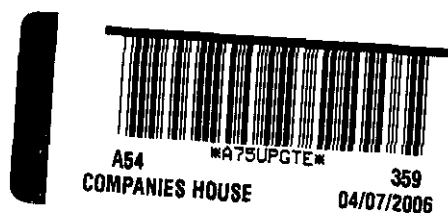


Ineos Investment Holdings Limited
Annual report
for the year ended 31 December 2005

Registered Number 4215941



Ineos Investment Holdings Limited
Annual report
for the year ended 31 December 2005
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Ineos Investment Holdings Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company is to act as a holding company. During the year the company did not trade. The directors do not expect any change in the company's activities during the next financial year.

Results and dividends

During the year ended 31 December 2005 the company made a profit before tax of £nil (2004: £39,750,000). An interim dividend of £nil (2004: £39,750,000) was paid during the year. The directors do not recommend the payment of a final dividend.

Directors and their interests

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

A Currie

A Verrijckt

J Reece

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

The directors are also directors of Ineos Group Limited, the company's ultimate parent company. Their interests at the year end in the share capital of that company are disclosed in the financial statements of Ineos Group Limited.

Statement of directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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

Ineos Investment Holdings Limited

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'M Stokes', written over a horizontal line.

M Stokes
Company Secretary
30 June 2006

Ineos Investment Holdings Limited

Independent auditors' report to the members of Ineos Investment Holdings Limited

We have audited the financial statements of Ineos Investment Holdings Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. 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 the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Ineos Investment Holdings Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result and cash flows for the year then ended:
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written across the page.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

30 June 2006

Ineos Investment Holdings Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 €'000	2004 €'000
Income from group undertakings		-	39,750
Operating profit		-	39,750
Interest receivable and similar income	2	18,181	8,749
Interest payable and similar charges	3	(18,181)	(8,749)
Profit on ordinary activities before taxation		-	39,750
Tax on profit on ordinary activities	4	-	2
Profit on ordinary activities after taxation		-	39,752
Equity dividends		-	(39,750)
Retained profit for the financial year	10	-	2

All the activities of the company relate to continuing operations.

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


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

Ineos Investment Holdings Limited

Balance sheet as at 31 December 2005

	Note	2005 €'000	2004 €'000
Fixed assets			
Investments	5	17,642	17,642
Current assets			
Debtors – amounts falling due within one year	6	600	600
Debtors – amounts falling due after more than one year	6	-	78,344
		600	78,944
Creditors - amounts falling due within one year	7	(600)	(600)
Net current assets		-	78,344
Total assets less current liabilities		17,642	95,986
Creditors – amounts falling due after more than one year	8	-	(78,344)
Net assets		17,642	17,642
Capital and reserves			
Called up share capital	9	17,642	17,642
Profit and loss account	10	-	-
Equity shareholders' funds	11	17,642	17,642

The financial statements on pages 5 to 14 were approved by the board of directors on 30 June 2006 and were signed on its behalf by:


J Reece
Director

Ineos Investment Holdings Limited

Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Investments

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

Foreign currencies

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

Cash flow and related party transactions

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

Ineos Investment Holdings Limited

Notes to the financial statements for the period ended 31 December 2005

1 Reporting currency

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

The exchange rate as at 31 December 2005 was €1.45709 to £1 (2004: €1.40964 to £1).

2 Interest receivable and similar income

	2005	2004
	€'000	€'000
Group interest receivable	9,406	8,749
Discount on deferred consideration repayment (see note 8)	8,775	-
	18,181	8,749

3 Interest payable and similar charges

	2005	2004
	€'000	€'000
Interest payable on deferred consideration (see note 8)	9,406	8,749
Discount on intercompany loan repayment	8,775	-
	18,181	8,749

Ineos Investment Holdings Limited

4 Taxation

Analysis of tax credit:

	2005 €'000	2004 €'000
Group relief payable from other group companies at 30%	-	-
Adjustments in respect of previous periods	-	2
	-	2

The tax for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 €'000	2004 €'000
Profit on ordinary activities before tax	-	39,750
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2004: 30%)	-	11,925
Effects of:		
Non taxable credits	-	(11,925)
Adjustments in respect of previous periods	-	(2)
Tax credit for the year	-	(2)

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

Ineos Investment Holdings Limited

5 Fixed asset investments

	2005	2004
	€'000	€'000
Investment in subsidiary undertakings	17,642	17,642

Interest in subsidiary undertakings

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

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Intermediate Holdings Limited *	England	100%	Holding Company
Ineos Group Holdings plc	England	100%	Finance
Ineos Holdings Limited	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Industrial Investments Limited	England	100%	Finance
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Partners	US	100%	Holding Company
Ineos Phenol Limited	England	100%	Holding Company
Ineos Phenol Verwaltungsgesellschaft mbH	Germany	100%	Chemicals
Ineos Phenol GmbH & Co KG	Germany	100%	Chemicals
Ineos Investment Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Intermediate Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Fluor Holdings Limited	England	100%	Holding Company
Ineos Fluor Limited	England	100%	Chemicals
Ineos Fluor Japan Limited	Japan	100%	Chemicals

Ineos Investment Holdings Limited

6 Fixed asset investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Canada Inc.	Canada	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Holding Limited	England	100%	Holding Company
Ineos Silicas Limited	England	100%	Chemicals
Ineos Silicas International Limited	England	100%	Chemicals
Ineos Silicas Netherlands BV	Holland	100%	Chemicals
Ineos Silicas Sales and Distribution BV	Holland	100%	Chemicals
Ineos Silicas South Africa Pty Limited	South Africa	100%	Chemicals
PT Ineos Silicas Indonesia	Indonesia	100%	Chemicals
Ineos Brazil Limitada	Brazil	100%	Chemicals
Ineos Silicas Healthcare Limited	England	100%	Healthcare
Ineos US Holding Company II LLC	US	100%	Holding Company
Ineos US Intermediate Holding Company LLC	US	100%	Holding Company
Ineos Americas LLC	US	100%	Chemicals
Ineos US Investment Holding Company LLC	US	100%	Holding Company
Innovene European Holdings Limited	England	100%	Holding Company
O & D Belgium Holdco NV	Belgium	100%	Holding Company
Innovene Solutions NV	Belgium	100%	Chemicals
Innovene Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Innovene Deutschland GmbH	Germany	100%	Chemicals
Innovene Marketing Support Limited	England	100%	Chemicals
Innovene France SAS	France	100%	Chemicals
Innovene Europe Limited	England	100%	Chemicals
Innovene Manufacturing Belgium NV	Belgium	100%	Chemicals
Innovene Feluy SPRL	Belgium	100%	Chemicals
Innovene Manufacturing Scotland Limited	Scotland	100%	Chemicals
Innovene Belgium NV	Belgium	100%	Chemicals

Ineos Investment Holdings Limited

5 Fixed asset investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Innovene Italia s.r.l.	Italy	100%	Chemicals
Innovene Manufacturing France SAS	France	100%	Chemicals
Innovene Manufacturing Italia S.p.a.	Italy	100%	Chemicals
Innovene Services Belgium NV	Belgium	100%	Chemicals
Ineos Deutschland GmbH	Germany	100%	Holding Company
Ineos Melamines GmbH	Germany	100%	Chemicals
Innovene LLC	US	100%	Holding Company
Innovene Holdings Company LLC	US	100%	Holding Company
Innovene USA LLC	US	100%	Chemicals
Innovene Polymers Inc	US	100%	Chemicals
Innovene Canada Company	Canada	100%	Chemicals
Innovene Canada Partnership	Canada	100%	Chemicals
Innovene Canada Investment Company	Canada	100%	Holding Company

* Held directly by the Company.

6 Debtors

	2005 €'000	2004 €'000
Amounts due within one year		
Amounts due from group undertakings	600	600
Amounts due after more than one year		
Amounts due from group undertakings	-	78,344

7 Creditors – amounts falling due within one year

	2005 €'000	2004 €'000
Amounts owed by group undertakings	600	600

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8 Creditors – amounts falling due after more than one year

	2005	2004
	€'000	€'000
Deferred consideration	-	78,344

The deferred consideration relates to a vendor loan note issued to Degussa AG on 23 May 2002, to fund the purchase of the Phenolchemie Group by Ineos Phenol Limited, a wholly owned subsidiary.

The compound interest on this loan note accrued semi-annually at 12% per annum up to and including 30 June 2006 and at a rate of 14% per annum for any periods thereafter until final maturity or until the date of any prepayment of the loan.

The Company repaid the vendor loan note on 16 December 2005, following the refinancing undertaken as part of the acquisition by Ineos of Innovene from BP. The vendor loan note was repaid with an early repayment discount of €8,775,000 (see note 3).

9 Share capital

	2005	2004
	€'000	€'000
Authorised, allotted, issued and fully paid		
Equity		
11,500,131 ordinary shares of £1 each	17,642	17,642

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

10 Profit and loss account

	€'000
At 1 January 2005	-
Retained profit for the financial year	-
At 31 December 2005	-

Ineos Investment Holdings Limited

11 Reconciliation of movements in equity shareholders' funds

	2005	2004
	€'000	€'000
Opening equity shareholder's funds	17,642	17,640
Profit for the year	-	2
Closing equity shareholders' funds	17,642	17,642

12 Ultimate parent undertaking and controlling party

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

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