

INEOS Finance PLC
Annual report
for the period ended 31 December 2010

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INEOS Finance PLC

Annual report

for the period ended 31 December 2010

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INEOS Finance PLC

Directors' report for the period ended 31 December 2010

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

The Company was incorporated on 23 November 2009 as Kerling 2 PLC and changed its name to INEOS Finance PLC on 31 March 2010. The financial statements include the results from incorporation to 31 December 2010.

Principal activities

The principal activity of the Company is to act as a finance company for the INEOS group of companies.

Review of the business and future developments

The directors consider the development of the Company's business during the period to be satisfactory. The directors do not expect any change in the Company's activities during the next financial year.

On 15 May 2010 the Company successfully issued Senior Secured Notes comprised of €300.0 million Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Notes were subsequently listed on the Luxembourg Stock Exchange. The Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.00% for the Secured Dollar Notes, payable semi-annually in arrears. The proceeds from the issue of the Notes were lent to INEOS Holdings Limited, the immediate parent undertaking, to repay a proportion of its indebtedness under the Group's senior bank facility.

Results and dividends

The results of the Company are set out in the profit and loss account on page 4 which shows a result for the financial period ended 31 December 2010 of €nil. The directors do not recommend the payment of a final dividend.

Key performance indicators

Given the close involvement of the shareholders in the running of the business, the directors believe that the current level of disclosures within the Directors' Report is sufficient to give an understanding of the development, performance and position of the business.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

M J Maher	(appointed 23 November 2009, resigned 23 April 2010)
A J Reed	(appointed 23 November 2009, resigned 23 April 2010)
C E Tane	(appointed 23 November 2009, resigned 23 April 2010)
C G Maclean	(appointed 22 April 2010, resigned 21 September 2010)
G Leask	(appointed 22 April 2010)
J W Dawson	(appointed 21 September 2010)

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Directors' report for the period ended 31 December 2010 (continued)

Statement of directors' responsibilities

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 prepared 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 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 its 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 as 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 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

During the period PricewaterhouseCoopers LLP were appointed as auditors to the Company. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board



M Stokes
Company Secretary
16 June 2011

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Independent auditors' report to the members of INEOS Finance PLC

We have audited the financial statements of INEOS Finance PLC for the period 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 2, 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 opinions, 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.

Opinion on 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 result for the period 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.

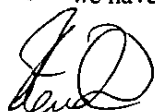
Opinion on other matter prescribed by the Companies Act 2006

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.

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

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Profit and loss account for the period ended 31 December 2010

	Note	2010 €'m
Interest receivable and similar income	4	43 0
Interest payable and similar charges	4	(43 0)
Profit on ordinary activities before taxation		-
Tax on profit on ordinary activities		-
Profit on ordinary activities after taxation		-

All the activities of the company relate to continuing operations

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented


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

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Balance sheet as at 31 December 2010

	Note	2010 €'m
Current assets		
Debtors amounts due within one year	5	8 8
Debtors amounts due after more than one year	5	733 9
		742 7
Creditors amounts falling due within one year	6	(8 7)
Total assets less current liabilities		734 0
Creditors amounts falling due after more than one year	7, 8	(733 9)
Net assets		0 1
Capital and reserves		
Called up equity share capital	9	0 1
Profit and loss account	10	-
Total shareholders' funds	11	0 1

The financial statements on pages 4 to 10 were approved by the board of directors on 16 June 2011 and were signed on its behalf by



G Leask
Director

INEOS Finance PLC

Statement of accounting policies

Basis of accounting

The financial statements are prepared on a 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 principal accounting policies, which have been applied consistently, are set out below.

Deferred taxation

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.

Cash flow and related party transactions

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

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the period in which they occur.

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

1 Reporting currency

The financial statements are expressed in Euros as the Group of Companies that it is a part of 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 to £1

2 Auditor's remuneration

The audit fee has been included in the overall audit fee for INEOS Limited in the period and is not separately recharged to the company

3 Employees and directors

Neither the directors nor the secretary received any emoluments during the year in respect of their services to the company. No other persons were employed during the year

4 Interest and similar items

	2010
	€'m
Interest receivable and similar income	
Interest receivable from group undertakings	43 0
Interest payable and similar charges	
Interest payable on Senior Secured Notes	(43 0)

Exchange differences on foreign currency denominated loan balances have been recognised in the profit and loss account in accordance with SSAP 20, as explained in the Statement of accounting policies

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5 Debtors

	2010
	€'m
Amounts falling due within one year	
Amounts due from group undertakings	8 8
Amounts falling due after more than one year	
Amounts due from group undertakings	733 9

6 Creditors – Amounts falling due within one year

	2010
	€'m
Accruals and deferred income	8 7

7 Creditors – Amounts falling due after more than one year

	2010
	€'m
Senior Secured Notes due 2015	733 9

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8 Borrowings

Gross borrowings are repayable as follows	2010
	€'m
Due between 2 and 5 years	733.9

Senior Secured Notes

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Senior Secured Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.0% for the Secured Dollar Notes, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.

The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning May 15, of the years indicated below:

Year	Secured Euro Notes Redemption Price	Secured Dollar Notes Redemption
2013	104.625%	104.500%
2014 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Secured Notes rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016 held within other subsidiaries of the group. Further details in relation to these facilities has been included within the financial statements of Ineos Group Holdings plc. The notes are guaranteed by Ineos Group Holdings plc, Ineos Holdings Limited and certain of their subsidiaries on a senior secured basis.

The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure Ineos Holdings Limited's obligations under the senior secured credit facility.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

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9 Called up share capital

	2010
	€'m
Allotted, issued and fully paid	
Equity	
50,000 ordinary shares of £1 each	0.1

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

	€'m
At incorporation	-
Retained profit for the financial period	-
At 31 December 2010	-

11 Reconciliation of movements in total shareholders' funds

	2010
	€'m
Profit for the financial period	-
Net proceeds from issue of ordinary share capital	0.1
Opening total shareholders' funds	-
Closing total shareholders' funds	0.1

12 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Ineos Holdings Limited, a company incorporated in England and Wales

The ultimate parent company at 31 December 2010 was INEOS AG, a company incorporated in Switzerland

INEOS Group Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. Copies of the accounts of INEOS Group Holdings plc can be obtained from the Company Secretary, INEOS Group Holdings Plc, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG

The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent undertakings INEOS AG