

INEOS Chlor Limited
Annual report
for the year ended 31 December 2006

Registered Number 4068812



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INEOS Chlor Limited
Annual report
for the year ended 31 December 2006
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INEOS Chlor Limited

Directors' report for the year ended 31 December 2006

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

Principal activities and review of the business

The Company's principal activity is the manufacture and sale of chemicals

Turnover for the year was £370.0m (2005 £349.2m) and the loss on ordinary activities before taxation was £30.4m (restated 2005 £4.3m) after taking into account an exceptional operating charge of £5.8m (2005 £1.5m). The Directors do not recommend the payment of a dividend (2005 nil).

During the year the Company's new chlor-alkali plant at the Runcorn manufacturing site became fully operational.

On 9 January 2006 the Company became a wholly-owned subsidiary of INEOS Chlor Newco 2 Limited, with beneficial effect from 29 December 2005. On 3 July 2006, INEOS Chlor Newco 2 Limited became a wholly-owned subsidiary of INEOS Group Limited.

Research and development

The Company's research and development team provides support to the Company's customers and seeks to improve the efficiency of the Company's manufacturing processes. The research and development team also leads the Company's efforts with respect to the development and capacity expansions of plants, together with the maintenance and improvement in safety and environmental standards.

Future outlook

At the end of the year the Company remained well placed to take advantage of the opportunities that are expected to arise in 2007.

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 which 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.

Key performance indicators ("KPIs")

Business performance-related bonuses are paid to the Company's employees where targets in respect of safety, profitability, manufacturing performance, working capital and cost control are met or exceeded. In addition, key market and raw materials prices are monitored closely and action taken, where appropriate, to optimise margins earned by the Company's operations. The Directors believe that these measures represent the Company's KPIs.

Directors

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

JA Ratcliffe

A Verrijckt (resigned 3 February 2006)

TP Crotty

CE Tane

LH Heemskerk (resigned 3 February 2006)

A Traynor (resigned 28 February 2007)

AJ Reed (appointed 3 February 2006)

MJ Maher (appointed 3 February 2006)

O Schnurr was appointed as a Director on 28 February 2007.

INEOS Chlor Limited

Directors' report for the year ended 31 December 2006 (continued)

Employees

It is the Company's practice to give full and fair consideration to applications for employment received from disabled persons subject to the Company's requirements and to the qualifications ability and aptitude of the individual in each case

Employees are provided with information about the Company through regular briefing bulletins

Political and charitable contributions

The Company made no political contributions during the year (2005 £ nil) Charitable donations amounted to £26,000 (2005 £47,000)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing 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 both UK Generally Accepted Accounting Practice (United Kingdom 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, 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 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

For each person who is a Director at the time of approval of this report

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

Auditors

The Auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office As a result of the Company passing a written resolution, there is no longer a requirement for the Auditors to be appointed on an annual basis

By order of the Board



PF Nichols
Secretary

24 January 2008

INEOS Chlor Limited

Independent Auditors' report to the members of INEOS Chlor Limited

We have audited the financial statements of INEOS Chlor Limited for the year ended 31 December 2006 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses, the Reconciliation of movements in equity shareholders' (deficit)/funds 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 Annual Report and 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.

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 its loss for the year then ended, and
- 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool
28 January 2008

INEOS Chlor Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 Before Exceptional Items £m	2006 Exceptional Items (Note 3) £m	2006 After Exceptional Items £m	2005 Before Exceptional Items (restated) £m	2005 Exceptional Items (Note 3) £m	2005 After Exceptional Items (restated) £m
Turnover	2	370 0	-	370 0	349 2	-	349 2
Cost of sales		(293 7)	(5 0)	(298 7)	(262 5)	(1 4)	(263 9)
Gross profit		76 3	(5 0)	71 3	86 7	(1 4)	85 3
Selling and distribution costs		(70 9)	(0 1)	(71 0)	(69 7)	-	(69 7)
Administrative expenses		(17 0)	(0 7)	(17 7)	(12 3)	(0 1)	(12 4)
Other operating income		3 3	-	3 3	-	-	-
Operating (loss)/profit	1	(8 3)	(5 8)	(14 1)	4 7	(1 5)	3 2
Income from shares in subsidiaries				0 1			0 2
Net interest payable	6			(16 1)			(7 4)
Other finance costs	19			(0 3)			(0 3)
Loss on ordinary activities before taxation				(30 4)			(4 3)
Tax on loss on ordinary activities	7			2 2			-
Loss on ordinary activities after taxation for the financial year				(28 2)			(4 3)

All turnover and profits/losses for the financial years arose from continuing operations

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

INEOS Chlor Limited

Balance sheet as at 31 December 2006

	Note	2006 £m	2005 (restated) £m
Fixed assets			
Intangible assets	8	1 2	1 5
Tangible assets	9	360 6	333 1
Investments	10	-	2 5
		361 8	337 1
Current assets			
Stocks	11	19 8	22 2
Debtors – amounts falling due within one year	12	31 4	82 8
Debtors – amounts falling due after more than one year	12	42 3	-
Cash at bank and in hand	13	3 6	1 7
		97 1	106 7
Borrowings	13	(2 9)	(54 1)
Other creditors	14	(90 8)	(123 6)
Creditors – amounts falling due within one year		(93 7)	(177 7)
Net current assets/(liabilities)		3 4	(71 0)
Total assets less current liabilities		365 2	266 1
Financed by:			
Creditors – amounts falling due after more than one year	13	311 5	206 9
Deferred income	15	22 5	2 3
Pension liability	19	83 3	81 6
		417 3	290 8
Capital and reserves			
Called up share capital	16	-	-
Share premium account	17	87 7	87 7
Profit and loss account	17	(139 8)	(112 4)
Total shareholders' funds (equity and non-equity)	16	(52 1)	(24 7)
		365 2	266 1

The Financial statements on pages 4 to 22 were approved by the Board of Directors on 24 January 2008 and are signed on its behalf by


CE Tane


MJ Maher

INEOS Chlor Limited

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

	2006 £m	2005 (restated) £m
Loss for the year	(28 2)	(4 3)
Actuarial gain/(loss) recognised in the pension scheme (Note 19)	0 8	(28 3)
Total recognised gains and losses for the financial year	(27 4)	(32 6)
Prior year adjustment – FRS 17 (Note 17)	(81 6)	
Total recognised gains and losses since the last Annual Report	(109 0)	

Reconciliation of movements in total shareholders' (deficit)/funds for the year ended 31 December 2006

	2006 £m	2005 (restated) £m
Loss for the year	(28 2)	(4 3)
Actuarial gain/(loss) recognised in the pension scheme (Note 19)	0 8	(28 3)
Net increase in total shareholders' deficit	(27 4)	(32 6)
Opening total shareholders' funds as previously reported	56 9	59 3
Prior year adjustment – FRS 17 (Note 17)	(81 6)	(51 4)
Opening total shareholders' (deficit)/funds as restated	(24 7)	7 9
Total shareholders' deficit at end of year (Note 16)	(52 1)	(24 7)

INEOS Chlor Limited

Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards, the Companies Act 1985 and the accounting policies set out below

In November 2000 the Accounting Standards Board issued FRS 17 'Retirement benefits' and the Company has adopted FRS 17 in these financial statements. This adoption represents a change in accounting policy and the comparative figures have been restated accordingly. Further information is shown in Note 17.

Group consolidation, cash flow statement and related party disclosures

The Company is a subsidiary of INEOS Group Limited and its results are included in the consolidated financial statements of INEOS Group Limited, which are available to the public. Consequently, the Company has taken advantage of various exemptions from reporting requirements:

- Under the terms of Financial Reporting Standard 2 the Company is exempt from preparing Group accounts. The financial statements present information about the Company as an individual undertaking.
- Under the terms of Financial Reporting Standard 1 (revised 1996) the Company is exempt from preparing a cash flow statement.
- Under the terms of Financial Reporting Standard 8 the Company is exempt from disclosing related party transactions with entities that form part of the INEOS Group Limited group.

Turnover

Turnover represents the sales value of goods and services supplied to customers during the year. It excludes VAT and similar sales based taxes. Revenue is recognised at the point at which title passes or services have been provided.

Tangible fixed assets and depreciation

Freehold land and assets in the course of construction are not depreciated. Assets in the course of construction are transferred to land and buildings or plant and machinery upon completion. Depreciation is charged when these assets come into use.

Depreciation on all other tangible fixed assets is calculated so as to write off the historic cost of the assets on a straight line basis over their effective lives. The typical effective lives of assets are:

Freehold buildings	-	50 years
Plant and machinery		
• Major items of plant	-	10 to 20 years
• Major plant overhauls	-	2 to 4 years
• Motor vehicles	-	5 years
• Fixtures, fittings and equipment	-	5 to 10 years
• Computer hardware and major software	-	2 to 4 years

Any impairment in the value of fixed assets, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period to which the impairment relates.

Goodwill

When the fair value of the separable net assets is less than the fair value of the consideration for an acquired business, the difference is treated as goodwill and is capitalised and amortised through the profit and loss account on a straight-line basis over its expected useful life, which is typically 10 years.

Stocks

Stocks and work in progress are valued on a first in, first out basis and are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress includes an appropriate proportion of overhead expenses.

Government grants and similar deferred income

Government grants and similar cash contributions are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

INEOS Chlor Limited

Accounting policies (continued)

Leases

Where the Company enters into a lease that entails taking substantially all the risks and rewards of ownership of an asset the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease whichever is shorter. Future instalments under such leases net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental costs are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The Company participates in a pension scheme providing benefits based on final pensionable pay and the assets of this scheme are held separately from those of the Company. The pension scheme is a multi-employer pension scheme for employees of the Company and INEOS Enterprises Limited.

Prior to 3 July 2006 both the Company and INEOS Enterprises Limited were subsidiaries of INEOS Chlor Group Limited (now INEOS Enterprises Group Limited) and full FRS 17 disclosures were made in the accounts of INEOS Chlor Group Limited. It was not deemed practicable for the Company to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore the Company's pension scheme was accounted for as if it were a defined contribution scheme. On 3 July 2006, INEOS Chlor Limited was acquired by INEOS Group Limited, a related party, and there is no longer a common parent company of the Company and INEOS Enterprises Limited. As a result, it is no longer possible to account for the pension scheme on a defined contribution basis so the Company has adopted FRS 17 fully in these financial statements. This adoption represents a change in accounting policy and comparative figures have been restated accordingly. Further information is shown in Note 17.

The current service cost of pension provision and any costs of benefits relating to past service are charged against operating profit for the year. A charge equal to the increase in present value of the pension scheme liabilities and a credit equal to the long-term expected return on pension scheme assets at the start of the year are included as 'other finance income' in the profit and loss account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The surplus or deficit in the pension scheme, net of any related deferred tax, is shown in the balance sheet.

The method used to split the FRS 17 pension scheme results between the Company and INEOS Enterprises Limited was as follows:

- most members were allocated to a specific company, but where this was not possible members were allocated to the larger employer, the Company
- active scheme liabilities were allocated pro rata based on the relative value of accrued pensions for active members. Deferred and pensioner members were allocated to the Company
- total assets and cash flows were allocated in proportion to accrued pensions
- the allocation of total scheme liabilities was based on data collected in 2006 and, other than for recognition of changes due to a 2005 business acquisition by INEOS Enterprises Limited, the same proportionate split has been used at all relevant dates

The Directors believe that this approach represents a consistent and reasonable basis of accounting for the scheme, bearing in mind that the next full actuarial valuation will take place as at 31 December 2007.

Deferred taxation

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

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Where the cost of investments includes long-term loans, these are included within fixed asset investments.

INEOS Chlor Limited

Accounting policies (continued)

Fees relating to long-term finance

Costs incurred in order to arrange long-term financing are charged to the profit and loss account over the term of the associated debt such that the amount charged is at a constant rate on the carrying amount. The costs are recognised initially as a reduction in the proceeds of the debt.

Research and development

Expenditure on research and development is written off when incurred.

Foreign currencies

Results and assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Exchange differences on foreign currency loans are also taken directly to reserves where there is an appropriate offset.

INEOS Chlor Limited

Notes to the accounts

1 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting)

	2006 £'000	2005 £'000
Auditors' remuneration		
Audit fees	50	53
Non-audit services	26	25
Depreciation	19,300	15,200
Amortisation		
Goodwill	300	300
Deferred income	(700)	(400)
Exchange loss/(gain)	2,683	(1,620)
Research and development costs	272	426
Other laboratory and technical engineering costs *	4,488	3,358
Rentals payable under operating leases		
Plant and machinery	348	683

In the financial statements for the year ended 31 December 2005 these costs were included in Cost of sales. In 2006 the costs have been reclassified as Administrative expenses and comparative figures have been restated.

2 Segmental information

The Company's activities consist of the UK manufacture and worldwide sale of chemicals. These activities are considered to represent a single business segment.

Analysis of turnover, by destination	2006 £m	2005 £m
UK	186.3	150.6
Continental Western Europe	112.0	122.5
North America	13.3	16.3
Asia Pacific	26.6	17.1
Other	31.8	42.7
	370.0	349.2

3 Exceptional operating items

	2006 £m	2005 £m
Organisation restructuring	5.8	1.5

These costs relate to the fundamental reorganisation in the UK that was announced originally in 2001. The charge for the year represents redundancy costs.

INEOS Chlor Limited

Notes to the accounts (continued)

4 Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	314	242
Sums paid to related parties for Directors' services	127	165
	441	407
Highest Paid Director		
Aggregate emoluments	114	-
Company pension contributions to defined benefit scheme	21	-
Accrued pension at end of year	69	-
Sums paid to related party for Director's services	-	165

Four Directors have retirement benefits accruing under a defined benefit pension scheme (2005 3)

5 Staff numbers and costs

The average number of people employed by the Company (including Directors) during the year, was as follows

By activity	2006 Number	2005 Number
Production	896	926
Distribution	92	91
Administration	109	110
Research and Development	7	10
	1,104	1,137

The aggregate payroll costs of these people were as follows

	2006 £m	2005 (restated) £m
Wages and salaries	43.7	41.4
Social security costs	3.4	3.5
Other pension costs (Note 19)	7.0	5.6
	54.1	50.5

INEOS Chlor Limited

Notes to the accounts (continued)

6 Net interest payable

	2006 £m	2005 £m
Interest payable on borrowings totally repayable within 5 years	3 4	6 7
Interest payable on other borrowings	12 4	1 0
Amortisation of issue costs of bank loans	0 7	0 2
Interest payable and similar charges	16 5	7 9
Interest receivable and similar income	(0 4)	(0 5)
Net interest payable	16 1	7 4

7 Tax on loss on ordinary activities

a) Analysis of credit for the year	2006 £m	2005 £m
UK Corporation Tax at 30% - prior year	(2 2)	-
Deferred taxation	-	-
	(2 2)	-

(b) Factors affecting the tax credit for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2006 £m	2005 (restated) £m
Loss on ordinary activities before taxation	(30 4)	(4 5)
Loss on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	(9 1)	(1 4)
Effects of		
Expenses not deductible for tax purposes	0 2	0 2
Group relief not paid	13 6	7 3
Capital allowances in excess of depreciation	(4 7)	(6 1)
Adjustments in respect of prior periods	(2 2)	-
Current tax credit for year	(2 2)	-

INEOS Chlor Limited

Notes to the accounts (continued)

(c) Factors which may affect future tax charges

There are no factors which are likely to have a significant effect on future tax charges

(d) Deferred Taxation

The amounts provided and not provided in respect of the deferred tax asset are as follows

	2006		2005 (restated)	
	Provided £m	Not provided £m	Provided £m	Not provided £m
Depreciation charges in excess of capital allowances	(8 0)	-	(3 3)	-
Short-term timing differences	0 4	-	0 8	0 3
Pensions	-	25 0	-	24 5
Tax losses and other credits available	7 6	8 4	2 5	13 5
	-	33 4	-	38 3

The potential deferred tax asset of £33 4m (restated 2005 £38 3m) consists primarily of tax losses and other credits and has not been recognised as the benefit of these losses is not expected to crystallise in the foreseeable future

Movements during the year in respect of the deferred tax asset were as follows

	Provided £m	Not provided £m
At 1 January 2006 (restated)	-	38 3
Pension liability movement	-	0 5
Prior year adjustment	-	(0 7)
Arising during the year	-	(4 7)
At 31 December 2006	-	33 4

INEOS Chlor Limited

Notes to the accounts (continued)

8 Intangible assets

Goodwill	£m
Cost	
At 1 January 2006 and 31 December 2006	1 8
Accumulated amortisation	
At 1 January 2006	0 3
Charge for year	0.3
At 1 January 2006 and 31 December 2006	0 6
Net Book Value	
At 31 December 2005	1 5
At 31 December 2006	1 2

9 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
At 1 January 2006	0 2	121 1	253 8	375 1
Additions	-	-	46 8	46 8
Transfers	-	235 5	(235 5)	-
At 31 December 2006	0 2	356 6	65 1	421 9
Accumulated depreciation				
At 1 January 2006	-	42 0	-	42 0
Charge for year	-	19 3	-	19 3
At 31 December 2006	-	61 3	-	61 3
Net book value				
At 31 December 2005	0 2	79 1	253 8	333 1
At 31 December 2006	0 2	295 3	65 1	360 6

All the net book value of land and buildings relates to freehold properties

INEOS Chlor Limited

Notes to the accounts (continued)

10 Investments

Investments in subsidiaries	Loans £m
At 1 January 2006	2.5
Reclassified as debtors falling due within one year	(2.5)
At 31 December 2006	-

The Company's subsidiary undertakings are as follows

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Chlor Americas Inc	United States of America	Purchase and resale of chemicals	Ordinary 100%
INEOS Chlor Sales International Limited	England	Sales office	Ordinary 100%
INEOS Chlor Quimica SA	Spain	Purchase and resale of chemicals	Ordinary 100%
INEOS Procurement Limited	England	Provision of purchasing services	Ordinary 100%
INEOS Chlor Trustees Limited	England	Pension Fund Trustee	Ordinary 100%
INEOS Chlor Energy Limited	England	Dormant	Ordinary 100%

11 Stocks

	2006 £m	2005 £m
Engineering stores	4.3	4.0
Raw materials and work in progress	4.7	3.7
Finished goods	10.8	14.5
	19.8	22.2

There is no material difference between the replacement cost of assets held for resale and their balance sheet amounts

INEOS Chlor Limited

Notes to the accounts (continued)

12 Debtors

Amounts falling due within one year	2006 £m	2005 £m
Trade debtors	7 0	58 7
Amounts owed by subsidiary undertakings	6 5	5 4
Amounts owed by fellow Group undertakings	11 2	6 2
Corporation tax	0 1	-
Other debtors	3 8	6 6
Prepayments and accrued income	2 8	5 9
	31 4	82 8
Amounts falling due after more than one year		
Amounts owed by fellow Group undertakings	42 3	-

13 Loans and other borrowings

	2006 £m	2005 £m
Bank overdraft	-	24 0
Bank loan (due within one year)	-	30 1
Other loan (due within one year)	2 9	-
Borrowings due within one year	2 9	54 1
Bank loan (due within 2 to 5 years)	-	10 0
8% Loan Note (due after more than 5 years)	25 0	25 0
Zero Coupon Loan Notes (due after more than 5 years)	52 8	52 8
Other loans (due within 2 to 5 years)	18 0	119 8
Other loans (due after more than 5 years)	215 7	-
	311 5	207 6
Less unamortised issue costs	-	(0 7)
Borrowings due after more than one year	311 5	206 9
Cash at bank and in hand	(3 6)	(1 7)
Net borrowings	310 8	259 3

Following the acquisition of the Company by INEOS Group Limited, all of the Bank loans were repaid. At 31 December 2006, the Zero Coupon Loan Note was payable to a related party and all of the other loans were payable to fellow Group undertakings, with interest payable at market rates. None of these loans are repayable by instalments.

The Bank overdraft represented the amount advanced at the balance sheet date under a sales ledger financing agreement. The balance was secured by fixed and floating charges over the Company's UK assets. Bank loans were also secured by fixed and floating charges over the Company's UK assets and at 31 December 2005 included £30.0m that was repayable in instalments.

Cash at bank and in hand includes £0.9m (2005: £0.9m) in respect of guarantee deposits.

INEOS Chlor Limited

Notes to the accounts (continued)

14 Creditors – amounts falling due within one year

	2006 £m	2005 £m
Trade creditors	46.7	56.4
Amounts owed to subsidiary undertakings	0.8	0.7
Amounts owed to fellow Group undertakings	5.0	13.1
Other taxes and social security	1.9	1.7
Other creditors	12.9	31.2
Accruals and deferred income	23.5	20.5
	90.8	123.6

15 Deferred income

Government grants and other contributions towards the cost of tangible fixed assets	£m
At 1 January 2006	2.3
Cash received in the year	22.4
Released to the profit and loss account	(0.7)
At 31 December 2006	24.0
Less included in creditors – amounts falling due within one year	(1.5)
	22.5

16 Share capital

At 31 December 2005 and 31 December 2006	Authorised		Allotted, issued and fully paid	
	Number	£	Number	£
Equity capital				
Ordinary	100	100	15	15
Non-Voting	1,000	1,000	85	85
Non-equity capital				
Non-Convertible Deferred	98,115	98,115	2,215	2,215
Convertible, Non Participating	1,000	1,000	85	85

INEOS Chlor Limited

Notes to the accounts (continued)

The Non-Voting shares carry no voting rights. Apart from this they have the same rights as the Ordinary shares.

The Non-Convertible Deferred shares carry no rights to attend or vote at any general meeting of the Company and only nominal rights to dividends and the Company's assets on winding-up.

The Convertible, Non-Participating shares carry the same voting rights as the Ordinary shares but no rights to dividends and only nominal rights to the Company's assets on winding-up.

Analysis of shareholders' funds/(deficit)	2006 £m	2005 (restated) £m
Equity	(139.8)	(112.4)
Non-equity	87.7	87.7
	(52.1)	(24.7)

17 Reserves

	Share premium account £m	Profit and loss account £m
At 1 January 2006 as previously reported	87.7	(30.8)
Prior year adjustment – FRS 17	-	(81.6)
At 1 January 2006 as restated	87.7	(112.4)
Loss for the year	-	(28.2)
Actuarial gain on pension scheme	-	0.8
At 31 December 2006	87.7	(139.8)

Prior year adjustment

The adoption of FRS 17 has resulted in an increase in staff costs of £2.2m (2005: £1.6m), an increase in other finance costs of £0.3m (2005: £0.3m), a reduction in profit for the year of £2.5m (2005: £1.9m) and an increase in total recognised gains and losses of £0.8m (2005: reduction of £28.3m).

An analysis of the prior year adjustment is shown below:

	£m
Adjustment to opening shareholders' funds at 1 January 2005	(51.4)
Adjustment to profit and loss for the year ended 31 December 2005	(1.9)
Adjustment to statement of total recognised gains and losses for the year ended 31 December 2005	(28.3)
	(81.6)

INEOS Chlor Limited

Notes to the accounts (continued)

18 Commitments and contingent liabilities

a) Annual operating lease commitments

Plant and equipment	2006 £m	2005 £m
Leases which expire		
Within one year	0.1	0.2
Between one and two years	0.1	0.3
Between two and five years	0.1	0.2
	0.3	0.7

b) Capital commitments

Commitments for capital expenditure not provided for in these accounts are as follows

	2006 £m	2005 £m
Contracts placed for future expenditure	4.5	16.4
Expenditure authorised but not yet contracted	5.4	26.8
	9.9	43.2

c) Unconditional purchase obligations and contingent liabilities

As part of the acquisition of businesses from ICI Chemicals & Polymers Limited in 2001, the Company inherited a number of contracts entered into by the previous owners in the normal course of business. Not all of these contracts were novated formally by 31 December 2006. In addition, following a sale of businesses at 31 December 2003, a number of contracts will be novated by the Company to INEOS Enterprises Limited.

The disclosures below assume that any outstanding contract novations will be completed in due course without significant changes to the financial implications.

The net present values of significant take or pay contracts that have been entered into are as follows

	2006 £m	2005 £m
Purchase of electric power, until 2013	131.2	143.8
Facility charges for the production of oxygen, nitrogen and compressed air, until 2009	6.6	8.1
Facility charges for the production of vinyl chloride monomer, until 2008 (*)	-	7.7
Purchase of nitrogen, until 2013 (*)	-	2.0
	137.8	161.6

* As at 31 December 2006 these contracts are with a fellow group undertaking

Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

INEOS Chlor Limited

Notes to the accounts (continued)

19 Retirement benefits

The majority of the UK employees participate in the INEOS Chlor Pension Fund ("The Fund"). The Fund is administered by a group of trustees with assets being held separately from the Company. Members receive defined benefit pensions that are based on their length of service and average final remuneration with the Company.

The most recent actuarial valuation of the fund was carried out as at 31 December 2004. The valuation of the scheme used the projected unit method and was carried out by Watson Wyatt LLP, professionally qualified actuaries. The principal assumptions made by the actuaries were:

	2006 % pa	2005 % pa	2004 % pa
Price inflation	2.9	2.7	2.7
Discount rate for scheme liabilities	5.1	4.85	5.4
Rate of increases in salaries	4.4	4.2	4.2
Rate of increase of pensions in payment	2.9	2.7	2.7
Rate of increase for deferred pensioners	2.9	2.7	2.7

The assets in the scheme and the expected rates of return were:

	31 December 2006		31 December 2005		31 December 2004	
	Expected rate of return % pa	Fair Value £m	Expected rate of return % pa	Fair Value £m	Expected rate of return % pa	Fair Value £m
Equities	7.8	126.9	7.8	126.8	8.0	94.5
Bonds	4.7	28.3	4.4	8.7	5.0	6.6
Other	4.3	2.5	4.0	7.8	3.5	7.2
Total fair value of assets	7.2	157.7	7.4	143.3	7.5	108.3
Actuarial value of scheme liabilities		(241.0)		(224.9)		(159.7)
Deficit in the scheme		(83.3)		(81.6)		(51.4)
Related deferred tax asset		-		-		-
Net pension liability		(83.3)		(81.6)		(51.4)

Analysis of the amount charged to operating profit	2006 £m	2005 £m
Current service cost	7.0	5.6
Past service costs	-	-
Total operating charge	7.0	5.6

INEOS Chlor Limited

Notes to the accounts (continued)

Analysis of the amount charged to other finance costs	2006 £m	2005 £m
Expected return on pension scheme assets	11 0	8 3
Interest on pension scheme liabilities	(11 3)	(8 6)
Net return	(0 3)	(0 3)

Analysis of amounts recognised in the statement of total recognised gains and losses	2006 £m	2005 £m
Actual return less expected return on pension fund assets	(1 1)	21 8
Experience gains/(losses) arising on fund liabilities	-	(7 5)
Gains/(losses) on change of financial and demographic assumptions	1 9	(42 6)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	0 8	(28 3)

Movement in deficit during the year	2006 £m	2005 £m
Deficit in the fund at beginning of year	(81 6)	(51 4)
Contributions paid	4 8	4 0
Current service cost	(7 0)	(5 6)
Past service cost	-	-
Other finance costs	(0 3)	(0 3)
Actuarial gain/(loss)	0 8	(28 3)
Deficit in the fund at end of year, before allowance for deferred tax	(83 3)	(81 6)

History of experience gains and losses	2006	2005
Difference between the actual and expected return on fund assets		
Amount	(£1 1m)	£21 8m
% of fund assets at end of year	(0 7%)	15 2%
Experience gains/(losses) on fund liabilities		
Amount	-	(£7 5m)
% of fund liabilities at end of year	-	(3 3%)
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses		
Amount	£0 8m	(£28 3m)
% of fund liabilities at end of year	0 3%	(12 6%)

INEOS Chlor Limited

Notes to the accounts (continued)

20 Related party transactions

The Company is related to INEOS Enterprises Limited INEOS Capital Partners and INEOS Vinyls Italia SpA by virtue of common control

The Company was acquired by INEOS Group Limited on 3 July 2006 As a consequence, INEOS Enterprises Limited ceased to be a fellow group undertaking and became a related party Transactions and balances arising in 2006 only are included in the table below

Material transactions with related parties during the year were as follows

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December £m
INEOS Enterprises Limited and its subsidiaries	Industrial chemicals and site services - £4.5m	Industrial chemicals and site services - £42.8m	2006 (8.5)
INEOS Capital Partners	-	Management services provided to the Company - £1.1m (2005 £0.7m)	2006 Nil 2005 Nil
INEOS Vinyls Italia SpA	Industrial chemicals - £0.6m (2005 Nil)	-	2006 0.6 2005 Nil

21 Ultimate Parent Company and Ultimate Controlling Party

At 31 December 2006, the Company was a subsidiary undertaking of INEOS Chlor Newco 2 Limited, a Company registered in England and Wales The Company's ultimate Parent Company was INEOS Group Limited, a company registered in England and Wales

The consolidated Group accounts of INEOS Group Limited are available to the public and may be obtained from the Company Secretary at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG

The Directors regard Mr JA Ratchffe to be the ultimate controlling party by virtue of his shareholding in INEOS Group Limited