

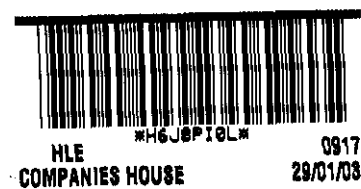
Company Registration No. 249759

TIOXIDE GROUP

Consolidated Report and Financial Statements

for the year ended 31 December 2001

Deloitte & Touche
Gainsborough House
34-40 Grey Street
Newcastle upon Tyne
NE1 6AE



TIOXIDE GROUP

REPORT AND FINANCIAL STATEMENTS 2001

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TIOXIDE GROUP

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Esplin
P R Huntsman
L R Healy
T G Fisher
K J Ninow
D Emerson

SECRETARY

M Maughan

REGISTERED OFFICE

Haverton Hill Road
Billingham
TS23 1PS
England

BANKERS

ABN Amro
250 Bishopsgate
London
EC2M 4AA

SOLICITORS

Slaughter and May
35 Basinghall Street
London
EC2V 5DB

AUDITORS

Deloitte & Touche
Newcastle Upon Tyne

TIOXIDE GROUP

DIRECTORS' REPORT

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

ACTIVITIES

Tioxide Group is the investment holding company for worldwide subsidiaries of Huntsman International LLC which are involved in the manufacture and sale of titanium dioxide pigment, olefins, aromatics, polyurethane chemicals and surfactants.

REVIEW OF DEVELOPMENTS

Group results

Group Turnover from continuing operations including acquisitions increased by \$195 million (6%) from \$3,206 million to \$3,401 million.

Operating profit for continuing operations decreased by \$243 million from \$310 million to \$67 million.

Acquisitions and Disposals

In February 2001, the group completed the acquisition of Dow Chemical Company's ethylenediamines business. The purchase includes up to fifty percent of Dow's Tereuzen, Netherland ethylenediamines asset capacity rights of approximately 13,600 tonnes per year.

In March 2001 the group purchased the European surfactants business of Albright & Wilson, a subsidiary of Rhodia. Albright & Wilson's surfactants business participates in the anionic sulfonated surfactants and non-ionic ethoxylated surfactants markets.

In March 2001 the group also purchased ICI India's global polyurethane business. ICI India's polyurethane business is a primary manufacturer for polyurethane foams.

RESULTS AND DIVIDENDS

The loss for the year ended 31 December 2001 was \$3,840,000 (2000: \$138,266,000 profit). The directors wish to accrue a dividend of \$46,713,000 for the year to 31 December 2001. The accrual is in respect of dividend payable on the 7% Fixed rate cumulative preference shares in issue.

RESEARCH AND DEVELOPMENT

Research and development facilities are maintained at Billingham, Birmingham, Everberg and Wilton. These facilities are responsible for undertaking scientific research into related fields with the aim of identifying potential new products or processes and for developments in titanium dioxide pigment, surfactants, polyurethane chemicals and petrochemicals, and related products and processes throughout the group both in the UK and overseas.

FUTURE PROSPECTS

The directors are optimistic about the long-term prospects for continued growth, both organically and by strategic acquisition.

The group announced in September 2000 its intention to expand the annual production capacity of its Tioxide plant at its Greatham facility through a \$85 million investment due for completion in mid 2002. We are pleased to report that the plant was officially opened in November 2002. The plant, which will increase overall product capacity at Greatham to 100,000 tonnes a year, will strengthen the group's position as the leading manufacturer of titanium dioxide pigments in Europe.

TIOXIDE GROUP

DIRECTORS' REPORT(continued)

DIRECTORS AND THEIR INTERESTS

The present directors are shown on Page 1.

None of the directors had any interest in the shares of the company, its subsidiaries, or the ultimate parent company at any time during the year.

DONATIONS

During the year the group made donations totalling \$443,000 (2000: \$411,000) for charitable purposes.

EMPLOYEE INVOLVEMENT

Regular meetings are held with employees or their representatives to discuss sales, financial position, prospects and EHS matters. Opportunity is given at these meetings for senior executives to be questioned about matters which concern employees.

The business produces a magazine a number of times a year which is distributed to all employees. This magazine includes articles on the businesses' performance and plans, and items of interest about teams, projects and employees.

The group complies with all employment legislation including requirements concerning equal opportunities in employment, employment of disabled people, and health and safety at work.

EMPLOYMENT OF DISABLED PERSONS

The group gives full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work for employees who become disabled, to promote their career development within the organisation.

SUPPLIER PAYMENT POLICY

It is group policy to agree terms and conditions for its business transactions with suppliers. Payments are then made on these terms, subject to the terms and conditions being met by the supplier.

Tioxide Group holds the investments in the group companies, does not trade itself and does not have suppliers within the meaning of the Companies Act 1985.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors.

A resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M. Maughan
Secretary

TIOXIDE GROUP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 group and company as at the end of the financial year and of the profit or loss of the group 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 are followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



J. M. O'Connell
Secretary

TIOXIDE GROUP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIOXIDE GROUP

We have audited the financial statements for Tioxide Group for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, note of historical cost profits and losses and the related notes 1 to 30 together with the statement of movement on reserves, statement of recognised gains and losses and reconciliation of movement in consolidated shareholders' funds. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes an 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 circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which were 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 evaluate 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 affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte - Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Newcastle-Upon-Tyne

28 January 2003

TIOXIDE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

	Note	2001 \$000	2001 \$000	2000 \$000	2000 \$000
Group Turnover including its share of joint ventures			3,494,937		3,361,842
Share of turnover of joint ventures			(94,019)		(93,466)
Group Turnover			3,400,918		3,268,376
Group Turnover					
Continuing operations			3,107,503		3,164,052
Acquisitions			293,415		41,708
			3,400,918		3,205,760
Discontinued operations			-		62,616
Total Group turnover	3,4		3,400,918		3,268,376
Cost of sales - ordinary activities		(2,990,798)		(2,735,542)	
Cost of sales - exceptional items	5	(41,314)		(44,970)	
Cost of sales - total			(3,032,112)		(2,780,512)
Gross profit			368,806		487,864
Distribution costs			(76,022)		(69,399)
Administrative expenses			(202,965)		(157,429)
Other operating (costs)/income			(5,755)		48,842
Operating Profit/(Loss)					
Continuing operations			67,113		310,425
Acquisitions			16,951		(116)
			84,064		310,309
Discontinued operations			-		(431)
Group operating profit	3,4,7		84,064		309,878
Share of operating profit of joint ventures			-		-
Profit on Ordinary Activities before Interest			84,064		309,878
Interest receivable and similar income	8		11,687		4,403
Interest payable and similar charges	9		(113,203)		(131,727)
(Loss)/Profit on Ordinary Activities before Taxation			(17,452)		182,554
Tax on loss/(profit) on ordinary activities	10		15,818		(41,422)
(Loss)/Profit on Ordinary Activities after Taxation			(1,634)		141,132
Equity minority interests			(2,206)		(2,866)
(Loss)/Profit for the Financial Year			(3,840)		138,266

TIOXIDE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued) **Year ended 31 December 2001**

	Note	2001 \$000	2001 \$000	2000 \$000	2000 \$000
(Loss)/Profit for the Financial Year			(3,840)		138,266
Dividends accrued - all amounts in respect of non-equity shares	12		(46,713)		(61,569)
(Withdrawn from)/Transferred to reserves			<u>(50,553)</u>		<u>76,697</u>

Other operating income/costs includes \$18,109,000 (2000: \$54,433,000) of exchange movements arising on retranslation of foreign currency balances in Tioxide Group, the holding company.

TIOXIDE GROUP

STATEMENT OF MOVEMENT ON RESERVES

Year ended 31 December 2001

	Share Capital issued/to be issued \$'000	Share premium account \$'000	Revaluation reserves \$'000	Other reserve \$'000	Profit and loss account \$'000	Total \$'000
The Group						
Balance at 1 January 2001	668,136	25,881	54,196	61,569	(52,776)	757,006
(Loss) for the year	-	-	-	-	(3,840)	(3,840)
Foreign exchange translation differences on the translation of net equity investments in foreign enterprises	-	-	-	-	(29,593)	(29,593)
Foreign exchange translation differences on the translation of Other /Revaluation reserves	-	-	(10,258)	(1,525)	-	(11,783)
Foreign exchange translation differences on the translation of the share capital/premium account	(16,069)	(450)	-	-	-	(16,519)
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(3,693)	-	3,693	-
Cumulative preference dividend accrued	-	-	-	46,713	(46,713)	-
Shares issued	32,394	19,808	-	-	-	52,202
Balance at 31 December 2001	<u>684,461</u>	<u>45,239</u>	<u>40,245</u>	<u>106,757</u>	<u>(129,229)</u>	<u>747,473</u>
The Company						
Balance at 1 January 2001	668,136	25,881	-	61,569	17,985	773,571
Profit for the year	-	-	-	-	17,514	17,514
Foreign exchange translation differences on the translation of the Other Reserves/ share premium account	(16,069)	(450)	-	(1,525)	-	(18,044)
Cumulative preference dividend accrued	-	-	-	46,713	(46,713)	-
Shares issued	32,394	19,808	-	-	-	52,202
Balance at 31 December 2001	<u>684,461</u>	<u>45,239</u>	<u>-</u>	<u>106,757</u>	<u>(11,214)</u>	<u>825,243</u>

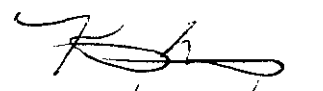
TIOXIDE GROUP

CONSOLIDATED BALANCE SHEET 31 December 2001

	Note	2001 \$000	\$000	2000 \$000	\$000
Fixed Assets					
Licences	13		956		-
Goodwill	13	16,061		8,866	
Negative goodwill	13	(182,020)		(183,153)	
			(165,959)		(174,287)
Intangible assets			(165,003)		(174,287)
Tangible assets	14		1,903,306		1,756,520
Investment in joint venture	15				
Share of gross assets		149,433		165,855	
Share of gross liabilities		(9,633)		(14,740)	
			139,800		151,115
Other investments	15		4,417		4,218
			1,882,520		1,737,566
Current Assets					
Stocks	16	444,360		427,174	
Debtors					
due within one year	17	493,329		499,281	
due after one year	17	136,131		129,754	
Cash at bank and in hand		61,596		61,833	
		1,135,416		1,118,042	
Creditors: Amounts falling due within one year	18, 20	(761,195)		(647,209)	
Net Current Assets			374,221		470,833
Total Assets Less Current Liabilities			2,256,741		2,208,399
Creditors: Amounts falling due after more than one year	19		(1,327,238)		(1,240,682)
Provisions for Liabilities and Charges	21		(174,849)		(202,085)
Equity minority interests			(7,181)		(8,626)
	3		747,473		757,006
Capital and Reserves					
Called up share capital - equity	22		1		1
- non equity	22		684,460		619,022
Share premium account			45,239		25,881
Share capital to be issued			-		49,113
Revaluation reserve			40,245		54,196
Other reserves			106,757		61,569
Profit and loss account			(129,229)		(52,776)
Total shareholders' funds			747,473		757,006
Equity shareholders' funds			(88,983)		1,421
Non equity shareholders' funds			836,456		755,585

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

Director


23/01/03

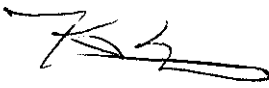
TIOXIDE GROUP

COMPANY BALANCE SHEET
31 December 2001

	Note	2001 \$000	\$000	2000 \$000	\$000
Fixed Assets					
Investments	15		827,902		776,298
Current Assets					
Debtors	17	4,120		4,224	
Cash at bank and in hand		1		1	
		<u>4,121</u>		<u>4,225</u>	
Creditors: Amounts falling due within one year	18	<u>(6,780)</u>		<u>(6,952)</u>	
Net Current Liabilities			(2,659)		(2,727)
		<u>825,243</u>		<u>773,571</u>	
Capital and Reserves					
Called up share capital - equity	22	1		1	
- non equity	22	684,460		619,022	
Share premium account		45,239		25,881	
Share capital to be issued		-		49,113	
Other reserves		106,757		61,569	
Profit and loss account		(11,214)		17,985	
Total shareholders' funds		<u>825,243</u>		<u>773,571</u>	
Equity shareholders' funds		(11,213)		17,986	
Non equity shareholders' funds		836,456		755,585	

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

Director


23/01/03

TIOXIDE GROUP**Year ended 31 December 2001****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2001 \$000	2000 \$000
(Loss)/Profit for the financial year	(3,840)	138,266
Currency translation differences on net investments(taken from Statement of Movement on Reserves)	(29,593)	(49,375)
Other Currency translation differences (taken from Statement of Movement on Reserves)	(28,302)	(63,572)
Total recognised gains and (losses) relating to the year	(61,735)	25,319

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2001 \$000	2000 \$000
Reported (Loss)/profit on ordinary activities before taxation	(17,452)	182,554
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	3,693	4,566
Historical cost (loss)/profit on ordinary activities before taxation	(13,759)	187,120
Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends	(46,860)	81,263

RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

	2001 \$000	2000 \$000
(Loss)/Profit for the financial year	(3,840)	138,266
Dividends	(46,713)	(61,569)
	(50,553)	76,697
Other recognised losses for the year (net)	(57,895)	(112,947)
Reserves attributable to preference share holders	46,713	61,569
Issue of shares	52,202	21,490
Share capital to be issued	-	48,769
Net (reduction)/addition to shareholders' funds	(9,533)	95,578
Opening shareholders' funds	757,006	661,428
Closing shareholders' funds	747,473	757,006

TIOXIDE GROUP

NOTES TO THE ACCOUNTS **Year ended 31 December 2001**

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting United Kingdom standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Cash flow statement

The company does not produce a cash flow statement in accordance with FRS 1 (Revised) as the parent company's financial statements include a consolidated cash flow statement that is publicly available.

Acquisitions and disposals

On the acquisition of a business including an interest in a joint venture, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, following the implementation of FRS 10, is capitalised in the group balance sheet in the year of acquisition.

The results relating to a business are included in the profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill and intangible fixed assets

For acquisition of a business, including an interest in an associated undertaking, following the implementation of FRS 10 "Goodwill and intangible fixed assets", positive purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. Any negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the periods expected to be benefited.

Capitalised purchased goodwill in respect of both subsidiaries and joint ventures is included within intangible fixed assets.

Goodwill which arose on the acquisition of a business, including an interest in an associated undertaking, in prior periods and was written off to the profit and loss reserve as a matter of accounting policy remained eliminated in that reserve and will be charged or credited in the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

Licenses represent amounts paid to third parties for use of certain technologies. The Licenses are being amortised over 14 years, being the directors' assessment of its useful economic life.

Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation used are as follows:

Buildings	30 years
Property, plant and equipment capitalised prior to 30 June 1999	15 years
Property, plant and equipment capitalised from 1 July 1999	20 years
Computer equipment and software	3 years
Office equipment	5 years

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value. The group holds no current asset investments.

In the consolidated accounts, shares in joint ventures are accounted for using the gross equity method. In the consolidated balance sheet, the investment in the joint venture is shown at the group's share of the net assets of the joint venture.

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1 ACCOUNTING POLICIES (continued)

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign exchange

Transactions denominated in foreign currencies are translated into US dollars at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into US dollars at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into US dollars at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken direct to reserves.

Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of their lease term and their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

The company has not introduced the requirements of FRS17 in these financial statements but intends to do so when required. The transitional disclosures, as required by FRS17 in the current year, are detailed in note 26 to these financial statements.

Reporting Currency

Although the company is registered in England and Wales, the activities of the main subsidiary companies are predominantly in markets in which the underlying economics are determined in US dollars. Additionally, the ultimate parent company of Tioxide Group is incorporated in the United States of America. Accordingly, the directors consider that the most appropriate reporting currency to adopt for the company and the group is US dollars.

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2 ACQUISITIONS, DISPOSALS AND GOODWILL

In February 2001 the group completed the acquisition of Dow Chemical company's ethylenamines business.

In March 2001 the group purchased the European surfactants business of Albright & Wilson, a subsidiary of Rhodia. Albright & Wilson's surfactants business participates in the anionic sulfonated surfactants and non-ionic ethoxylated surfactants markets.

In March 2001 the group also purchased ICI India's global polyurethane business. ICI India's polyurethane business is a primary manufacturer for polyurethane foams.

Details for acquisitions, in aggregate, are as follows:-

	Book Amount \$000	Revalua- tion \$000	Fair value to the group \$000
Tangible fixed assets	84,314	33,986	118,300
Current Assets	135,053	-	135,053
Creditors and Provisions	(85,792)	-	(85,792)
Taxation	(153)	-	(153)
Net assets acquired	133,422	33,986	167,408
Consideration			155,960
Total Goodwill arising from 2001 acquisitions			(11,448)
Goodwill arising in the year arose from:-			
Acquisitions in 2001			(11,448)
Adjustments to provisional fair values in respect of acquisitions in prior years			5,783
			(5,665)
			\$000
Satisfied by:			
Cash			155,960

The provisional fair values represent the directors' current estimate of the net assets acquired. However, in accordance with FRS 7, the values attributed may be revised as further information becomes available.

Such a revision of a previous estimate occurred in 2001. Adjustment to the fair values of net assets acquired in 2000 on the acquisition of Huntsman Polyurethanes (Australia) Pty Ltd. gave rise to additional goodwill of \$52,000. This adjustment became necessary when final legal and advisory costs included in the original calculations on an estimated basis became known. Adjustments to the fair values of net assets acquired in 2000 on the acquisition of the Morton global TPU business gave rise to additional goodwill of \$5,731,000. This adjustment arose in relation to provisional values that had been assigned to tangible fixed assets.

The net book values and the fair values of the assets and liabilities acquired under the purchase of the European surfactants business of Albright & Wilson are as follows:-

	Book Amount \$000	Revalua- tion \$000	Fair value to the group \$000
Tangible fixed assets	79,860	33,986	113,846
Current Assets	135,054	-	135,054
Creditors and Provisions	(85,792)	-	(85,792)
Taxation	(153)	-	(153)
Net assets acquired	128,969	33,986	162,955
Cash Consideration			148,737
Goodwill arising			(14,218)

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2 ACQUISITIONS, DISPOSALS AND GOODWILL(continued)

The business purchased was previously part of Albright & Wilson. No pre acquisition results are therefore available.

No amounts have been charged to the group profit and loss account in respect of costs incurred in reorganising, restructuring or integrating the acquisition from March 2001 to 31 December 2001.

Goodwill

Total Goodwill capitalised under the accounting policy in Note 1 amounted to \$5,665,000(negative) (2000: \$9,585,000 positive) .

3. ANALYSIS OF GROUP TURNOVER, OPERATING PROFIT AND NET ASSETS

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. Analysis of turnover, operating profit and net assets are stated below. There is only one class of business.

	Turnover		Operating profit		Net Assets	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Geographical analysis by location						
United Kingdom	1,399,439	1,545,190	(28,256)	104,940	(165,255)	(154,004)
Other European countries	1,330,951	1,052,590	62,854	126,786	574,788	579,816
Rest of World	670,528	670,596	49,466	78,152	337,940	331,194
	<u>3,400,918</u>	<u>3,268,376</u>	<u>84,064</u>	<u>309,878</u>	<u>747,473</u>	<u>757,006</u>

Geographical analysis of turnover by destination	2001 \$000	2000 \$000
United Kingdom	861,582	1,065,603
Other European countries	1,521,680	1,221,866
Rest of World	1,017,656	980,907
	<u>3,400,918</u>	<u>3,268,376</u>

	2001 \$000	2000 \$000
With third parties	3,378,463	3,241,492
Within the group	22,455	26,884
	<u>3,400,918</u>	<u>3,268,376</u>

Turnover within the group relates to sales to the ultimate parent and its subsidiaries.

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

4 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2001	2001	2001	2000	2000	2000
	Continuing	Dis-	Total	Continuing	Dis-	Total
	\$000	continued	\$000	\$000	continued	\$000
Turnover	3,400,918	-	3,400,918	3,205,760	62,616	3,268,376
Cost of sales - ordinary activities	(2,990,798)	-	(2,990,798)	(2,671,210)	(64,332)	(2,735,542)
Cost of sales - exceptional items	(41,314)	-	(41,314)	(44,970)	-	(44,970)
Gross profit	368,806	-	368,806	489,580	(1,716)	487,864
Net operating expenses						
Distribution costs	76,022	-	76,022	68,729	670	69,399
Administrative expenses - ordinary activities	202,965	-	202,965	160,253	(2,824)	157,429
Other operating charges/(income)	5,755	-	5,755	(49,711)	869	(48,842)
	284,742	-	284,742	179,271	(1,285)	177,986
Operating profit/(loss)	84,064	-	84,064	310,309	(431)	309,878

The total figures for continuing operations in 2001 include the following amounts in relation to acquisitions:

	Surfactants acquisition	Other acquisitions	Total acquisitions
	\$000	\$000	\$000
Turnover	272,784	20,631	293,415
Cost of sales	(220,352)	(19,018)	(239,370)
Gross profit	52,432	1,613	54,045
Distribution costs	(6,613)	(530)	(8,143)
Administrative expenses	(29,945)	(387)	(29,332)
Other Operating income	716	(335)	381
Operating profit	16,590	361	16,951

There are no discontinued operations in 2001.

5 EXCEPTIONAL ITEMS

The exceptional items in 2001 (\$41,314,000) are all in cost of sales and relate to restructuring costs(\$33,550,000) and writedown of related fixed assets(\$7,764,000) within the Polyurethanes businesses. The costs relate to the first phase of a cost reduction program which includes closure of a polyols manufacturing facility at Shepton Mallet in the United Kingdom.

The exceptional items in 2000 (\$44,970,000) are all in cost of sales and relate to environmental and restructuring costs , and the settlement of an environmental claim.

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 \$000	2000 \$000
Directors' emoluments		
Total emoluments	1,004	1,120
Contributions to defined benefit pension scheme	5	19
	<u>1,009</u>	<u>1,139</u>
	2001 \$000	2000 \$000
Remuneration of the highest paid director		
Total emoluments	603	539
Contributions to defined benefit pension scheme	-	-
	<u>603</u>	<u>539</u>
	2001 No.	2000 No.
Number of directors who were members of the defined benefit pension scheme	<u>1</u>	<u>1</u>
	2001 No.	2000 No.
Average number of persons employed by the group in the year		
Production	4,041	3,184
Sales and distribution	842	528
Administration, research and development	1,840	1,821
	<u>6,723</u>	<u>5,533</u>
	2001 \$000	2000 \$000
Staff costs during the year (including directors)		
Wages and salaries	255,801	215,717
Social security costs	48,616	36,280
Pension costs	24,676	21,920
	<u>329,093</u>	<u>273,917</u>

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

7 OPERATING PROFIT

	2001 \$000	2000 \$000
Operating profit is stated after charging/(crediting)		
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned assets	133,445	121,065
Leased assets	286	222
Goodwill amortisation	(12,609)	(13,109)
Rentals under operating leases		
Hire of plant and machinery	5,286	6,060
Other operating leases	10,082	8,340
Research and development	11,037	15,723
(Profit)/Loss on sale of fixed assets	1,147	(140)
Auditors' remuneration		
- Group audit fees	2,236	1,966
- Company audit fees	36	38
- Other services - UK	287	215
- Overseas	252	51
Exchange (Gain)	(10,717)	(34,705)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 \$000	2000 \$000
Other interest receivable	11,687	4,403
	<u>11,687</u>	<u>4,403</u>

9 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 \$000	2000 \$000
Foreign Exchange gains	(20,890)	(7,386)
Group company loans	112,836	133,342
Bank loans, overdrafts and other loans repayable within 5 years	5,057	3,454
Amounts payable to securitisation vehicles	16,200	2,317
	<u>113,203</u>	<u>131,727</u>

Tioxide Group has offered to assign certain trade debtor balances to Huntsman International LLC as part of a group-wide securitisation of trade debtor balances with Chase Manhattan Bank (Ireland) plc. Tioxide Group is not obliged to support any losses of the securitisation company and does not intend to do so. The floating rate notes (principal and interest) issued by the securitisation company are only repayable out of funds generated from the securitised trade debtors and there is no recourse to Tioxide Group for any shortfall.

As at the balance sheet date, the total value of trade debtor balances securitised in this manner amounted to \$150,261,000(2000 - \$152,014,000). This represents 30.5% of total closing trade debtor balances(2000 - 32.2%).

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

10 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2001 \$000	2000 \$000
Corporation tax:		
United Kingdom corporation tax at 30% (2000 - 30%) based on the profit/(loss) for the year	1	605
Overseas corporation tax	13,852	27,871
Current year group relief	-	64
	<hr/> 13,853	<hr/> 28,540
Deferred tax:		
United Kingdom deferred tax - ordinary activities	(22,731)	3,144
Overseas deferred tax - ordinary activities	(11,348)	6,910
	<hr/> (20,226)	<hr/> 38,594
Adjustments to prior year's tax provisions:		
United Kingdom corporation tax	-	-
Overseas corporation tax	1,048	(199)
United Kingdom deferred tax	3,542	-
Overseas deferred tax	(185)	3,605
Group relief	3	(578)
	<hr/> (15,818)	<hr/> 41,422

The tax credit is higher than expected in the current year(2000: tax charge lower than expected) due to items which are not taxable.

11 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to \$17,514,000 (2000: \$54,263,000).

12 DIVIDENDS

	2001 \$000	2000 \$000
7% cumulative preference dividend accrued on non-equity shares	<hr/> 46,713	<hr/> 61,569

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

13 INTANGIBLE FIXED ASSETS

The group

	Positive Goodwill \$'000	Negative Goodwill \$'000	Total Goodwill \$'000	Licences \$'000	Total Intangibles \$'000
Cost					
At 1 January 2001	9,087	(200,980)	(191,893)	-	(191,893)
Arising on acquisitions (see note 2)	8,553	(14,218)	(5,665)	-	(5,665)
Additions	-	-	-	988	988
Foreign exchange translation differences	(731)	2,177	1,446	9	1,455
At 31 December 2001	16,909	(213,021)	(196,112)	997	(195,115)

Accumulated amortisation

At 1 January 2001	221	(17,827)	(17,606)	-	(17,606)
Charge/(release) for the year	655	(13,305)	(12,650)	41	(12,609)
Foreign exchange translation differences	(28)	131	103	0	103
At 31 December 2001	848	(31,001)	(30,153)	41	(30,112)

Net book value

At 31 December 2001	16,061	(182,020)	(165,959)	956	(165,003)
At 31 December 2000	8,866	(183,153)	(174,287)	-	(174,287)

Company

The company had no intangible fixed assets (2000: \$Nil).

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

14 TANGIBLE FIXED ASSETS

The group	Freehold Land and Buildings \$000	Plant and Equipment \$000	Assets in the course of construction \$000	Total \$000
Cost or valuation				
At 1 January 2001	185,463	2,023,090	141,186	2,349,739
Foreign exchange translation differences	(6,127)	(79,693)	(8,132)	(93,952)
Transfers	3,762	158,838	(162,600)	-
Acquired with subsidiaries	12,005	100,381	5,914	118,300
Additions	1,524	23,262	221,487	246,273
Disposals	(203)	(4,097)	-	(4,300)
At 31 December 2001	<u>196,424</u>	<u>2,221,781</u>	<u>197,855</u>	<u>2,616,060</u>
Accumulated depreciation				
At 1 January 2001	66,951	526,268	-	593,219
Foreign exchange translation differences	67	(11,250)	-	(11,183)
Charge for year	2,990	130,741	-	133,731
Disposals	(196)	(2,817)	-	(3,013)
At 31 December 2001	<u>69,812</u>	<u>642,942</u>	<u>-</u>	<u>712,754</u>
Net book value				
At 31 December 2001	<u>126,612</u>	<u>1,578,839</u>	<u>197,855</u>	<u>1,903,306</u>
At 31 December 2000	<u>118,512</u>	<u>1,496,822</u>	<u>141,186</u>	<u>1,756,520</u>

Included in the depreciation charge for the year for Plant and equipment is \$7,764,000 (2000 - \$Nil) which relates to a writedown of redundant fixed assets within the Polyurethanes businesses.

Included in land and buildings is land valued at \$32,022,000 (2000 - \$32,177,000) which is not depreciated.

The transitional arrangements of FRS 15 have been adopted in the case of tangible fixed assets in the companies existing in Tioxide Group at 1 January 1999 where the valuation of \$338,018,000 has not been updated since 1 July 1999 as the directors are not aware of any material change in value from this valuation. The group is not continuing the revaluation policy in relation to these assets.

The historical value of these assets at the date of revaluation was \$271,392,000.

The revaluation, as at 1 January 1999, of land and buildings and plant and equipment referred to above was made on 1 July 1999. The value was determined by the directors based on the open-market value for existing use at the time of valuation. The revaluation resulted in a surplus of \$70,908,000 across all asset categories which was taken to the revaluation reserve at that time.

The net book value of plant and machinery includes \$3,756,000 (2000 - \$1,484,000) in respect of assets held under finance leases and hire purchase contracts.

Company

The company had no tangible fixed assets (2000: \$Nil).

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

14 TANGIBLE FIXED ASSETS (continued)

The comparable amounts determined according to the historic cost convention are as follows:

	Freehold Land and Buildings \$000	Plant and Equipment \$000	Assets in course of construction \$000	Total \$000
Cost as at 31 December 2001	193,419	2,173,411	197,855	2,564,685
Accumulated depreciation	(69,644)	(631,980)	-	(701,624)
Net book value as at 31 December 2001	<u>123,775</u>	<u>1,541,431</u>	<u>197,855</u>	<u>1,863,061</u>
Net book value as at 31 December 2000	<u>115,023</u>	<u>1,446,115</u>	<u>141,186</u>	<u>1,702,324</u>

15 INVESTMENTS HELD AS FIXED ASSETS

The group - joint ventures

	Share of net assets \$000
At 1 January 2001	151,115
Shares redeemed	(11,315)
At 31 December 2001	<u>139,800</u>

The group had the following interest in joint ventures at 31 December 2001:

	Description of shares held	Proportion of nominal value of shares held	Accounting year end
Louisiana Pigment Co. L.P.	Ordinary	50%	31 December

At 31 December 2001 the amount due to Louisiana Pigment Co. L.P., a company registered and operating in the USA, was \$6,133,000 (2000: \$8,700,000).

The above joint venture is managed jointly in accordance with the respective interests held in the joint venture. The directors consider the disclosure of further financial information about the joint venture to be commercially sensitive and accordingly have not disclosed any additional information.

The group had the following share in its joint venture:

	2001 \$000	2000 \$000
Fixed assets	125,242	132,458
Current assets	24,191	33,397
Liabilities (all due within one year)	(9,633)	(14,740)
	<u>139,800</u>	<u>151,115</u>

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

15 INVESTMENTS HELD AS FIXED ASSETS (continued)

The group - other investments	Total \$000
At 1 January 2001	4,218
Additions	358
Foreign exchange translation differences	(159)
At 31 December 2001	<u>4,417</u>

The Other Investments principally comprises Arabian Polyol. The amount of the group's investment at 31 December 2001 was \$3,008,000(2000 \$2,781,000).

The group - total net book values

	Joint ventures \$000	Other investments \$000	Total \$000
At 31 December 2001	<u>139,800</u>	<u>4,417</u>	<u>144,217</u>
At 31 December 2000	<u>151,115</u>	<u>4,218</u>	<u>155,333</u>

The company

	Shares in subsidiary undertakings \$000
Cost	
At 1 January 2001	937,243
Additions	51,604
At 31 December 2001	<u>988,847</u>

Provisions

At 1 January 2001 and 31 December 2001	<u>160,945</u>
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Net book value

At 31 December 2001	<u>827,902</u>
At 31 December 2000	<u>776,298</u>

All the above investments (group and company) are unlisted.

The provision against the company's investments relates to certain subsidiary investments held at June 1999. The provision was in place at the time these subsidiaries were acquired.

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

16 STOCKS

	Group 2001 \$000	2000 \$000
Raw materials and consumables	160,343	166,600
Work in progress	16,860	18,061
Finished goods and goods for resale	267,157	242,513
	<u>444,360</u>	<u>427,174</u>

The directors believe that the replacement cost of stock is not materially different to the balance shown.

The company held no stocks (2000: \$Nil).

17 DEBTORS

	Group 2001 \$000	2000 \$000	Company 2001 \$000	2000 \$000
Trade debtors	308,023	285,844	-	-
Amounts owed by group undertakings	124,921	159,779	4,120	4,224
Other debtors	182,809	172,146	-	-
Prepayments and accrued income	13,707	11,266	-	-
	<u>629,460</u>	<u>629,035</u>	<u>4,120</u>	<u>4,224</u>

The group has amounts of \$136,131,000 (2000: \$129,754,000) included in debtors in relation to amounts due after more than one year. The company had no balances due after more than one year.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2001 \$000	2000 \$000	Company 2001 \$000	2000 \$000
Bank loans and overdrafts (see note 20)	39,888	30,209	-	-
Obligations under finance leases	1,426	-	-	-
Trade creditors	263,224	272,753	-	-
Amounts owed to group undertakings	226,641	134,973	6,780	6,804
Other creditors including taxation & social security	29,257	35,238	-	-
Accruals and deferred income	200,759	174,036	-	148
	<u>761,195</u>	<u>647,209</u>	<u>6,780</u>	<u>6,952</u>

Other creditors includes:

	Group 2001 \$000	2000 \$000
Taxation and social security	<u>7,859</u>	<u>14,373</u>

The company had no taxation and social security liabilities (2000: \$Nil).

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2001 \$000	2000 \$000
Bank loans (see note 20)	265	556
Obligations under finance leases	1,509	730
Trade creditors	643	7,733
Amounts owed to group undertakings	1,319,248	1,229,477
Other creditors	5,573	2,186
	<u>1,327,238</u>	<u>1,240,682</u>

Obligations under finance leases of \$1,509,000 are repayable as follows :-\$1,483,000 within two to five years of the balance sheet date and \$26,000 after five years of the balance sheet date. All Finance lease obligations are secured by the related leased assets.

The company had no creditors falling due after more than one year (2000: \$Nil).

20 BANK LOANS AND OVERDRAFTS

	Group 2001 \$000	2000 \$000
Wholly repayable within 5 years		
Unsecured	<u>40,153</u>	<u>30,765</u>
Due within 1 year	39,888	30,209
Due within 1 to 2 years	265	556
	<u>40,153</u>	<u>30,765</u>

The company had no bank loans and overdrafts (2000: \$Nil).

21 PROVISIONS FOR LIABILITIES AND CHARGES

The group	Pensions and similar obligations \$000	Deferred tax \$000	Other \$000	Total \$000
Balance at 1 January 2001	26,298	130,287	45,500	202,085
Subsidiaries acquired	-	153	1,287	1,440
Profit and loss account charge/(release) - ordinary activities	24,676	(30,722)	288	(5,758)
Profit and loss account charge - exceptional activities	-	-	18,783	18,783
Foreign exchange translation differences	(1,109)	(11,340)	(1,655)	(14,104)
Applied	(21,443)	-	(6,154)	(27,597)
Balance at 31 December 2001	<u>28,422</u>	<u>88,378</u>	<u>58,049</u>	<u>174,849</u>

Other provisions comprises amounts relating to restructuring, decommissioning and environmental liabilities as follows:-

	Restructuring \$000	Decommissioning \$000	Enviromental \$000	Total \$000
Balance at 1 January 2001	22,411	1,877	21,212	45,500
Subsidiaries acquired	-	-	1,287	1,287
Profit and loss charge-ordinary activities	-	-	288	288
Profit and loss charge - exceptional activities	18,783	-	-	18,783
Foreign exchange translation differences	(1,527)	-	(128)	(1,655)
Applied	(297)	(420)	(5,437)	(6,154)
Balance at 31 December 2001	<u>39,370</u>	<u>1,457</u>	<u>17,222</u>	<u>58,049</u>

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

21 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Pensions and similar obligations

See note 26 - Pension Schemes

Deferred taxation

The amounts of deferred taxation provided and unprovided in the accounts are:

The group	Provided 2001 \$000	Provided 2000 \$000	Not provided 2001 \$000	Not provided 2000 \$000
Capital allowances in advance of depreciation	121,284	153,002	17,965	23,117
Other timing differences	(33,011)	(22,715)	(34,008)	(45,283)
Taxation on valuation surplus	105	-	167,418	167,346
	<u>88,378</u>	<u>130,287</u>	<u>151,375</u>	<u>145,180</u>

No provision has been made for taxation that would arise in the event of the overseas subsidiaries distributing the balance of their reserves as these amounts are retained for investment in the business.

The company had no provisions for liabilities and charges (2000: \$Nil).

22 CALLED UP SHARE CAPITAL

	Number of Shares	2001 \$000	Number of Shares	2000 \$000
Authorised				
Ordinary shares of £1 each translated at the rate of 1.453 (2000: 1.490)	100	-	100	-
7% Fixed rate preference shares of £1 each translated at rate of 1.453 (2000: 1.490)	478,476,900	695,418	449,477,900	669,677
Class A ordinary shares of £1 each translated at rate of 1.453 (2000: 1.490)	900	1	900	1
	<u>478,477,900</u>	<u>695,420</u>	<u>449,478,900</u>	<u>669,678</u>

Called up, allotted and fully paid

Ordinary shares of £1 each translated at the rate of 1.453 (2000: 1.490)	100	-	100	-
7% Fixed rate preference shares of £1 each translated at rate of 1.453 (2000: 1.490)	470,937,403	684,460	415,478,603	619,022
Class A ordinary shares of £1 each translated at rate of 1.453 (2000: 1.490)	900	1	900	1
	<u>470,938,403</u>	<u>684,461</u>	<u>415,479,603</u>	<u>619,023</u>

Non-equity shareholders' funds for each class of non-equity share are as follows:-

	2001 \$000	2000 \$000
7% Fixed rate preference shares of £1 each	836,456	755,585
	<u>836,456</u>	<u>755,585</u>

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

22 CALLED UP SHARE CAPITAL (continued)

On 15 February 2001 the issued share capital of the company was increased by the allotment of 588,000 fixed rate preference shares of £1 each at a premium of £0.27 per share.

On 7 March 2001 the issued share capital of the company was increased by the allotment of 25,870,800 fixed rate preference shares of £1 each at a premium of £0.25 per share.

On 28 March 2001 the authorised share capital of the company was increased by 29,000,000 fixed rate preference shares of £1 each.

On 28 March 2001 the issued share capital of the company was increased by the allotment of 29,000,000 fixed rate preference shares of £1 each at a premium of £0.25 per share.

The ordinary shares of £1 each have dividend rights on a per share basis of one hundred times the dividend rights of the Class A shares. The holders of the ordinary shares are entitled to one vote in respect of each share held.

The Class A shares of £1 each entitle the holder to receive a dividend on the paid up capital and the right to return of capital in equal priority to any payment to the holders of the ordinary shares. The Class A shares shall have no further rights of participation in the assets of Tioxide Group. The Class A shares do not entitle the holders to receive notice of general meetings, nor do they carry any voting rights.

The 7% Fixed preference shares of £1 each entitle the holder of each share to receive a cumulative preferential dividend at the rate of 7% on the paid up capital when declared and the right to a return of capital upon either a winding up or a repayment of capital in priority to the holders of the other classes of shares. The preference shares do not entitle the holders to any further or other participation on the profits or assets of Tioxide Group. The holders of the fixed preference shares are entitled to receive notice of and to attend at any general meeting of Tioxide Group. Each preference share also carries the right to one vote on any resolution proposed at any such general meeting where either 1) at the date of the meeting any part of any preference dividend payable in respect of the preference shares is for whatever reason in arrears for more than six months or 2) upon any resolution proposing a winding up of Tioxide Group.

23 CAPITAL COMMITMENTS

	Group 2001 \$000	2000 \$000
Contracted for but not provided	79,113	90,745

The company had no capital commitments at the year end (2000: \$Nil).

24 CONTINGENT LIABILITIES

	Group 2001 \$000	2000 \$000
Guarantees under company home ownership schemes	25	106
Environmental liabilities	-	14,918

The company had no contingent liabilities (2000: \$ Nil).

The group has given unsecured guarantees and pledges of certain shares in subsidiaries to third parties in respect of the bank and bond borrowings of its parent company Huntsman International LLC. As at 31 December 2001, the outstanding amount of such borrowings amounted to \$2.625 billion (31 December 2000 \$2.339 billion).

TIOXIDE GROUP

NOTES TO THE ACCOUNTS Year ended 31 December 2001

25 OPERATING LEASE COMMITMENTS

At 31 December 2001 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2001 \$000	Other 2001 \$000	Total 2001 \$000	Land and buildings 2000 \$000	Other 2000 \$000	Total 2000 \$000
Leases which expire:						
Within one year	1,188	4,887	6,075	699	2,738	3,437
Within 2 to 5 years	1,669	7,280	8,949	786	6,834	7,620
After 5 years	4,186	196	4,382	2,495	1,907	4,402
	<u>7,043</u>	<u>12,363</u>	<u>19,406</u>	<u>3,980</u>	<u>11,479</u>	<u>15,459</u>

26 PENSION SCHEMES

The group maintains various pension schemes for all eligible full-time and part-time employees. Scheme funds are administered by Trustees and are independent of group finances. Investment of pension scheme assets in group companies is not permitted by the Trustees.

The principal schemes are all defined benefit schemes. The pension cost relating to the schemes is assessed in accordance with the advice of independent actuaries and is such as to spread the cost of pensions over the working lives of the employees who are scheme members.

The latest valuations of the schemes were carried out on either 31 March 2000 or 31 December 2000, dependent upon the scheme, all using the projected unit method. It is proposed that the next actuarial valuation be carried out at 31 March 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries, pensions and dividends. It is assumed that retail price inflation would be between 2.5% and 3% per annum, that the investment return would be between 3% and 7.5% per annum, that salary increases would average between 3.5% and 5% per annum and that pensions (in excess of the Guaranteed Minimum Pension) would increase at the rate of between 2.5% and 3% per annum, dependent on the country the scheme and employees reside in.

Contributions to group pension schemes are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' working lives with the group. The agreed contribution rates for the next 12 months are between 16.6% and 17.5 % for the various schemes operated by the Group.

The total group pension cost for the year amounted to \$24,676,000 (2000: \$21,920,000).

At the last actuarial valuation date, the market value of the assets of the principal schemes was \$719,101,202 and this was sufficient to cover 123% of the value of the benefits that had accrued to members, after allowing for expected future increases in salaries.

In November 2000, the Accounting Standards Board issued FRS17 "Retirement Benefits" replacing SSAP24 "Accounting for Pension costs". FRS 17 is not yet fully effective, though certain disclosures are required in the transition period for periods ending on or after 22 June 2001. The directors regard disclosure of information, in aggregate, for all group pension schemes to be the most appropriate form of disclosure given the nature of the schemes operated. These further disclosures are included below.

The pension scheme liabilities, the financial assumptions used and the market value of the pension scheme assets as at 31 December 2001 were:

Financial assumptions(% per annum)	
Rate of price inflation	2.50
Rate of increase in salaries	4.00 *
Rate of increase in pensions	2.50
Discount rate	5.75

* includes promotional increases

TIOXIDE GROUP

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

26 PENSION SCHEMES-(continued)

Assets and expected rates of return

The market value of the pension scheme assets and the expected rates of return at 31 December 2001 were:

	Market Value \$'000	Expected Return % pa
Equities	639,935	7.87
Bonds	251,867	5.03
Other	8,594	3.93
Total	900,395	7.04

Based on the above assumptions, the following amounts were measured in accordance with the requirements of FRS17 as at 31 December 2001:

	\$'000
Fair value of schemes' assets	900,395
Present value of the schemes' liabilities	903,469
Deficit in the schemes	3,074
Irrecoverable surplus	0
Pension liability	3,074
Deferred tax	(922)
Net Pension liability	2,152

Had the company adopted FRS 17 early, the group net assets and profit and loss reserve would have been stated as follows:-

	\$'000
Net assets	747,473
SSAP 24 pension asset included in Net assets above	(93,424)
FRS 17 Pension liability	(3,074)
Net assets including pension liability	650,975
Profit and loss reserve	(129,229)
SSAP 24 pension asset -as above	(93,424)
FRS 17 Pension liability	(3,074)
Profit and loss reserve as adjusted	(225,727)

27 RELATED PARTY TRANSACTIONS

Tioxide Group had the following transactions during the year and balances outstanding at the year end:

	2001 \$000	2000 \$000
Sales - ICI PLC and subsidiaries (owns 30% of shares in Huntsman International Holdings LLC)	286,346	373,420
Sales - Huntsman Corporation and subsidiaries (owns 60% of shares in Huntsman International Holdings LLC)	7,661	10,453
Sales - Pacific Iron Products (50% owned)	211	421
Purchases - ICI PLC and subsidiaries	235,286	385,349
Purchases - Huntsman Corporation and subsidiaries	76,208	13,282
Purchases - Louisiana Pigment Company (50% owned)	94,000	93,500
Debtors - ICI PLC and subsidiaries	31,861	91,652
Debtors - Huntsman Corporation and subsidiaries	9,750	6,394
Debtors - Pacific Iron Products	-	816
Creditors - ICI PLC and subsidiaries	8,682	35,482
Creditors - Huntsman Corporation and subsidiaries	-	2,531
Creditors - Louisiana Pigment Company (50% owned)	6,133	8,700

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Year ended 31 December 2001

28 EVENTS OCCURRING AFTER THE YEAR END

No events have occurred between the balance sheet date and the date of signing of these accounts which fall to be disclosed within these financial statements.

29 ADDITIONAL INFORMATION ON SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

Name	Country of registration and operation	Activity	Portion of ordinary shares held %
Huntsman Holdings (UK) Limited	England and Wales	Holding company	100
Huntsman Nominees (UK) Limited	England and Wales	Pension nominees	100
Huntsman (UK) Limited	England and Wales	Holding company	100
Huntsman Polyurethanes (UK) Limited	England and Wales	Manufacture and sale of polyurethane chemicals	100
Huntsman International Europe Limited	England and Wales	Provision of central services to other polyurethanes companies	100
Huntsman Polyurethane Sales Limited	England and Wales	Sale of polyurethane chemicals	100
Huntsman Polyurethanes (UK) Ventures Limited (formerly Impkemix (no 46) Ltd).	England and Wales	Dormant	100
Huntsman Petrochemicals (UK) Limited	England and Wales	Manufacture and sale of aromatics and olefins	100
Tioxide Europe Limited	England and Wales	Manufacture and sale of titanium dioxide pigment	100
Tioxide Group Services Limited	England and Wales	Provision of central services to other Tioxide companies	100
Tioxide Overseas Holdings Limited	England and Wales	Holding company	100
Huntsman Surface Sciences Overseas Limited	England and Wales	Holding company	100
Huntsman Surface Sciences (UK) Limited	England and Wales	Holding company	100
Huntsman (Argentina) Limitada	Argentina	Manufacture and sale of polyurethane chemicals	100
Huntsman Polyurethanes (Australia) Pty Ltd.	Australia	Manufacture and sale of polyurethane chemicals	100
Huntsman (Brasil) Limitada	Brazil	Sale of polyurethane chemicals	100
Huntsman Europe BVBA	Belgium	Sale of polyurethane chemicals	100
Tioxide Europe NV/SA	Belgium	Dormant	100
Huntsman (Belgium) BVBA	Belgium	Dormant	100
Tioxide Canada Inc	Canada	Manufacture and sale of titanium dioxide pigment	100
Huntsman International (Canada) Corporation	Canada	Sale of polyurethane chemicals	100

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Year ended 31 December 2001

29 ADDITIONAL INFORMATION ON SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS (continued)

Tioxide Americas Inc	Cayman	Sale of titanium dioxide pigment	100
Huntsman (Czech Republic) Spol.sr.o	Czech Republic	Marketing and commercial	100
Huntsman Polyurethanes (China) Ltd	China	Manufacture and sale of polyurethane chemicals	100
Huntsman (Colombia) Limitada	Columbia	Manufacture and sale of polyurethane chemicals	100
Tioxide Europe SAS	France	Manufacture and sale of titanium dioxide pigment	100
Huntsman Lavera SAS	France	Manufacture and sale of surfactants	100
Huntsman France SNC	France	Manufacture and sale of surfactants	100
Huntsman St Mihiel SAS	France	Manufacture and sale of surfactants	100
Huntsman Surface Sciences SAS	France	Manufacture and sale of surfactants	100
Tioxide Europe GmbH	Germany	Sale of Tioxide manufactured titanium dioxide pigment	100
Huntsman (Germany) GmbH	Germany	Manufacture and sale of polyurethane chemicals	100
IRO Chemie Verwaltungsgesellschaft GmbH	Germany	Manufacture and sale of polyurethane chemicals	100
Huntsman International (Hong Kong) Ltd.	Hong Kong	Sale of polyurethane chemicals	100
Yugenkaisha Huntsman Japan	Japan	Sale of polyurethane chemicals	100
Huntsman (Korea) Ltd.	Korea	Sale of polyurethane chemicals	100
Huntsman International (India) private Limited	India	Sale and marketing of Polyurethanes and other chemicals.	100
Tioxide Europe Srl	Italy	Manufacture and sale of titanium dioxide pigment	100
Huntsman Italy Srl	Italy	Manufacture and sale of polyurethane chemicals	100
Huntsman Patrica Srl	Italy	Manufacture and sale of surfactants	100
Huntsman Castiglione Srl	Italy	Manufacture and sale of surfactants	100
Huntsman Surface Sciences Italy Srl	Italy	Manufacture and sale of surfactants	100
Huntsman Surface Sciences Srl	Italy	Manufacture and sale of surfactants	100
PT Huntsman Indonesia	Indonesia	Sale of polyurethane chemicals	100

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NOTES TO THE ACCOUNTS

Year ended 31 December 2001

			100
29 ADDITIONAL INFORMATION ON SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS (continued)			
Pacific Iron Products Sdn Bhd	Malaysia	Manufacture and sale of ferrous sulphate	50
Huntsman Intl de Mexico de RL de CV	Mexico	Manufacture and sale of polyurethane chemicals	100
Huntsman Servicios Mexicanos de RL de CV	Mexico	Sale of polyurethane chemicals	100
Huntsman Investments (Netherlands) BV	Netherlands	Holding company	100
Chemical Blending Holland BV	Netherlands	Manufacture and sale of polyurethane chemicals	100
Huntsman (Saudi Investments) BV	Netherlands	Holding company	100
Huntsman Polyurethanes (China) Holdings BV	Netherlands	Holding company	100
Huntsman Holland BV	Netherlands	Manufacture and sale of polyurethane chemicals	100
Steamlec BV	Netherlands	Holding company	25
ICI Iota BV	Netherlands	Holding company	100
Huntsman Canadian Investments BV	Netherlands	Holding company	100
Huntsman (Poland) Sp.Zo.o	Poland	Marketing and commercial	100
Huntsman (Asia Pacific) Pte Limited	Singapore	Sale of polyurethane chemicals	100
Huntsman (Singapore) Pte Ltd.	Singapore	Sale of polyurethane chemicals	100
British Titan Products South Africa (Pty)	South Africa	Holding company	100
Tioxide Southern Africa (Pty) Ltd.	South Africa	Manufacture and sale of titanium dioxide pigment	60
Tioxide Europe SA	Spain	Manufacture and sale of titanium dioxide pigment and sale of polyurethane chemicals	100
Oligo SA	Spain	Processing and sale of titanium dioxide by products	75
Huntsman Surface Sciences SL	Spain	Manufacture and sale of surfactants	100
Huntsman Iberica SL	Spain	Manufacture and sale of surfactants	100
Huntsman Norden AB	Sweden	Sale of Tioxide manufactured titanium dioxide pigment	100
Huntsman (Thailand) Ltd	Thailand	Manufacture and sale of polyurethane chemicals	100
Huntsman (Taiwan) Ltd	Taiwan	Manufacture and sale of polyurethane chemicals	100
Tioxide Europe Titanium Pigmentleri Ticaret Ltd Sirketi	Turkey	Sale of Tioxide manufactured titanium dioxide pigment	100
Louisiana Pigment Co. L.P.	United States of America	Manufacture and sale of polyurethane chemicals	50

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NOTES TO THE ACCOUNTS **Year ended 31 December 2001**

30 ULTIMATE PARENT COMPANY

The directors consider the ultimate parent company of Tioxide Group to be Huntsman Company LLC.(formerly named Huntsman Corporation), a company incorporated in the United States of America.

The company's immediate parent company is Huntsman International LLC., a company incorporated in the United States of America.

A copy of the financial statements of Huntsman International Holdings LLC,the parent undertaking of the largest group preparing group accounts which include Tioxide Group,may be obtained by writing to the Company Secretary at Haverton Hill Road, Billingham, TS23 1PS.