

Ineos Europe Limited  
(formerly Innovene Europe Limited)  
Annual report  
for the year ended 31 December 2006

Registered Number 5310655



Ineos Europe Limited  
(formerly Innovene Europe Limited)  
Annual report  
for the year ended 31 December 2006  
Contents

Directors' report for the year ended 31 December 2006	1
Independent auditors' report to the members of Ineos Europe Limited (formerly Innovene Europe Limited)	4
Profit and loss account for the year ended 31 December 2006	6
Statement of total recognised gains and losses for the year ended 31 December 2006	7
Balance sheet at 31 December 2006	8
Statement of accounting policies	9
Notes to the financial statements for the year ended 31 December 2006	11

# **Ineos Europe Limited (formerly Innovene Europe Limited)**

## **Directors' report for the year ended 31 December 2006**

The directors present their report and audited financial statements for the year ended 31 December 2006

### **Principal activity**

The company is engaged in the refining and sale of petroleum products and the production and sale of petrochemical products. The company has a branch operating in France.

### **Review of activities and future developments**

The prior period covers the period from the date of incorporation on 10 December 2004 to 31 December 2005.

On 16 June 2006, the company changed its name to Ineos Europe Limited.

A number of major turnarounds to the company's main production units took place during 2006. These took place at each of the 3 largest production sites and led to a significant reduction in production capacities during the year. Although there are turnarounds planned for 2007, it is anticipated that the combined effect on profitability of the company will be significantly lower than in 2006.

In addition to these scheduled outages the company suffered from a significant loss of production as a result of an unplanned outage in the Gas Cracker at Grangemouth in the first quarter of 2006 which resulted in a reduction in revenues.

In early 2006 the company took the decision to close its office in Staines, UK which hosted, sales, accounting, information technology and business activity.

The Sales activity was transferred to several sites throughout Europe with the majority of it going to Cologne, Germany. The majority of the accounting and IT activity transferring to Grangemouth, UK and the business activity being incorporated in Lyndhurst, UK. By the end of 2006 the new organisational structure was successfully implemented.

Following the European Polyolefins business review completed in the first quarter of 2007 the company announced, dependent on future market conditions, the potential closure of its smallest and unprofitable High Density Polyethylene plant at Grangemouth and its unprofitable Polypropylene plant at Geel, Belgium.

On 15 February 2007 the partners in EPDC BV, the Joint Venture company formed to implement the EPDC pipeline development project, took the decision to stop the project on economic grounds and liquidate the company. The company's share of expenditure to date on the project, €6.5m was written off in 2006.

### **Results and dividends**

The loss for the financial year before taxation was €237,124,000 (period ended 31 December 2005 profit €112,090,000), which has been withdrawn from/ transferred to reserves at 31 December 2006. The directors do not propose the payment of a dividend (2005 nil).

### **Directors**

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

G Leask	(Appointed 8 May 2006)
C G MacLean	(Appointed 15 September 2006)
U Braun	(Appointed 15 September 2006)
R J Nevlin	(Resigned 15 September 2006)
N J Wright	(Resigned 31 October 2006)

## **Ineos Europe Limited (formerly Innovene Europe Limited)**

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate

### **Employee involvement**

During the year employees have been provided with information on matters of concern to them. Regular meetings are held between employees and local management to allow a free flow of information and ideas

### **Charitable and political donations**

No donations were made by the company for charitable or political purposes in the year (2005 nil)

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company where appropriate. The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits. The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The company is funded internally by the Ineos group and therefore has no direct exposure to liquidity or debt market risk. Interest rate exposures are managed on a group basis and are fully disclosed in the consolidated financial statements of Ineos Group Limited.

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Ineos Group Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Ineos Group Limited which include those of the company, are discussed in the group's annual report which does not form part of this report.

# **Ineos Europe Limited (formerly Innovene Europe Limited)**

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 taking reasonable steps for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Disclosure of information to auditors**

The directors confirm that as far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## **Independent auditors**

During the year Ernst & Young LLP resigned as auditors to the company, and the directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



Martin Stokes  
Secretary  
28 September 2007

# **Ineos Europe Limited (formerly Innovene Europe Limited)**

## **Independent auditors' report to the members of Ineos Europe Limited (formerly Innovene Europe Limited)**

We have audited the financial statements of Ineos Europe Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 judgments 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 Europe Limited (formerly Innovene Europe 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 2006 and of the loss 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 large, stylized handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' followed by a large 'W'.

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

28 September 2007

## Ineos Europe Limited (formerly Innovene Europe Limited)

### Profit and loss account for the year ended 31 December 2006

	Note	Year ended 31 December 2006 €'000	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000	Period ended 31 December 2005 €'000
<b>Turnover</b>	2		16,420,952		13,142,410
Change in stocks of finished goods and work in progress			(287,087)		1,323,214
Other operating income	3		45,367		47,401
Raw materials and consumables		(13,359,697)		(12,233,598)	
Other external charges		(2,747,067)		(2,109,004)	
Staff costs	8	(60,464)		(47,787)	
Depreciation	3	(2,947)		(578)	
Amortisation	3	(20,595)		(16,747)	
Exceptional administrative expenses	3	(127,495)		-	
			(16,318,265)		(14,407,714)
<b>Operating (loss)/profit</b>	3		(139,033)		105,311
Exceptional items	6		-		17,484
<b>(Loss)/profit on operating activities before interest and tax</b>			(139,033)		122,795
Interest receivable and similar income	4		37,012		15,302
Interest payable and similar charges	5		(135,103)		(26,007)
<b>(Loss)/profit on ordinary activities before taxation</b>			(237,124)		112,090
Taxation on (loss)/profit on ordinary activities	7		67,128		(34,674)
<b>(Loss)/profit for the year</b>	19		(169,996)		77,416

All activities of the company relate to continuing operations

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 Europe Limited (formerly Innovene Europe Limited)**

### **Statement of total recognised gains and losses for the year ended 31 December 2006**

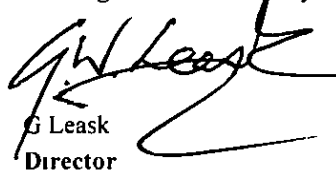
	<b>2006</b>	<b>2005</b>
	<b>€'000</b>	<b>€'000</b>
<b>(Loss)/profit for the financial year</b>	<b>(169,996)</b>	<b>77,416</b>
Currency translation differences (note 19)	(101,377)	38,380
<b>Total recognised (loss)/gain for the financial year</b>	<b>(271,373)</b>	<b>115,796</b>

# Ineos Europe Limited (formerly Innovene Europe Limited)

## Balance sheet at 31 December 2006

	Note	2006 €'000	2005 €'000
<b>Fixed assets</b>			
Intangible assets	9	245,412	277,057
Tangible assets	10	24,393	7,156
Investments	11	550,001	550,001
		<b>819,806</b>	<b>834,214</b>
<b>Current assets</b>			
Stocks	12	1,036,127	1,323,214
Debtors – amounts falling due			
- within one year	13	939,078	2,580,034
- after more than one year	14	435,921	87,760
Cash at bank and in hand		9,245	19,080
		<b>2,420,371</b>	<b>4,010,088</b>
<b>Creditors amounts falling due within one year</b>	15	<b>(3,388,765)</b>	<b>(4,720,836)</b>
<b>Net current liabilities</b>		<b>(968,394)</b>	<b>(710,748)</b>
<b>Total assets less current liabilities</b>		<b>(148,588)</b>	<b>123,466</b>
<b>Creditors amounts falling due after more than one year</b>	16	<b>(6,989)</b>	<b>(7,670)</b>
<b>Net (liabilities)/assets</b>		<b>(155,577)</b>	<b>115,796</b>
<b>Capital and reserves</b>			
Called up equity share capital	18	-	-
Profit and loss account	19	(155,577)	115,796
<b>Equity shareholders' (deficit)/funds</b>	20	<b>(155,577)</b>	<b>115,796</b>

The financial statements on pages 6 to 24 were approved by the board of directors on 28 September 2007 and were signed on its behalf by

  
G Leask  
Director

# **Ineos Europe Limited (formerly Innovene Europe Limited)**

## **Statement of accounting policies**

### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary of Ineos Group Limited.

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Ineos Group Limited. The directors have received confirmation that Ineos Group Limited intends to support the company for at least one year after these financial statements are signed.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### **Cash flow statement**

The company is ultimately consolidated within the financial statements of Ineos Group Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

### **Investments**

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

### **Stock valuation**

Stocks are valued at cost to the company, using first-in first-out method or at net realisable value, whichever is lower. Stores are valued at the cost to the company mainly using the average method or net realisable value, whichever is the lower.

### **Foreign currency transactions**

Foreign currency transactions in currencies other than euros are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than euros are translated into euros at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year.

Assets and liabilities of branches in currencies other than euros are translated into Euros at the rates of exchange ruling at the balance sheet date. Trading results of branches in currencies other than euros have been translated at the average exchange rate for the relevant accounting period. Exchange differences arising on the consolidation of these branches are taken to reserves.

### **Securitisation**

The company is party to a receivables securitisation programme in which various group subsidiaries sell trade receivables to Ineos Finance Ireland, a special purpose vehicle, for a discounted rate. Ineos Finance Ireland pledges the receivables as security for borrowings from a number of conduit lenders. The company has retained no significant risks or rewards of ownership relating to the receivables sold to Ineos Finance Ireland and therefore no longer recognise those receivables from the date of sale. The cash due from the sale of receivables, less a financing cost, is lent to Ineos Holdings Limited. The financing cost is recognised in interest payable.

### **Goodwill**

Acquired goodwill is capitalised and amortised over its estimated useful economic life, limited to a maximum period of 15 years.

## **Ineos Europe Limited (formerly Innovene Europe Limited)**

### **Tangible Fixed Assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. Straight line annual rates of depreciation most widely used are

Plant and machinery - 5 years

Fixtures, fittings and equipment - 5 years

### **Leases**

Rentals under operating leases are charged against income as incurred

### **Turnover**

Turnover, which is stated net of value added tax, customs duties and sales taxes represent amounts invoiced to third parties

### **Pensions**

The company participates in a defined benefit pension scheme providing benefits based on final pensionable pay for all employees. Contributions are made to this scheme by Ineos Europe Limited and Ineos Manufacturing Scotland Limited. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

We are unable to split the assets and liabilities of the scheme between the respective companies and therefore the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full in the accounts of Ineos Manufacturing Scotland Limited. The contributions paid by Ineos Europe Limited have been recognised in these financial statements as defined contribution.

### **Deferred tax**

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

# Ineos Europe Limited (formerly Innovene Europe Limited)

## Notes to the financial statements for the year ended 31 December 2006

### 1 Reporting currency

The financial statements are expressed in euros as the company and the group primarily generate income, incur expenditure and have the majority of their assets and liabilities denominated in euros

The exchange rate as at 31 December 2006 was €1 49098/£1 (2005 €1 457100/£1)

### 2 Turnover

The turnover attributable to each different class of business is as follows

By business area	Year ended 31 December 2006			Period ended 31 December 2005		
	Total sales	Inter-segment sales	Sales to third parties	Total sales	Inter-segment sales	Sales to third parties
	€'000	€'000	€'000	€'000	€ 000	€'000
Refining	10,038 792	(1,421,354)	8,617,438	6,440,278	(1,039,279)	5,400,999
Petrochemicals	8,042,174	(238,660)	7,803,514	7,921,762	(180,351)	7,741 411
<b>Total</b>	<b>18 080 966</b>	<b>(1 660 014)</b>	<b>16 420,952</b>	<b>14,362,040</b>	<b>(1,219,630)</b>	<b>13,142,410</b>

An analysis of turnover by geographic segment is as follows

By geographical area	Year ended 31 December 2006			Period ended 31 December 2005		
	Total sales	Inter-segment sales	Sales to third parties	Total sales	Inter-segment sales	Sales to third parties
	€'000	€'000	€'000	€ 000	€'000	€'000
UK	6 006 573	(991 352)	5,015,221	4,918,833	(695,061)	4,223 772
Rest of Europe	10,843 907	(668,662)	10 175 245	8,479 260	(524,569)	7 954 691
The Americas	190 994	-	190 994	148,546	-	148,546
Rest of World	1,039,492	-	1,039 492	815 401	-	815,401
<b>Total</b>	<b>18,080,966</b>	<b>(1,660,014)</b>	<b>16,420,952</b>	<b>14,362,040</b>	<b>(1,219 630)</b>	<b>13,142,410</b>

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 3 Operating (loss)/profit

This is stated after charging/(crediting)

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Hire charges under operating leases – plant & machinery	2,830	2,393
Exchange loss on foreign currency	11,138	36,331
Depreciation of owned tangible fixed assets	2,947	578
Amortisation of intangible assets	20,595	16,747
Loss on disposal of intangibles	11,050	-
Royalty and sundry income	(45,367)	(47,401)
Auditors' remuneration		
- Audit fees	329	1,013
- Other services relating to taxation	1,024	-

The exceptional administrative expenses of €127,495,000 relates to €34,080,000 of costs for restructuring the business, €86,915,000 in relation to the impairment of a prepayment in recognition of a shorter life assigned to the term of the contract and €6,500,000 in relation to a contribution towards the commitments of an aborted partnership

### 4 Interest receivable and similar income

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Interest income from parent undertaking	36,982	15,270
Other finance income	30	32
	<b>37,012</b>	<b>15,302</b>

# Ineos Europe Limited (formerly Innovene Europe Limited)

## 5 Interest payable and similar charges

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Interest payable on loans from parent	135,008	25,841
Other finance charges	95	166
	<b>135,103</b>	<b>26,007</b>

## 6 Exceptional items

Exceptional items are comprised of the following

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Profit on sale of the Ethylene Oxide Business at Dormagen, Germany	-	1,990
Release of excess provision acquired from BP plc on reorganisation of O&D Business	-	15,494
	<b>-</b>	<b>17,484</b>

## 7 Taxation on (loss)/profit on ordinary activities

### (a) Tax on (loss)/profit on ordinary activities

The tax credit/(charge) is made up as follows

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
<b>Current tax for the year</b>		
Group relief payable to group company at 30%		
- Current year	47,314	(36,506)
- Adjustment in respect of previous periods	1,302	-
<b>Total current tax</b>	<b>48,616</b>	<b>(36,506)</b>
<b>Deferred tax for the year</b>		
Origination and reversal of timing differences (note 17)	18,512	1,832
<b>Total deferred tax</b>	<b>18,512</b>	<b>1,832</b>
<b>Tax on (loss)/profit on ordinary activities</b>	<b>67,128</b>	<b>(34,674)</b>

# Ineos Europe Limited (formerly Innovene Europe Limited)

## 7 Taxation (continued)

### (b) Tax reconciliation

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation

The tax for the year is lower (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
(Loss)/profit before taxation	(237,124)	112,090
Current taxation at 30%	71,137	(33,627)
Gross up of foreign dividend	-	(142)
Relief for overseas taxation	-	406
Expenses not deductible for tax	(8,609)	(1,311)
Accelerated capital allowances and other timing differences	(15,214)	(1,832)
Adjustments in respect of previous period	1,302	-
<b>Tax credit/(charge) for current year</b>	<b>48,616</b>	<b>(36,506)</b>

There are no factors expected to significantly affect the tax charge in future periods

## 8 Directors and employees

### (a) Remuneration of directors

	2006 €'000	2005 €'000
<b>Directors' emoluments</b>		
Aggregate emoluments	582	198

In addition to the emoluments listed above, one director (2005 nil) received an ex-gratia payment of €327,000 (2005 nil)



# Ineos Europe Limited (formerly Innovene Europe Limited)

## 8 Directors and employees (continued)

	2006 €'000	2005 €'000
<b>Highest paid director</b>		
Aggregate emoluments	582	188

In addition to the emoluments listed above, the highest paid director received an ex-gratia payment of €327,000 (2005 nil)

One director had benefits accruing under a defined benefit pension scheme (2005 2)

No other directors received any fees or remuneration for services as a director of the company during the financial year

### (b) Employee costs

The aggregate payroll costs of persons employed by the company (including directors) during the year, was

	2006 €'000	2005 €'000
<b>By activity</b>		
Wages and salaries	47,286	35,632
Social security costs	4,870	3,755
Pension costs (note 24)	8,308	8,400
	60,464	47,787

### (c) Average monthly number of employees (including directors) during the year

	Year ended 31 December 2006	Period ended 31 December 2005
Distribution	38	47
Sales & marketing	142	227
Administration	193	153
Technology	9	41
	382	468

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 9 Intangible assets

	Goodwill €'000	Intangibles €'000	Total €'000
<b>Cost</b>			
At 1 January 2006	282,793	10,381	293,174
Disposals	(3,113)	(10,381)	(13,494)
<b>At 31 December 2006</b>	<b>279,680</b>	<b>-</b>	<b>279,680</b>
<b>Amortisation</b>			
At 1 January 2006	(13,790)	(2,327)	(16,117)
Charge for the year	(20,595)	-	(20,595)
Disposals	117	2,327	2,444
<b>At 31 December 2006</b>	<b>(34,268)</b>	<b>-</b>	<b>(34,268)</b>
<b>Net book amount</b>			
<b>At 31 December 2006</b>	<b>245,412</b>	<b>-</b>	<b>245,412</b>
At 1 January 2006	269,003	8,054	277,057

Goodwill is being amortised on a straight-line basis over fifteen years. This is the period over which the directors estimate that the values of the underlying businesses are expected to exceed the values of the underlying assets.

Goodwill disposed of in the year relates to goodwill for a former joint venture with BP Solvay that has ended.

Other intangible assets disposed of in the year relate to computer systems that are no longer in use.

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 10 Tangible assets

	Plant & machinery €'000	Fixtures & fittings €'000	Total €'000
<b>Costs</b>			
At 1 January 2006	-	7,734	7,734
Additions	16,680	3,504	20,184
<b>At 31 December 2006</b>	<b>16,680</b>	<b>11,238</b>	<b>27,918</b>
<b>Accumulated depreciation</b>			
At 1 January 2006	-	(578)	(578)
Charge for the year	-	(2,947)	(2,947)
<b>At 31 December 2006</b>	<b>-</b>	<b>(3,525)</b>	<b>(3,525)</b>
<b>Net book amount</b>			
<b>At 31 December 2006</b>	<b>16,680</b>	<b>7,713</b>	<b>24,393</b>
At 1 January 2006	-	7,156	7,156

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 11 Investments

The company has investments in the following undertakings split as follows

	Shares €'000	Loans €'000	Total €'000
<b>Cost</b>			
At 1 January 2006	1	550,000	550,001
Additions	-	550,000	550,000
Disposals	-	(550,000)	(550,000)
<b>At 31 December 2006</b>	<b>1</b>	<b>550,000</b>	<b>550,001</b>
<b>Net book amount</b>			
<b>At 31 December 2006</b>	<b>1</b>	<b>550,000</b>	<b>550,001</b>
At 1 January 2006	1	550,000	550,001

During the year the loan to Ineos Manufacturing Deutschland GmbH was transferred Ineos Deutschland GmbH. This loan was subsequently assigned from Ineos Europe Limited to Ineos Phenol Limited and replaced by a loan from Ineos Europe Limited to Ineos Phenol Limited.

The investments in the undertakings of the company at 31 December 2006 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Undertaking	%	Country of incorporation	Principal activity
Ineos Sales Belgium NV	1	Belgium	Distributor
Ineos Services Belgium NV	1	Belgium	Research & Technology

The remaining shareholdings in the above companies are held by Ineos European Holdings Limited.

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 12 Stocks

	2006 €'000	2005 €'000
Raw materials and consumables	347,897	470,520
Work in progress	11,904	11,334
Finished goods and goods for resale	672,537	836,946
Plant spares and stores	3,789	4,414
	<b>1,036,127</b>	<b>1,323,214</b>

The difference between the carrying value of stocks and their replacement cost is not material

### 13 Debtors – amounts falling due within one year

	2006 €'000	2005 €'000
Trade debtors	400,348	1,548,781
Amounts owed by group undertakings	68,533	803,705
Amounts owed by joint ventures	5,612	47,926
Prepayments and accrued income	9,400	3,927
Other taxes recoverable	365,252	146,717
Deferred tax (note 17)	20,344	1,832
Other debtors	69,589	27,146
	<b>939,078</b>	<b>2,580,034</b>

### 14 Debtors – amounts falling due after more than one year

	2006 €'000	2005 €'000
Trade debtors	1,760	1,082
Amounts owed by group undertakings	434,161	-
Prepayments and accrued income	-	86,678
	<b>435,921</b>	<b>87,760</b>

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 15 Creditors – amounts falling due within one year

	2006 €'000	2005 €'000
Trade creditors	886,616	1,201,600
Amounts owed to group undertakings	1,854,026	3,312,760
Amounts owed to joint ventures	14,387	20,402
Other taxes payable	494,072	89,841
Accruals and deferred income	89,665	88,494
Other creditors	49,999	7,739
	<b>3,388,765</b>	<b>4,720,836</b>

### 16 Creditors – amounts falling due after more than one year

	2006 €'000	2005 €'000
Accruals and deferred income	6,989	7,670

### 17 Deferred tax

	2006 €'000
At 1 January 2006	1,832
Credit to the profit and loss account	18,512
<b>At 31 December 2006</b>	<b>20,344</b>

The elements of the deferred tax asset which has been fully provided are as follows

	2006 €'000	2005 €'000
Deferred tax asset on short term timing differences	16,229	1,899
Deferred tax asset/(liability) on accelerated capital allowances	4,115	(67)
	<b>20,344</b>	<b>1,832</b>

## Ineos Europe Limited (formerly Innovene Europe Limited)

### 18 Called up equity share capital

	2006 €'000	2005 €'000
<b>Authorised</b>		
5,000,000,000 ordinary shares of £1 each	7,237,323	7,237,323
<b>Allotted, and fully paid</b>		
1 ordinary share of £1 each	-	-

### 19 Reserves

	Profit and loss account €'000
At 1 January 2006	115,796
Currency translation differences	(101,377)
Loss for the financial year	(169,996)
<b>At 31 December 2006</b>	<b>(155,577)</b>

### 20 Reconciliation of the movement in equity shareholders' (deficit)/funds

	2006 €'000	2005 €'000
(Loss)/profit for the financial year	(169,996)	77,416
Currency translation differences	(101,377)	38,380
Net (reduction)/addition to equity shareholders' funds	(271,373)	115,796
Opening equity shareholders' funds	115,796	-
<b>Closing equity shareholders' (deficit)/funds</b>	<b>(155,577)</b>	<b>115,796</b>

## **Ineos Europe Limited (formerly Innovene Europe Limited)**

### **21 Operating lease commitments**

At 31 December 2006, the company had annual commitments under non-cancellable operating leases relating to land and buildings as set out below

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Plant and equipment</b>		
<b>Expiring:</b>		
Within 1 year	457	1,823
Between 2 to 5 years	-	550
	<b>457</b>	<b>2,373</b>
<b>Land and buildings</b>		
<b>Expiring:</b>		
More than 5 years	<b>3,006</b>	<b>2,938</b>

### **22 Contingent liabilities**

The company is party to a Senior Facilities Agreement dated 14 December 2005 (as amended). The Senior Facilities Agreement comprises of term loans (Term Loan A, Term Loan B, Term Loan C and Term Loan D), and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2006 was €5,440.5 million (2005: €5,860.9 million). The company is a guarantor under the Senior Facilities Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

The company is party to a Senior Notes Indenture dated 7 February 2006 (as amended). The Senior Notes comprise the €1,630 million 7.875% Senior Notes due 2016 and the \$700 million 8.5% Senior Notes due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2006 was €2,162.4 million. The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.



## **Ineos Europe Limited (formerly Innovene Europe Limited)**

### **23 Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 “Related Party Disclosures”, and has not disclosed transactions with group companies

During the year the company has made payments to several related joint ventures to aid and support the manufacture of goods at manufacturing locations in France. A summary of the payments in the year, and the related balances outstanding at 31 December is shown in the table below

	<b>Total payments in the year</b>		<b>Balances outstanding in creditors at 31 December</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxochimie SAS	6,738	11,547	2,181	327
Naphtachimie SA	33,071	58,538	7,730	6,156
Appryl SNC	11,848	16,943	1,133	1

### **24 Pensions**

The company was a participating employer in the BP Group’s principal UK pension plan until 30 June 2006. The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund on a consistent and reasonable basis. Therefore the Company’s pension contributions have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 17 disclosures have been made in these financial statements with regards to The BP Pension Fund.

On 1 July 2006, a defined benefit pension scheme was set up for UK former Innovene employees. This scheme covers employees of both Ineos Europe Limited and Ineos Manufacturing Scotland Limited. The scheme is managed by Trustees, who are directors of Innovene Trustee Limited which has a trust deed in favour of Ineos Europe Limited. The full scheme has been included in the accounts of Ineos Manufacturing Scotland Limited as we are unable to split the assets and liabilities of the scheme by company. The majority of the employees who are participants in the pension scheme are employees of Ineos Manufacturing Scotland Limited. Therefore the Company’s pension contributions have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 17 disclosures have been made in these financial statements with regards to the UK former Innovene pension fund.

The most recent actuarial valuation for the UK former Innovene pension fund was 31 December 2006.

## **Ineos Europe Limited (formerly Innovene Europe Limited)**

### **25 Ultimate parent undertaking**

The directors regard Ineos European Holdings Limited, a company incorporated in the United Kingdom, to be the immediate parent undertaking of the company

The directors regard Ineos Group Limited, a company incorporated in the United Kingdom, to be the ultimate parent undertaking of the company

Ineos Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2006. The consolidated financial statements of Ineos Group Limited can be obtained from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG

The ultimate controlling party is Mr J A Ratcliffe, director and majority shareholder of the ultimate parent company