

INEOS Europe Limited
Annual report
for the year ended 31 December 2010

Registered number 5310655

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INEOS Europe Limited

Annual report

for the year ended 31 December 2010

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INEOS Europe Limited

Directors' report for the year ended 31 December 2010

The directors present their report and audited financial statements of the company for the year ended 31 December 2010

Principal activities

The company is engaged in the refining and sale of petroleum products and the production and sale of petrochemical products

Review of business and future developments.

In our refining business we operate two large oil refineries in Europe. Our principal refining products are transport fuels, naphtha and heating and fuel oils. Our refineries are physically integrated with our petrochemical plants located at the same sites. Our chemicals businesses produce olefins and related products, a broad range of polymers and a variety of other speciality chemical products.

During 2010 trading conditions in the Refining sector continued to be difficult, however, the improvement experienced in the petrochemical markets in late 2009 prevailed through 2010.

The company's austerity measures introduced during the depth of the economic downturn left it well placed to take full advantage of this improved trading environment while being able to re-introduce the staff bonus scheme and award inflation level salary increases.

The continued difficult trading conditions in the Refining sector were mitigated during 2010 by operating the competitively placed Refineries throughout the year to a high level of plant availability, supported by a strong trading activity.

During 2010 the company built on its initial move into the wholesale business in 2009 with the acquisition of the Dalston terminal in North West England and the associated customer list.

In the Olefins and Polyolefins business the overall picture in 2010 was of ongoing recovery from the exceptional market and financial conditions prevailing at the start of the previous year. In the olefins markets rising demand for all products meant margins were significantly improved on 2009. Although all products benefitted from an improved environment this was particularly the case for butadiene, driven by strong automotive demand against a background of industry rationalisation. Evidence of wider economic improvement was seen in oil related feedstock prices which increased during the year by over 20%. Improved olefin demand and monthly contract pricing meant that these rising prices were generally passed on the following month. After the focus on maintaining volumes in a difficult environment in 2009 the polyolefins business benefitted from increasing demand and margins in 2010, driven by our strategy of product differentiation. Demand was particularly strong in the polypropylene and LDPE businesses whilst business targeted more towards the building and infrastructure areas have been slower to recover from the reduction in demand in 2009. Overall polymer volumes were maintained at a similar level to the prior year based mainly on improving European demand with lower exports to the Far East. New olefin and polymer capacity in the Middle East, which has come online in the last two years, had no discernible effect on our markets primarily due to continued healthy demand growth for polyolefins in the Far East. As in the prior year the ongoing focus on fixed costs was maintained in 2010. Despite an overall decrease compared to 2009 we did selectively increase maintenance spend in the year in order to target reliability improvements in the medium term.

INEOS Europe Limited

In summary revenue from olefins and polyolefins increased by 20% for the year. The increase in revenue reflects the impact of higher sales prices as a result of higher feedstock costs in 2010 compared to 2009, as well as improved margins. In 2010 volumes were at a similar level to the year ended 31 December 2009, however margins were significantly higher, reflecting the ongoing recovery in demand following the global economic downturn.

Our results for 2010 also benefited from our ongoing focus on fixed costs, efficiency in our capital spend and working capital management across all businesses.

On 31 January 2011, Ineos Group received an irrevocable offer from PetroChina of \$1,015 million for a 50% share of the Refining business. The transaction is expected to close on 1 July 2011 after the required regulatory approvals have been obtained.

Results and dividends

The loss for the financial year before taxation was €278.8m (2009: loss of €198.1m). The directors do not propose the payment of a dividend (2009: €nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

T P Crotty	(Resigned 22 April 2010)
P J De Klerk	
J F Gimms	(Appointed 30 March 2011)
L H Heemskerk	(Appointed 22 April 2010)
G Leask	
C G MacLean	(Resigned 21 September 2010)
W B Reid	(Appointed 20 November 2009)

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. 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 Limited.

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 Limited which include those of the company, are discussed in the group's annual report which does not form part of this report.

Key performance indicators (KPI's)

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 Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

INEOS Europe Limited

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.
- The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Disclosure of information to auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the board



M Stokes
Company secretary
15 June 2011

INEOS Europe Limited

Independent auditors' report to the members of INEOS Europe Limited

We have audited the financial statements of INEOS Europe Limited for the year ended 31 December 2010 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 3) the directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INEOS Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Steve Denison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

16 June 2011

INEOS Europe Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 €m	2009 €m
Turnover	2	15,451.8	11,665.8
Cost of sales		(14,907.3)	(11,507.7)
Gross profit		544.5	158.1
Distribution costs		(263.6)	(286.4)
Amortisation of intangible assets		(13.5)	(13.6)
Other administrative expenses		(77.1)	(30.9)
Exceptional administrative expenses	3	(0.2)	(17.0)
Total administrative expenses		(90.8)	(61.5)
Other operating (expense)/income		(30.5)	111.2
Operating profit/(loss)	4	159.6	(78.6)
Interest receivable and similar income	5	47.0	44.3
Interest payable and similar charges	6	(485.4)	(163.8)
Loss on ordinary activities before taxation		(278.8)	(198.1)
Tax on loss on ordinary activities	7	75.2	55.7
Loss for the financial year	20	(203.6)	(142.4)

All activities of the company relate to continuing operations

There are no recognised gains or losses attributable to the shareholders of the company other than the loss above, therefore no separate statement of total recognised gains and losses has been presented

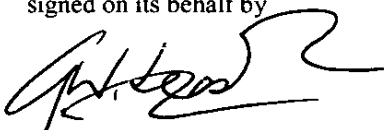
There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

INEOS Europe Limited

Balance sheet at 31 December 2010

	Note	2010 €m	2009 €m
Fixed assets			
Intangible assets	9	193.1	206 6
Tangible assets	10	10.0	14 4
Investments	11	723.2	684 3
		926.3	905 3
Current assets			
Stocks	12	1,451.3	873 4
Debtors amounts falling due within one year	13	1,353.0	1,208 9
Debtors amounts falling due after more than one year	14	532.2	516 5
Cash at bank and in hand		112.4	65 1
		3,448 9	2,663 9
Creditors amounts falling due within one year	15	(4,426.6)	(3,402 4)
Net current liabilities		(977.7)	(738 5)
Total assets less current liabilities		(51.4)	166 8
Creditors: amounts falling due after more than one year	16	(653.1)	(668 4)
Provisions for liabilities and charges	18	(3.4)	(2 7)
Net liabilities		(707 9)	(504 3)
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account	20	(707.9)	(504 3)
Total shareholders' deficit	21	(707.9)	(504 3)

The financial statements on pages 6 to 25 were approved by the board of directors on 15 June 2011 and were signed on its behalf by


G Leask
Director

INEOS 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 2006 and applicable accounting standards in the United Kingdom

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

The company is a wholly-owned subsidiary of INEOS Limited and is included in the consolidated financial statements of INEOS Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of s400 of the Companies Act 2006.

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 Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 'Cash Flow Statements (revised 1996)'.

Investments

Investments held as fixed assets are stated at cost less provision for impairment. All investments are reviewed for impairment where there are indications that the carrying value may not be fully recoverable.

Stock valuation

Stocks are valued at cost to the company, using first-in first-out method or at net realisable value, whichever is lower. Provision is made where necessary for obsolete, slow moving and defective stocks.

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 the loss for the year.

Operating results of branches in currencies other than euros are translated at the average rates of exchange for the year. Assets and liabilities held in branches in currencies other than euros have been translated at exchange rates ruling at the balance sheet date. Differences on exchange are dealt with through the profit and loss account.

Securitisation

The company is party to a trade debtors securitisation programme in which various group subsidiaries sell trade debtors to INEOS Finance Ireland, a special purpose vehicle, for a discounted rate. INEOS Finance Ireland pledges the debtors 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 debtors, less a financing cost, is lent to INEOS Holdings Limited. The financing cost is recognised in interest payable.

INEOS Europe Limited

Intangible fixed assets

Goodwill represents the excess of cost of acquisitions of subsidiary undertakings and businesses over the fair value attributed to their net assets. Goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account on a straight line basis over its estimated useful economic life, limited to a maximum period of 20 years.

For intellectual property rights acquired in connection with an acquisition or recognised following valuations performed by independent valuation experts, the fair value of these separable intangible assets is capitalised and amortised over the life of the technology based upon the directors' estimates of between 10 and 15 years.

All intangible fixed assets are reviewed for impairment when there are indications that carrying value may not be fully recoverable, in which case any excess is written off to the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price and the costs attributable to bringing the asset to its working condition for its intended use. 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 used are:

Plant and machinery	- 5 years
Fixtures and fittings	- 5 years

Leases

Rentals under operating leases are charged against income on a straight line basis over the lease term.

Turnover

Turnover, which is stated net of value added tax, customs duties and sales taxes represent amounts invoiced to third parties. Sales are recognised when the conditions of sale have been fulfilled.

Pensions

The company participates in a group operated 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 financial accounts of INEOS Manufacturing Scotland Limited. The contributions paid by INEOS Europe Limited have been recognised in these financial statements as defined contribution.

Provisions

A provision is recognised in the balance sheet where the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

INEOS Europe Limited

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

Notes to the financial statements for the year ended 31 December 2010

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 2010 was €1 17412/£1 (2009 €1 11944/£1)

2 Turnover

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

	2010	2009
By business area:	€m	€m
Refining	6,693.2	5,839.7
Petrochemicals	8,758.6	5,826.1
Total	15,451.8	11,665.8

An analysis of turnover by geographic destination as follows

	2010	2009
By geographical area:	€m	€m
		Restated
UK	4,369.9	3,459.1
Rest of Europe	9,715.4	6,750.8
The Americas	346.1	222.4
Rest of World	1,020.4	1,233.5
Total	15,451.8	11,665.8

INEOS Europe Limited

3 Exceptional administrative expenses

	2010 €m	2009 €m
Disposal of Styrenics business	0.1	13.8
Severance and restructuring	0.1	3.2
	0.2	17.0

In 2009 the Styrenics business was transferred out of the INEOS group into INEOS Industries, a related party. The charge relates to outstanding costs that were received in 2010.

The O&P business incurred severance and restructuring costs in the year in relation to the integration of the Olefins and Polyolefins businesses into one single business unit. See note 18 for further information.

4 Operating profit/(loss)

This is stated after charging/(crediting)

	2010 €m	2009 €m
Hire charges under operating leases – plant and machinery	1.3	1.2
Hire charges under operating leases – land and buildings	2.7	2.4
Exchange (gain)/loss	(265.4)	64.1
Depreciation of owned tangible fixed assets (note 10)	4.7	5.4
Amortisation of intangible assets (note 9)	13.5	13.6
Operating expense/(income)	30.5	(111.2)
Auditors' remuneration		
- Audit fees	0.4	0.5
- Other services relating to taxation	0.6	0.6

The audit fee for the financial year includes charges for other group companies. The audit fee for INEOS Europe Limited was €321,773.

INEOS Europe Limited

5 Interest receivable and similar income

	2010	2009
	€m	€m
Interest income from group undertakings	46.0	42.1
Other interest income	1.0	2.2
	47.0	44.3

6 Interest payable and similar charges

	2010	2009
	€m	€m
Interest payable on loans from group undertakings	480.4	159.3
Other finance charges	5.0	4.5
	485.4	163.8

7 Tax on loss on ordinary activities

(a) Analysis of credit in the year

The tax credit is made up as follows

	2010	2009
	€m	€m
Current tax for the year		
Adjustment in respect of previous years	0.7	1.0
Double tax relief	3.8	1.6
Total current tax	4.5	2.6
Deferred tax for the year		
Origination and reversal of timing differences	(72.9)	(45.6)
Adjustments in respect of prior year	(6.8)	(12.7)
Total deferred tax (note 17)	(79.7)	(58.3)
Tax on loss on ordinary activities	(75.2)	(55.7)

INEOS Europe Limited

7 Tax on loss on ordinary activities (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 €m	2009 €m
Loss before taxation	(278.8)	(198.1)
Current tax at 28% (2009 28%)	(78.1)	(55.5)
Expenses not deductible for tax	5.2	9.9
Accelerated capital allowances and other timing differences	72.9	45.6
Double tax relief	3.8	1.6
Adjustments in respect of previous years	0.7	1.0
Tax charge/(credit) for current year	4.5	2.6

(c) Factors that may affect future tax charge

In the 2011 Budget on 23 March 2011, the UK Government announced its intention to reduce the UK corporation tax rate to 26% from 1 April 2011. Further reductions to the UK corporation tax rate have been announced which will reduce the UK corporation tax rate by 1% per annum until this reaches 23% by 1 April 2014.

These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Had the change in the tax rate to 23% been substantively enacted as of the balance sheet date, deferred tax would reduce by approximately €46 million.

INEOS Europe Limited

8 Directors and employees

(a) Remuneration of directors

	2010 €m	2009 €m Restated
Directors' emoluments		
Aggregate emoluments	0.3	0.6

	2010 €m	2009 €m Restated
Highest paid director		
Aggregate emoluments	0.2	0.4

No director had benefits accruing under a defined benefit pension scheme (2009: none)

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

By activity	2010 €m	2009 €m
Wages and salaries	19.7	20.1
Social security costs	1.8	1.9
Pension costs (note 25)	4.0	3.6
	25.5	25.6

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

	2010 Number	2009 Number
Distribution	14	21
Sales and marketing	18	12
Administration	199	191
Technology	13	9
	244	233

INEOS Europe Limited

9 Intangible assets

	Intellectual property rights €m	Goodwill €m	Total €m
Cost			
At 1 January 2010 and 31 December 2010	1.8	279.7	281.5
Accumulated amortisation			
At 1 January 2010	(0.2)	(74.7)	(74.9)
Charge for the year (note 4)	(0.1)	(13.4)	(13.5)
At 31 December 2010	(0.3)	(88.1)	(88.4)
Net book amount			
At 31 December 2010	1.5	191.6	193.1
At 31 December 2009	1.6	205.0	206.6

The intellectual property rights intangible asset relates to the acquisition of assets from BP at the site in Saltend, Hull, UK. This intangible asset is amortised on a straight-line basis over fifteen years.

Goodwill is being amortised on a straight-line basis over twenty 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.

INEOS Europe Limited

10 Tangible assets

	Plant and machinery	Fixtures and fittings	Total
	€m	€m	€m
Costs			
At 1 January 2010	18.3	15.2	33.5
Additions	-	1.2	1.2
Group Transfers In	-	2.4	2.4
Group Transfers Out	-	(1.2)	(1.2)
Disposals	-	(6.6)	(6.6)
At 31 December 2010	18.3	11.0	29.3
Accumulated depreciation			
At 1 January 2010	(9.3)	(9.8)	(19.1)
Charge for the year (note 4)	(3.1)	(1.6)	(4.7)
Group Transfers In	-	(2.3)	(2.3)
Group Transfers Out	-	0.2	0.2
Disposals	-	6.6	6.6
At 31 December 2010	(12.4)	(6.9)	(19.3)
Net book amount			
At 31 December 2010	5.9	4.1	10.0
At 31 December 2009	9.0	5.4	14.4

In 2010, INEOS Europe Limited transferred assets to INEOS Nitriles Limited for the net book value of €984,684

Assets were also transferred from INEOS Manufacturing Scotland Limited to INEOS Europe Limited for the net book value of €55,180

INEOS Europe Limited

11 Investments

	Shares €m	Loans €m	Total €m
Cost and net book amount			
At 1 January 2010	-	684.3	684.3
Additions	-	38.9	38.9
At 31 December 2010	-	723.2	723.2

The directors believe that the carrying value of the investments is supported by their underlying net assets

The loan relates to a loan with INEOS Phenol Limited, a fellow subsidiary undertaking. There is currently no fixed repayment term for this loan.

Additions in the year relating to shares include a £1 investment in INEOS Fuels Limited.

The investments in the undertakings of the company at 31 December 2010 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	%	Class of shares held	Country of incorporation	Principal activity
INEOS Sales Belgium NV	1	Ordinary	Belgium	Distribution
INEOS Services Belgium NV	0.006	Ordinary	Belgium	Research and Technology
INEOS Manufacturing Belgium NV	0.001	Ordinary	Belgium	Toll manufacturer
INEOS Fuels Limited	100	Ordinary	UK	Distribution

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

INEOS Europe Limited

12 Stocks

	2010 €m	2009 €m
Raw materials and consumables	153.3	112.3
Work in progress	2.5	1.9
Finished goods and goods for resale	1,274.3	745.2
Plant spares and stores	21.2	14.0
	1,451.3	873.4

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

Included within raw materials and consumables and finished goods are oil stocks for which a charge is held as security against a working capital financing facility

13 Debtors: amounts falling due within one year

	2010 €m	2009 €m
Trade debtors	411.2	351.7
Amounts owed by group undertakings	592.7	588.0
Amounts owed by related parties (note 24)	0.5	1.4
Other debtors	70.8	70.2
Prepayments and accrued income	11.7	11.2
Deferred tax (note 17)	266.1	186.4
	1,353.0	1,208.9

14 Debtors: amounts falling due after more than one year

	2010 €m	2009 €m
Trade debtors	1.2	1.1
Amounts owed by group undertakings	486.6	477.7
Other taxes receivable	44.4	37.7
	532.2	516.5

INEOS Europe Limited

15 Creditors: amounts falling due within one year

	2010 €m	2009 €m
Trade creditors	1,489.6	902.3
Amounts owed to group undertakings	2,626.6	2,226.0
Amounts owed to related parties (note 24)	14.3	19.9
Other creditors	35.8	3.0
Other taxes payable	104.4	158.9
Accruals and deferred income	155.9	92.3
	4,426.6	3,402.4

16 Creditors: amounts falling due after more than one year

	2010 €m	2009 €m
Amounts owed to group undertakings	640.0	631.3
Accruals and deferred income	13.1	37.1
	653.1	668.4

17 Deferred tax

The movement in the deferred tax asset is analysed as follows

	Total €m
At 1 January 2010	186.4
Credited to the profit and loss account (note 7)	79.7
At 31 December 2010	266.1

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset on accelerated capital allowances and short term timing differences. Where there is uncertainty of the reversal of such differences, these amounts remain unrecognised.

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17 Deferred tax (continued)

The elements of the deferred tax asset which has been recognised in full are as follows

	Amount recognised	
	2010 €m	2009 €m
Accelerated capital allowances	6.7	4.9
Short term timing differences	0.7	0.4
Losses	258.7	181.1
	266.1	186.4

18 Provisions for liabilities and charges

	Compass Point Dilapidations €m	O&P Europe Restructuring €m	Total €m
At 1 January 2010	2.3	0.4	2.7
Reclassifications	0.7	-	0.7
At 31 December 2010	3.0	0.4	3.4

Compass Point Dilapidations Provision

The company has provided for expected dilapidation costs in relation to the lease of the Compass Point premises. The costs are expected to be incurred at the end of the lease period in 2015.

O&P Europe Restructuring Provision

The company has provided for expected severance costs in relation to various reorganisations within the O&P organisation.

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19 Called up share capital

	2010 €m	2009 €m
Authorised		
5,000,000,000 ordinary shares of £1 each	7,237.3	7,237.3
Allotted and fully paid		
1 ordinary share of £1	-	-

As the reporting currency of the company is the euro the share capital has been converted to euros at the effective rate of exchange ruling at the date of issuance

20 Profit and loss account

	€m
At 1 January 2010	(504.3)
Loss for the financial year	(203.6)
At 31 December 2010	(707.9)

21 Reconciliation of the movement in shareholders' deficit

	2010 €m	2009 €m
Loss for the financial year	(203.6)	(142.4)
Opening shareholders' deficit	(504.3)	(361.9)
Closing shareholders' deficit	(707.9)	(504.3)

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22 Operating lease commitments

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below

	2010 €m	2009 €m
Plant and equipment		
Expiring:		
Between 2 to 5 years	1.2	1.2
Land and buildings		
Expiring:		
More than 5 years	2.4	2.3

23 Contingent liabilities

The company is party to a Senior Facilities Agreement dated 12 May 2010 (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 2010 was €3,907.0 million (2009 €5,003.7 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 the Senior Secured Notes Indenture dated 12 May 2010 (as amended). The Senior Secured Notes comprise the €300 million 9.25% Senior Secured Notes Due 2015 and the \$570 million 9.0% Senior Secured Notes Due 2015. The total outstanding indebtedness under the Senior Secured Notes at 31 December 2010 was €733.9 million (2009 € nil). The company is a guarantor under the Senior Secured Notes Indenture. These obligations are secured by fixed and floating charges over the assets of the company.

The company is party to the Senior Notes Indenture dated 7 February 2006 (as amended). The Senior Notes comprise the €1,532.1 million 7.875% Senior Notes Due 2016 and the \$677.5 million 8.5% Senior Notes Due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2010 was €2,047.9 million (2009 €2,005.9 million). The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.

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24 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

There were a number of transactions with related parties during the year, all of which arose in the normal course of business. A summary of these transactions and the balances outstanding at 31 December 2010 is shown in the table below

	Value of transactions 2010 €m	Balance receivable at 31 December 2010 €m	Value of transactions 2009 €m	Balance receivable at 31 December 2009 €m
Sales and cost recharges to related parties				
Appryl	1.7	0.3	1.1	0.2
INEOS Nova International S A	0.5	-	104.6	-
INEOS Technologies Limited	-	-	0.3	0.2
INEOS Bio Limited	3.1	0.1	0.3	0.9
INEOS Styrenics GmbH	0.2	0.1	0.1	0.1
	5.5	0.5	106.4	1.4

	Value of transactions 2010 €m	Balance payable at 31 December 2010 €m	Value of transactions 2009 €m	Balance payable at 31 December 2009 €m Restated
Purchases from related parties				
Appryl	15.7	4.1	17.9	4.4
Naphachimie	52.6	9.8	60.1	12.4
INEOS Nova International S A	1.0	0.1	33.7	0.8
INEOS Capital	1.3	0.3	1.6	0.1
INEOS Technologies Limited	-	-	0.1	-
PQ Silicas UK Limited	0.3	-	0.4	0.1
INEOS ABS (Spain) S L	-	-	2.1	2.1
	70.9	14.3	115.9	19.9

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25 Pensions

The 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 financial statements 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 30 June 2006.

26 Ultimate parent undertaking

The immediate parent undertaking is INEOS European Holdings Limited.

The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of INEOS AG. The ultimate parent company is INEOS AG, a company incorporated in Switzerland.

INEOS Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2010. The consolidated financial statements of INEOS Limited are available from the Company Secretary, INEOS Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.