £nil).

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

5 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the year, was as follows:

	2002 Number	2001 Number
UK	1,569	1,762
Continental Western Europe	267	273
North America	2	2
Asia Pacific	88	95
	1,926	2,132

The aggregate payroll costs of these people were as follows:

	2002 £m	2001 £m
Wages and salaries	61.4	63.2
Social security costs	5.4	5.5
Other pension costs (see Note 26)	6.7	7.1
	73.5	75.8

6 Net interest payable

	2002 £m	2001 £m
Interest payable on borrowings totally repayable within 5 years	0.7	0.8
Interest payable on other borrowings	8.1	6.0
Interest payable and similar charges	8.8	6.8
Interest receivable and similar income	(2.5)	(2.5)
Net interest payable	6.3	4.3

Included in the above is interest payable on finance leases of £nil (2001: £0.1m).

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

7 Tax on loss on ordinary activities

(a) Analysis of charge in period	2002 £m	2001 £m
UK Corporation Tax at 30%	-	-
Deferred taxation	-	-
Overseas taxation	0.5	1.0
	0.5	1.0

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £m	2001 £m
Loss on ordinary activities before taxation	(37.5)	(8.8)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	(11.3)	(2.6)
Effects of:		
Expenses not deductible for tax purposes	11.0	0.4
Capital allowances for year in excess of depreciation	0.8	-
Unrelieved tax losses	-	3.2
Higher tax rates on overseas earnings	-	-
Current tax charge for period	0.5	1.0

(c) Factors which may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The Group has significant carried-forward tax losses.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

(d) Deferred Taxation

There is no deferred tax relating to the Company. The amounts provided and not provided in respect of the Group deferred tax asset are as follows:

	2002		2001	
	Provided £m	Not provided £m	Provided £m	Not provided
Arising from accelerated Capital allowances	-	33.0	-	11.0
Short-term timing differences	-	0.8	-	-
Tax losses and other credits available	-	18.9	-	31.5
	-	52.7	-	42.5

Movements during the year in respect of deferred tax were as follows:

	2002		2001	
	Provided £m	Not provided £m	Provided £m	Not provide
At start of year	-	42.5	-	-
On acquisition of businesses	-	-	-	40.0
Prior year adjustment	-	9.4	-	-
Arising during the year	-	0.8	-	2.5
At end of year	-	52.7	-	42.5

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

8 Intangible assets

Negative goodwill	Group £m	Company £m
Gross book value		
At 1 January 2002	(53.6)	-
Exchange adjustment	0.5	-
On acquisition of businesses (see Note 11)	4.7	-
At 31 December 2002	(48.4)	-
Accumulated amortisation		
At 1 January 2002	(4.9)	-
Released during the year	(4.7)	-
At 31 December 2002	(9.6)	-
Net Book Value		
At 31 December 2001	(48.7)	-
At 31 December 2002	(38.8)	-

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

9 Tangible fixed assets

Group	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
At 1 January 2002	6.9	59.4	27.7	94.0
On acquisition of businesses (Note 11)	(4.2)	(1.5)	-	(5.7)
Capital expenditure	-	0.7	34.0	34.7
Transfers	0.5	49.0	(49.5)	-
Disposals	-	(0.7)	-	(0.7)
At 31 December 2002	3.2	106.9	12.2	122.3
Accumulated depreciation				
At 1 January 2002	0.2	6.4	-	6.6
Charge for year	0.2	10.6	-	10.8
Disposals	-	(0.3)	-	(0.3)
At 31 December 2002	0.4	16.7	-	17.1
Net book value				
At 31 December 2001	6.7	53.0	27.7	87.4
At 31 December 2002	2.8	90.2	12.2	105.2

Included in plant and machinery are fixed assets held under finance leases with a net book value of £0.4m (2001: £0.5m).

All the net book value of land and buildings relates to freehold properties.

The Company does not own any tangible fixed assets.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

10 Fixed Asset Investments - Loans

	Group £m
Cost	
At 1 January 2002	50.4
Additions	2.6
At 31 December 2002	53.0
Provisions	
At 1 January 2002	-
Provided in year	39.5
At 31 December 2002	39.5
Net book value	
At 31 December 2001	50.4
At 31 December 2002	13.5

The Company's investment of £1 represents the cost of the 85% shareholding in INEOS Chlor Limited.

The subsidiaries, all of which are included within the consolidated Group accounts are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Chlor Limited	England	Chemicals manufacture and selling	Ordinary 85%
INEOS Chlor Energy Limited	England	Dormant	Ordinary 100%
INEOS Chlor Atlantik GmbH	Germany	Chemicals manufacturing and selling	Ordinary 100%
INEOS Chlor Americas Inc	United States of America	Purchase and resale of chemicals	Ordinary 100%
INEOS Chlor France SAS	France	Toll conversion of chemicals	Ordinary 100%
INEOS Chlor Sales International Limited	England	Sales office	Ordinary 100%
INEOS Chlor France (Sales) SAS*	France	Sales office	Ordinary 100%
INEOS Asiatic Chemical Company Limited	Thailand	Chemicals manufacturing and selling	Ordinary 60%
INEOS Chlor Quimica SA	Spain	Purchase and resale of chemicals.	Ordinary 100%
INEOS Chlor Trustees Limited	England	Pension Fund Trustee	Ordinary 100%

All shares are owned by INEOS Chlor Limited except for * (owned by INEOS Chlor Sales International Limited)

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

INEOS Chlor Energy Limited ceased trading during the year. Prior to this, its principal activity was the purchase and resale of electricity. INEOS Chlor Quimica SA commenced trading in 2002.

11 Acquisitions

The Group's financial statements for the period ended 31 December 2001 disclosed details relating to the acquisition by the Group of the global Chlor-Chemicals Division of ICI Chemicals & Polymers Limited.

The fair value adjustments made in the 2001 financial statements were reviewed during 2002 and the estimates were amended in the light of subsequent knowledge or events, as shown in the table below.

The 2002 adjustment in respect of tangible fixed assets is required because the estimated fair value of one group of assets was overstated in the original calculation. The other fair value adjustments relate to the ownership of bank balances at the date of acquisition and restatements of certain accruals and receivables.

Analyses of the revised net assets acquired and the fair value of the consideration for the Group are shown below:

	Book value on acquisition £m	2001 adjustment £m	Original fair value on acquisition £m	2002 adjustment £m	Revised fair value on acquisition £m
Tangible fixed assets	143.9	(93.6)	50.3	(5.7)	44.6
Fixed asset investments	13.1	-	13.1	-	13.1
Stocks	35.9	(9.7)	26.2	-	26.2
Other debtors	78.7	(1.7)	77.0	1.9	78.9
Cash at bank and in hand	16.3	-	16.3	(0.8)	15.5
Creditors due within one year	(67.4)	(1.2)	(68.6)	(0.1)	(68.7)
Creditors due after more than one year	(0.9)	-	(0.9)	-	(0.9)
Provisions for liabilities and charges	(2.0)	-	(2.0)	-	(2.0)
	217.6	(106.2)	111.4	(4.7)	106.7
Minority interest	(1.9)	-	(1.9)	-	(1.9)
Net assets acquired	215.7	(106.2)	109.5	(4.7)	104.8
Costs of acquisition	(5.9)	-	(5.9)	-	(5.9)
Deferred consideration	(50.0)	-	(50.0)	-	(50.0)
Negative goodwill arising on acquisition	159.8	(106.2)	53.6	(4.7)	48.9

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

12 Stocks

	Group	
	2002 £m	2001 £m
Engineering stores	6.3	4.5
Raw materials and work in progress	5.8	5.1
Finished goods	12.4	16.9
	24.5	26.5

There is no material difference between the replacement cost of assets held for resale and their balance sheet amounts.

13 Debtors

	Group	
	2002 £m	2001 £m
Amounts falling due within one year		
Trade debtors	58.3	67.1
Other debtors	4.6	7.7
Prepayments and accrued income	1.4	3.0
	64.3	77.8
Amounts falling due after one year		
Pensions prepayment	0.1	-
Other debtors	-	0.2
	0.1	0.2

14 Loans and other borrowings

	Group	
	2002 £m	2001 £m
Bank loan (due within one year)	12.9	30.4
8% Loan Note (due after one year)	58.2	53.9
Other loan (due after one year)	70.0	35.0
	141.1	119.3
Cash at bank and in hand	(7.2)	(9.8)
Net borrowings	133.9	109.5

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

At 31 December 2002, the amount repayable in respect of the 8% Loan Note included accrued interest of £8.2m (2001: £3.9m). This Loan Note was to be redeemed over the period to December 2010 out of available cash flow, although in certain circumstances it could have been redeemed on an accelerated discount basis for a minimum of £25m. Any outstanding balance owing on the Loan Note in December 2010 could have converted pro-rata into warrants representing 34% of INEOS Chlor Limited's ordinary share capital if no repayments had been made.

The Bank loan represents the amount advanced at the balance sheet date under a sales ledger financing agreement. The balance is secured by fixed and floating charges over the Group's UK assets and by share pledges over the subsidiary undertakings of INEOS Chlor Limited.

At 31 December 2002, the other loan represented the amount drawn down from the £100m revolving loan facility provided by Imperial Chemical Industries PLC. This facility was available for up to 5 years (until December 2005) and could, if necessary, have been extended for a further 2 years. Interest was charged at market rates on the amount drawn down. While any liabilities under this facility remained, Imperial Chemical Industries PLC had certain rights under a shareholders' agreement including, in the event that the Group defaulted on the loan, for no consideration to take control of INEOS Chlor Limited if Imperial Chemical Industries PLC judged that it was in its best interest to do so.

None of the loans were repayable in instalments.

At 31 December 2003 the Company completed the refinancing and restructuring of the Group, including the debt facilities which were in place at 31 December 2002. Further details are shown in Note 30.

15 Creditors – amounts falling due within one year

	Group	
	2002 £m	2001 £m
Obligations under finance leases	0.2	0.1
Trade creditors	32.8	27.7
Corporation tax	0.1	0.7
Other taxes and social security	3.3	3.5
Other creditors	10.6	13.5
Accruals and deferred income	25.2	31.7
	72.2	77.2

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

16 Creditors – amounts falling due after more than one year

	Group	
	2002 £m	2001 £m
Obligations under finance leases	0.2	0.4
Other creditors	0.5	0.5
	0.7	0.9
Future minimum payments under finance leases are as follows:		
Within one year	0.2	0.1
Between one and five years	0.3	0.4
Total gross payments	0.5	0.5
Less: finance charges included above	(0.1)	(0.1)
	0.4	0.4

17 Provisions for liabilities and charges

Group	Retirement Benefits £m	Restructuring £m	Total £m
At 1 January 2002	2.4	6.7	9.1
Exchange adjustment	0.1	-	0.1
Charged to profit and loss account	0.3	1.3	1.6
Paid in the year	-	(6.7)	(6.7)
Transferred to current liabilities in the year	(0.4)	(0.8)	(1.2)
At 31 December 2002	2.4	0.5	2.9

The restructuring provision represents expenditure on a major reorganisation in the UK. This reorganisation includes the closure of the chemical production facilities at Lostock during 2001, closure of the Wilton manufacturing site in 2002 and the restructuring of the remaining UK organisation. The provision remaining at 31 December 2002 consists mainly of redundancy costs, together with the costs of decontaminating the closed manufacturing facilities. Most of the provision will be spent during 2003.

There are no provisions relating to the Company.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

18 Deferred income

Government grants and other contributions towards the cost of tangible fixed assets	Group £m
At 1 January 2002	4.0
Cash received in the period	0.7
Released to the profit and loss account	(0.3)
At 31 December 2002	4.4

There is no deferred income relating to the Company.

19 Equity Share capital

	Authorised		Allotted, issued and fully paid	
	2002	2001	2002	2001
Ordinary shares of £1 each	-	1,000	-	1
Ordinary Shares of 1p each	100,000	-	10,000	-

During the year, 99 Ordinary shares of £1 each were issued, at par, for cash. Subsequent to this, each of the £1 Ordinary shares was subdivided into 100 Ordinary shares of 1p each.

20 Reserves

Profit and loss account	Group £m	Company £m
At 1 January 2002	(10.2)	-
Loss for the period	(38.0)	-
Exchange translation effects	(0.2)	-
At 31 December 2002	(48.4)	-

21 Minority equity interests

	Group £m
At 1 January 2002	2.0
Share of retained profit after taxation	-
At 31 December 2002	2.0

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

22 Net cash inflow from operating activities

	2002 £m	2001 £m
Operating loss	(31.2)	(4.5)
Depreciation and amortisation	5.8	1.7
Exceptional items charged against operating profit	40.6	19.1
Cash outflow from exceptional items	(10.0)	(6.5)
Decrease/(increase) in stocks	2.0	(0.3)
Decrease/(increase) in debtors	15.1	(1.0)
(Decrease)/increase in creditors	(2.5)	5.2
Net cash inflow from operating activities	19.8	13.7

23 Analysis of changes in net debt

	At 1 January 2002 £m	On acquisition of businesses £m	Cash flow £m	Other non cash changes £m	At 31 December 2002 £m
Cash at bank and in hand	9.8	(0.8)	(1.8)	-	7.2
Bank loan	(30.4)	-	17.5	-	(12.9)
Net cash	(20.6)	(0.8)	15.7	-	(5.7)
8% Loan Note	(53.9)	-	-	(4.3)	(58.2)
Other loan	(35.0)	-	(35.0)	-	(70.0)
Net borrowings	(109.5)	(0.8)	(19.3)	(4.3)	(133.9)
Finance leases	(0.5)	-	0.1	-	(0.4)
Net debt	(110.0)	(0.8)	(19.2)	(4.3)	(134.3)

The Bank loan is included in net cash because in practice this facility operates in a similar way to a bank overdraft.

The Other non cash changes relate to interest accruals.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

24 Reconciliation of net cash flow to movement in net debt

	2002 £m	2001 £m
Increase/(decrease) in cash in year	15.7	(36.9)
Net movement in borrowings	(35.0)	(35.0)
Finance leases	0.1	0.1
Change in net debt resulting from cash flow	(19.2)	(71.8)
Debt acquired on acquisition	(0.8)	(34.3)
Other non-cash changes	(4.3)	(3.9)
Movement in net debt in the year	(24.3)	(110.0)

25 Commitments and contingent liabilities

The Company has no commitments or contingent liabilities

Group

a) Annual operating lease commitments

	Property		Other	
	2002 £m	2001 £m	2002 £m	2001 £m
Leases which expire:				
Within one year	0.1	0.3	1.0	1.7
Between one and two years	-	-	0.5	0.3
Between two and five years	0.1	-	0.3	0.2
After five years	-	0.1	-	-
	0.2	0.4	1.8	2.2

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

b) Capital commitments

Commitments for capital expenditure not provided for in these accounts are as follows:-

	2002 £m	2001 £m
Contracts placed for future expenditure	2.9	4.1
Expenditure authorised but not yet contracted	21.9	7.7
	24.8	11.8

c) Unconditional purchase obligations and contingent liabilities

As part of the acquisition detailed in Note 11 the Group inherited a number of contracts entered into by the previous owner in the normal course of business. Not all of these contracts were novated formally by 31 December 2002.

The disclosures below assume that any outstanding contract novations will be completed in due course without significant changes to the financial implications.

The net present values of significant take or pay contracts which have been entered into are as follows:-

	2002 £m	2001 £m
Purchase of electric power, until 2016	7.0	7.2
Purchase of electric power, until 2013	178.2	185.5
Facility charges for the production of oxygen, nitrogen and compressed air, until 2009	10.5	11.6
Facility charges for the production of vinyl chloride monomer, until 2008 (*)	16.4	20.0
Purchase of nitrogen, until 2013 (*)	2.6	2.8
Purchase of gas, until 2003 (**)	-	19.9
	214.7	247.0

Notes

(*) This contract is with EVC International NV, a related Company.

(**) The Company has a back-to-back contract for the sale of this gas. As a result, no contingent liability arises from the unconditional purchase obligation.

Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

26 Retirement benefits

(a) UK Group - Disclosures in respect of Statement of Standard Accounting Practice 24

The majority of the UK employees participated in the Imperial Chemical Industries Pension Fund ("ICIPF") prior to 9 January 2001. On 9 January 2001, there was a transfer of members from the ICIPF to a newly established INEOS Chlor Pension Fund ("the Fund") with these members being provided with the same level of benefits in the Fund as those in the ICIPF. Transferring members were granted a year for year service in the Fund for each year of service completed in the ICIPF before 9 January 2001.

The Fund is administered by a group of trustees with assets being held separately from the Group. Members receive defined benefit pensions which are based on their length of service and average final remuneration with the Group. Contributions are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the Group. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The last valuation was carried out as at 31 December 2001 and the net pension cost has been based on an interest rate of 6.8% pa, future salary increases of 4% pa and price inflation of 2.5% pa.

Pension cost for the year	2002 £m
Regular pension cost	6.6
Variations from regular cost	(0.9)
Net pension cost	5.7

During the year the Group paid normal contributions to the fund of £5.8m, at a rate of 13.4% of pensionable earnings (2001: £5.9m, at 13.4%).

Capital costs of unfunded retirement benefits (URB) for employees retiring before normal retiring age are paid to the Fund by the Group in addition to the above contributions. During the year the cost to the Group of providing these benefits was £0.1m (2001: £nil).

The first actuarial valuation of the fund took place as at 31 December 2001. The results of this review and the assumptions used are as set out below:

	31 December 2001
Market value of scheme assets	£105.2m
Level of funding *	102%
Weighted average discount rate	6.4% pa
Long-term rate of return on assets	4.0% pa
Weighted average rate of increase in future earnings	2.5% pa

* The assessed value of assets expressed as a percentage of the accrued service liabilities.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

(b) UK Group - Additional disclosures in respect of Financial Reporting Standard 17

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	2002 % pa	2001 % pa
Price inflation	2.25	2.5
Discount rate for scheme liabilities	5.6	5.8
Rate of increases in salaries	3.75	3.9
Rate of increase of pensions in payment	2.25	2.5
Rate of increase for deferred pensioners	2.25	2.5

In the Group's financial statements for the period ended 31 December 2001, the 31 December 2001 asset and liability calculations were based on an assumed proportion of the eligible membership of the fund transferring their past benefits from ICIPF and historic data provided by Imperial Chemical Industries PLC. When the assets and liabilities were transferred on 3 December 2002, the actual proportion of members who transferred their benefits was significantly higher than anticipated at 31 December 2001. In order to avoid a material distortion of reported scheme gains and losses during 2002, the valuations of scheme assets and liabilities as at 31 December 2001 have been restated so that they are representative of the members who actually transferred into the scheme on 3 December 2001.

The assets in the scheme (2001 restated) and the expected rates of return were:

	31 December 2002		31 December 2001	
	Expected rate of return % pa	Fair Value £m	Expected rate of return % pa	Fair Value £m
Equities	8.0	65.4	7.3	84.2
Bonds	5.0	14.6	5.0	21.0
Other	5.0	12.7	5.0	-
Total fair value of assets	7.1	92.7	6.8	105.2
Actuarial value of scheme liabilities		(135.2)		(120.3)
Deficit in the scheme		(42.5)		(15.1)
Related deferred tax asset		-		-
Net pension liability		(42.5)		(15.1)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2001 and 31 December 2002 would be as follows:

Net assets	2002 £m	2001 £m
Excluding pension liability	(47.3)	(9.1)
Pension liability	(42.5)	(15.1)
Including pension liability	(89.8)	(24.2)

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

Profit and loss reserve	2002 £m	2001 £m
Excluding pension liability	(48.4)	(10.2)
Pension liability	(42.5)	(15.1)
Including pension liability	(90.9)	(25.3)

Analysis of the amount charged to operating profit	2002 £m
Current service cost	8.5
Past service costs	-
Total operating charge	8.5

Analysis of the amount credited to other finance income	2002 £m
Expected return on pension scheme assets	7.3
Interest on pension scheme liabilities	(6.9)
Net return	0.4

Analysis of amounts recognised in the statement of total recognised gains and losses	2002 £m
Actual return less expected return on pension fund assets	(25.4)
Experience losses arising on fund liabilities	0.4
Changes in assumptions underlying the present value of the fund liabilities	(0.1)
Actuarial loss recognised in the statement of total recognised gains and losses	(25.1)

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

Movement in deficit during the year	2002 £m
Deficit in the fund at beginning of year	(15.1)
Contributions paid	5.8
Current service cost	(8.5)
Other finance income	0.4
Actuarial loss	(25.1)
Deficit in the fund at end of year, before allowance for deferred tax	(42.5)

History of experience gains and losses	2002
Difference between the actual and expected return on fund assets	
Amount	£(25.4)m
% of fund assets at end of year	(27.7)%
Experience losses on fund liabilities	
Amount	£(0.4)m
% of fund liabilities at end of year	(0.3)%
Total actuarial loss recognised in the statement of total recognised gains and losses	
Amount	£(25.1)m
% of fund liabilities at end of year	(18.6)%

(c) Other Group Companies

In addition to the UK scheme, certain other Group Companies also participate in local, unfunded pension schemes. The pension cost charged to the profit and loss account for the period was £1.0m (2001: £0.7m) in respect of these schemes.

27 Related party transactions

Transactions between Companies in the INEOS Chlor Holdings Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard 8.

ICI Chemicals & Polymers Limited owns a minority shareholding in INEOS Chlor Limited.

The owners of INEOS Chlor Holdings Limited have a controlling interest in INEOS Vinyls Holdings Limited. INEOS Vinyls Holdings Limited has a controlling interest in INEOS Vinyls Limited and EVC International NV.

The Company is related to INEOS Group Limited, INEOS Capital Limited and Screencondor Limited by virtue of common control.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

Material trading transactions with related parties during the period were as follows:

Related party	Sales	Purchases	Balance owed to the Group at 31 December 2002 £m
Imperial Chemical Industries PLC and its subsidiaries	Industrial chemicals and site services – £7.5m (2001: £2.5m)	Industrial chemicals and site services – £2.0m (2001: £4.3m)	2002: 2.5 2001: 0.4
EVC International NV and its subsidiaries	Industrial chemicals and site services – £44.3m (2001: £31.4m)	Industrial chemicals and site services – £10.1m (2001: £8.0m)	2002: 2.1 2001: 1.4
INEOS Group Limited and its subsidiaries	Industrial chemicals and site services – £22.9m (2001: £18.6m)	Industrial chemicals – £2.3m (2001: £3.1m)	2002: 1.8 2001: 1.9

Other material transactions with related parties during the period were:

Related party	Transaction	Balance owed to/(by) the Group at 31 December 2001 £m
Imperial Chemical Industries PLC	Issue of 8% Loan Note by INEOS Chlor Limited in connection with the acquisition of businesses. For further information, see Note 14. Other loans received by the Group, total £35m (2001: £35m) plus accrued interest.	2002: (58.2) 2001: (53.9) 2002: (70.3) 2001: (35.4)
INEOS Vinyls Holdings Limited group	2001: Loan finance provided by the Group - £35m plus interest at market rates. Also, sale of shares in EVC International NV by the Company for £6m. 2002: Provision for permanent diminution in the value of amounts receivable - £35.5m	2002: 45.5* 2001: 43.1 * = before provision
INEOS Capital Partners	Management services provided to the Group – £1.2m (2001: £2.5m).	2002: Nil 2001: Nil
Screencondor Limited	2001: Sale of land in Germany 2002: Funding of administrative expenses - £0.1m (2001: £0.1m) 2002: Provision for permanent diminution in the value of amounts receivable - £4.0m	2002: 7.5* 2001: 7.4 * = before provision

28 Ultimate Parent Company

There was no ultimate Parent Company at 31 December 2002. As a result of the Group's refinancing and restructuring described in Note 30, the Company's ultimate Parent Company is now INEOS Chlor Group Limited.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

29 Ultimate Controlling Party

The Directors regard Mr JA Ratcliffe to be the ultimate controlling party as he had the largest single shareholding in the Company at 31 December 2002 and by virtue of his shareholding in INEOS Chlor Group Limited.

30 Post Balance Sheet Events

On 31 July 2003 the Company, INEOS, ICI and the Department of Trade and Industry announced that final agreement had been reached on a financing package for the substantial modernisation of the Company's subsidiary undertaking, INEOS Chlor Limited's chlor-alkali assets at Runcorn Site, Cheshire.

On 10 December 2003 the European Commission approved the Department of Trade and Industry's granting of Regional Selective Assistance.

On 31 December 2003 the Company completed the refinancing and restructuring of the Group.

The main features of the refinancing and restructuring of the Group are:

1. the transfer of non chlor-alkali and non Runcorn assets to a sister Company, INEOS Chlor Enterprises Limited
2. the restructuring of existing debt facilities
3. new funding to finance the investment projects

1. Transfer of business

On 31 December 2003 the Group realised a profit by transferring INEOS Chlor Limited's non chlor-alkali, non Runcorn businesses to INEOS Chlor Enterprises Limited in exchange for a cash consideration.

As a consequence of the restructuring, the ultimate parent company of the Group and INEOS Chlor Enterprises Limited changed to INEOS Chlor Group Limited. The ICI Group, through a subsidiary company, will continue to have a direct shareholding of 15% in both the Group and INEOS Chlor Enterprises Limited.

2. Restructuring of existing debt facilities

The Group, INEOS, ICI and the DTI have agreed that interest and debt repayments will be made out of available free cash after the successful completion of the agreed Runcorn site modernisation programme, with payments in respect of debt and interest dependent on project expenditure and cash generation of the business over this period.

The terms of the £100m revolving loan facility provided by ICI PLC have been changed accordingly. The facility will continue to be available until 2010.

The 8% Loan Note (see note 14) has been restated following completion. The Loan Note has been split into two different Notes:

- (i) 8% Loan Notes 2015 (value at 31 December 2003 - £10m)

These 8% Loan Notes 2015 are payable to ICI. Interest will accrue from June 2005 onwards.

- (ii) Zero Coupon Loan Notes (value at 31 December 2003 - £52.8m)

As part of the restructuring, ownership of the Zero Coupon Loan Notes has transferred from ICI to INEOS Chlor Enterprises Limited. No interest will accrue.

INEOS Chlor Holdings Limited

Notes to the accounts (continued)

Both Loan Notes shall continue to be an unsecured obligation of the Group, but none of the Loan Notes will hold any warrants rights.

The Sales Ledger Financing Agreement (see note 14) will continue to be available on broadly similar terms.

3. New Funding

Following completion ICI increased the existing Revolving Loan Facility from £100m to £130m.

In addition, ICI will contribute £15m by subscribing for new 8% Loan Notes 2015 and a further £15m grant contribution exclusively for capital expenditure.

As part of the agreement to transfer the assets to INEOS Chlor Enterprises Limited, INEOS Chlor Enterprises Limited assumed an obligation to provide £25m towards the funding of the investment project.

INEOS Group Limited and EVC International NV, both related parties, will provide in total a £20m loan on terms similar to the ICI Revolving Loan Facility.

The Department of Trade and Industry (in the form of a Regional Selective Assistance award) will contribute £40m as Grant and £10m as an interest free loan.