

Ineos Group Holdings plc
Annual report
for the year ended 31 December 2008

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Annual report
for the year ended 31 December 2008
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Ineos Group Holdings plc

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the Company and Group for the year ended 31 December 2008.

Principal activities

The principal activities of the Group are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

Results for the year

The results of the Group are set out in the consolidated profit and loss account on page 10 which shows a loss on ordinary activities after taxation for the financial year of €735.5 million (2007: profit of €325.2 million).

Dividends

No interim dividend (2007: €25.0 million) was declared during the year. The directors do not recommend the payment of a final dividend.

Review of business 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. We operate a total of 62 manufacturing sites across the world.

The underlying performance of the business in 2008 was significantly impacted by volatile raw material prices, demand slow down and some exceptional events. The increase in feedstock prices due to the exceptional rise in the crude oil price in the first half of the year led to a compression in operating margins, mainly in Europe. Price rises could not be immediately passed on to customers, largely due to the fact that input prices, namely crude and refined products, are fixed daily or weekly but the chemical end products, mainly polymers, have monthly or quarterly price resets. The dramatic reduction in crude oil prices in the second half of the year had the impact of generating significant inventory holding losses. The group experienced inventory holding losses of €845 million in 2008 as compared to holding gains of €244 million in 2007. In the fourth quarter of 2008 there were severely weakening economic conditions and reduced overall demand across the end markets, with customers delaying or cancelling purchases in anticipation of lower future prices. This led to significant short term volume declines across most of the Group's chemical products. The Group also experienced a number of exceptional events in 2008, the most significant of which was the shut-down of the Grangemouth facilities relating to a strike by employees, which resulted in lost contribution margins of approximately €101 million. A number of other events, including a large fire on the ARG pipeline at Cologne and hurricane related shutdowns in Texas, resulted in a further €80 million reduction in gross profits.

As a result of the factors noted above, the Group forecast that it would breach some of its financial covenants relating to its Senior Facilities Agreement for the periods ending 31 December 2008 and 31 March 2009. On 14 December 2008, the Group obtained a waiver from its senior banking syndicate of its Debt Service Cover and Interest Cover tests, together with an amendment to its Leverage test for the period ending 31 December 2008. The amended Leverage test was subsequently met. The Group also obtained an agreement to defer the testing of the Interest Cover and Leverage tests for the period ending 31 March 2009 until 31 May 2009. This deferral has recently been further extended to 17 July 2009. The Directors expect that an agreement with the banking syndicate will be reached by this date.

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2008 (continued)

On the 31 March 2008 the Group acquired the assets of the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. On 18 August 2008 the Group acquired the Seal Sands site on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN), adipodinitrile (AND) and hexamethylenediamine (HMD), along with by-product plants. In 2007 the Group acquired a 51% majority of the Lanxess ABS plastic business, Lustran Polymers. At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the Group acquired an 83.33% shareholding in the Indian part of the business. Further details of these acquisitions are contained in note 29 of the financial statements. We are in the process of restructuring these newly acquired businesses and integrating them with the rest of the Group.

On 2 July 2008 the Group completed the sale of the Ineos Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group, for a total consideration of €320.9 million, of which €198.5 million was received in cash.

The Group has an ongoing programme of restructuring its acquired businesses in order to reduce their fixed cost base in line with the Group's business strategy. The Group has continued the restructuring programme for the acquired Innovene business and this is now focussed on the operations at the main sites in the business at Grangemouth, Lavera, Cologne and Chocolate Bayou. The Group has also restructured the operations at Bamble, Norway in 2008. The Group has incurred costs as part of these restructurings, which primarily relate to the reorganization of operations and severance and early retirement costs of former employees.

The Group's overall corporate strategy is to continue growing our profitability and cash flows by reducing costs in acquired businesses, increasing the focus on high margin products, leveraging our existing resources to expand sales and keeping the overall management structure of the Group simple and decentralised. The Group will continue to focus on this during 2009.

The Group has implemented a number of short term actions to enable the business to cope with the current economic downturn. Fixed cost reductions remain a key focus for the Group with further significant reductions planned for 2009. These reductions will include the introduction of a wage freeze across the Group, a reduction in contractor and agency personnel, elimination of overtime working and a general tightening of all non-manpower overheads. The Group has implemented a working capital improvement programme to generate cash inflows. A key area of focus for the programme will be a reduction in physical inventory levels compared to historical norms. Capital expenditure is expected to be significantly reduced in 2009 and 2010 through the cancellation or deferment of growth projects as well as by delaying certain planned maintenance shutdowns. Manufacturing plants have also been reviewed, leading to the closure of poor profitability units such as the two polypropylene line at Battleground, Texas and the per / trichloroethylene plant in Runcorn, England.

The petrochemical market expects to see lower volumes and margins during 2009 as demand remains depressed in the current recessionary economic environment. Some recovery is expected as the year progresses and demand shows signs of slow but steady improvement. The refining market expects to see a softening of the trading environment in 2009 following the global economic downturn.

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2008 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks.

The key business risks affecting the Group are set out below:

- The petrochemical and refining industries are cyclical — changing market demands and prices may negatively affect the Group's operating margins and impair its cash flow which, in turn, could affect its ability to make payments on its debt or to make further investments in the business.
- Raw materials and suppliers — if the Group is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected.
- International operations and currency fluctuations — the Group is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability.
- Competition — significant competition in the Group's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations.
- Inability to maximize utilization of assets — the Group may be adversely affected if it is unable to implement our strategy to maximize utilization of assets.
- Synergies — the Group may not realize anticipated revenue and cost synergies, benefit from anticipated business opportunities or experience anticipated growth from any of its acquisitions.
- Substantial leverage — the Group's substantial debt could adversely affect our financial position and prevent us from fulfilling our debt obligations.

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 served during the year were as follows:

Mr J A Ratcliffe
Mr A C Currie
Mr J Reece
Mr J Dawson

Research and development

The Group's research and development team develops new applications for its higher margin and less cyclical speciality chemicals, provides support to the Group's customers and seeks to improve the efficiency of the Group's manufacturing processes. In addition, the research and development team is also investigating alternative catalyst systems in order to reduce variable costs. The research and development team also leads the Group's efforts with respect to the development and capacity expansions of the plants and maintaining and improving safety and environmental standards. The Group spent approximately €66.6 million (2007: €85.9 million) on research and development (including process technology development) during the year.

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Directors' report for the year ended 31 December 2008 (continued)

Donations

As part of its ongoing investment programme, Ineos Group Holdings plc and its subsidiaries actively support a variety of initiatives in communities in which it operates. Charitable donations made during the year amounted to €1.0 million (2007: €0.2 million) for a variety of charitable purposes. Neither the Company nor its subsidiary undertakings made any donations or subscriptions for political purposes.

Policy and practice on payment of creditors

It is Group policy with regard to its suppliers to settle the terms of payment when agreeing the terms of each transaction and to abide by the terms of payment. Creditor days for the Group during the year averaged 24 days (2007: 48 days).

Subsequent events

In January 2009 the Group completed the disposal of the Compounds business in Italy. In February 2009 the Group completed the disposal of some land at its site in Monfalcone, Italy for approximately €25 million. In April 2009 the Group signed a contract with Viridor Laing to construct an Energy from Waste CHP plant in Runcorn, England. Solid recovered fuel from the Greater Manchester Waste Disposal Authority will be supplied to the CHP plant to provide heat and power to the Group's chemical manufacturing operations at the Runcorn site. The plant is scheduled to be completed by 2013.

Employee involvement

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group.

The involvement of employees in ownership of the share capital of the ultimate parent company has also been encouraged and an Employee Share Benefit Trust has been established under which part of the share capital of the ultimate parent company is made available to enable existing and future employees to invest.

It is the policy of the Group to give full and fair consideration to applications made by disabled persons, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure their continued employment with the Group and to provide specialised training where appropriate.

Financial risk management

The Group'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 Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group where appropriate. The Group is exposed to commodity price risk as a result of its operations and seeks to mitigate this risk through various purchasing strategies. The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. See note 36 of the financial statements for information on financial instruments, interest risk, liquidity risk and foreign currency risk.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2008 (continued)

statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. 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
29 May 2009

Ineos Group Holdings plc

Independent auditors' report to the members of Ineos Group Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Ineos Group Holdings plc for the year ended 31 December 2008 which comprise the consolidated and company profit and loss accounts, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the 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 if, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ineos Group Holdings plc

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 group's and the parent company's affairs as at 31 December 2008 and of the group's and parent company's loss and of the group's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure given in the Statement of Accounting Policies concerning the Group and Company's ability to continue as a going concern. The matters explained in the Statement of Accounting Policies relating to the renegotiation of the Group and Company's banking covenants indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

29 May 2009

Ineos Group Holdings plc

Consolidated profit and loss account for the year ended 31 December 2008

	Note	2008 €'m	2007 €'m
Turnover (including share of joint ventures)		30,313.7	27,863.4
Less: Share of joint ventures' turnover		(1,240.4)	(347.6)
Group turnover	2	29,073.3	27,515.8
Cost of sales before exceptional items		(28,140.5)	(25,182.4)
Exceptional cost of sales	3	(130.3)	(45.9)
Cost of sales		(28,270.8)	(25,228.3)
Gross profit		802.5	2,287.5
Distribution costs		(543.7)	(532.4)
Administrative expenses before exceptional items	4	(426.1)	(439.0)
Exceptional administrative expenses	5	(85.2)	(105.4)
Administrative expenses		(511.3)	(544.4)
Operating (loss)/profit	6	(252.5)	1,210.7
Share of operating (loss)/profit of joint ventures		(40.2)	12.4
Income from other participating interests		3.9	6.5
Profit/(loss) on disposal of businesses	7	150.4	(12.4)
Profit on disposal of investments		-	6.4
Interest receivable and similar income	8	35.7	31.7
Interest payable and similar charges	8	(893.3)	(782.3)
Other finance costs	8	(10.6)	(2.9)
(Loss)/profit on ordinary activities before taxation		(1,006.6)	470.1
Taxation	10	271.1	(144.9)
(Loss)/profit on ordinary activities after taxation		(735.5)	325.2
Equity minority interests	25	20.5	5.6
(Loss)/profit for the financial year	27	(715.0)	330.8

There is no difference between the reported profits stated above and their historical cost equivalents.

Ineos Group Holdings plc

Consolidated statement of total recognised gains and losses for the year ended 31 December 2008

	Note	2008 €'m	2007 €'m
(Loss)/profit for the financial year		(715.0)	330.8
Currency translation differences on foreign currency net investments and related borrowings	27	(182.0)	(209.2)
Actuarial surplus recognised on pension schemes	27	(311.4)	51.9
Deferred tax arising on surpluses in pension schemes	27	79.7	(40.9)
Total recognised gains and losses relating to the year		(1,128.7)	132.6

Ineos Group Holdings plc

Consolidated balance sheet as at 31 December 2008

	Note	2008 €'m	2008 €'m	2007 €'m	2007 €'m
Fixed assets					
Positive goodwill	12		806.4		818.1
Negative goodwill	12		(376.2)		(418.3)
			430.2		399.8
Other intangible fixed assets	12		131.9		117.0
Tangible fixed assets	13		5,439.8		6,072.1
Investments	15		263.2		207.2
			6,265.1		6,796.1
Current assets					
Stocks	16	1,593.6		2,609.0	
Debtors: amounts due within one year	17	1,991.9		3,313.5	
Debtors: amounts due after more than one year	17	230.2		160.5	
Cash at bank and in hand		651.8		951.4	
		4,467.5		7,034.4	
Creditors: amounts falling due within one year	18	(3,075.1)		(4,221.3)	
Net current assets			1,392.4		2,813.1
Total assets less current liabilities			7,657.5		9,609.2
Creditors: amounts falling due after more than one year	19		7,474.3		8,117.9
Provisions for liabilities	22		225.8		510.6
Pension liabilities	24		514.0		372.1
Other post retirement benefit liabilities	24		31.4		21.3
Minority interest	25		42.4		89.0
Capital and reserves					
Called up share capital	26	17.7		17.7	
Share premium account	27	51.1		51.1	
Profit and loss account	27	(699.2)		429.5	
Total shareholders' (deficit)/funds	28		(630.4)		498.3
			7,657.5		9,609.2

Ineos Group Holdings plc

Consolidated cash flow statement for the year ended 31 December 2008

	Note	2008 €'m	2008 €'m	2007 €'m	2007 €'m
Net cash inflow from operating activities	33		1,367.1		2,187.2
Dividends received from associates			-		-
Returns on investment and servicing of finance					
Interest received		36.3		31.6	
Interest paid		(686.8)		(672.4)	
Issue cost of debt finance raised		-		(0.5)	
Investment income		3.7		6.5	
Dividends paid to minority interests		(0.3)		-	
Interest element of finance lease rentals		-		(0.9)	
Net cash flow from returns on investment and servicing of finance			(647.1)		(635.7)
Taxation			(121.7)		(106.9)
Capital expenditure and financial investment					
Receipts on disposal of fixed assets		-		2.4	
Payments to acquire tangible fixed assets		(622.6)		(639.1)	
Net cash flow from capital expenditure and financial investment			(622.6)		(636.7)
Acquisitions and disposals					
Investment in joint venture		(3.4)		-	
Acquisition of businesses		(146.9)		(297.4)	
Cash acquired with subsidiaries		13.5		75.0	
Proceeds from disposal of business		203.4		11.5	
Disposal of cash on sale of business		(13.1)		-	
Proceeds from disposal of investment		-		7.2	
Purchase of minority interest		-		(0.1)	
Net cash flow from acquisitions and disposals			53.5		(203.8)
Equity dividends paid			-		(25.0)
Net cash flow before financing			29.2		579.1

Ineos Group Holdings plc

Consolidated cash flow statement for the year ended 31 December 2008 (continued)

	Note	2008 €'m	2008 €'m	2007 €'m	2007 €'m
Net cash flow before financing			29.2		579.1
Financing					
Capital repayment of finance leases		(2.8)		(1.4)	
Securitisation facility		(348.2)		25.5	
Receipt of new loans:					
Revolving Credit Facility		410.0		-	
Repayment of debt:					
Senior Facilities Agreement		(383.6)		(284.0)	
Other bank loans		(0.4)		(0.4)	
Net cash flow from financing			(325.0)		(260.3)
Increase/(decrease) in cash in the year	34		(295.8)		318.8

Ineos Group Holdings 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 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied are set out below.

Going concern

The underlying performance of the business in 2008 was significantly impacted by volatile raw material prices, demand slow down and some exceptional events.

The increase in feedstock prices due to the exceptional rise in the oil price in the first half of the year led to a compression in operating margins, mainly in Europe. Price rises could not be immediately passed on to customers, largely due to the fact that input prices, namely crude and refined products, are fixed daily or weekly but the chemical end products, mainly polymers, have monthly or quarterly price resets. The dramatic reduction in crude oil prices in the second half of the year had the impact of generating significant inventory holding losses. Such losses had a significant impact on our EBITDA performance in 2008, with the Group experiencing €845 million of holding losses in the year.

In the fourth quarter there were severely weakening economic conditions and reduced overall demand across the end markets, with customers delaying or cancelling purchases in anticipation of lower future prices. This led to significant short term volume declines across most of the Group's chemical products.

The Group has also experienced a number of exceptional events during 2008 which impacted the Group's results through lost contribution and additional repair costs. The most significant events were the shutdown of the Grangemouth site due to a strike by employees, a large fire at the Cologne site and some hurricane related shutdowns at our sites in Texas.

As a result of the factors noted above, the Group forecast that it would breach some of its financial covenants relating to its Senior Facilities Agreement (see note 21) for the periods ending 31 December 2008 and 31 March 2009. On 14 December 2008, the Group obtained a waiver from its senior banking syndicate of its Debt Service Cover and Interest Cover tests, together with an amendment to its Leverage test for the period ending 31 December 2008. The amended Leverage test was subsequently met. The Group also obtained an agreement to defer the testing of the Interest Cover and Leverage tests for the period ending 31 March 2009 until 31 May 2009. This deferral has recently been further extended to 17 July 2009.

The Directors have prepared a business plan for the period up to 31 December 2012 to reflect current trading conditions and incorporating future trends in line with market commentators' projections (adjusted for factors specific to the Group's businesses). The Group is in discussions with its senior banking syndicate regarding the business plan with a view to negotiating revised loan covenants. Should these negotiations prove unsuccessful, then the Group would be unable to meet its current financial covenants.

The Directors have concluded that pending successful agreement of revised loan covenants, there exists a material uncertainty which may cast significant doubt over the Group and Company's ability to continue as a going concern. Having carefully reviewed the Group's business plan and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue operating for the foreseeable future, with the Group having a number of short term cash saving measures available to it should they be required. The Directors expect that agreement will be reached with the banking syndicate by 17 July 2009 although should this not be the case, the Directors are confident that additional extensions can be obtained to enable sufficient time to complete negotiations.

For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Ineos Group Holdings plc

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertakings (the "Group") as at the balance sheet date. All intercompany transactions are eliminated, including any intercompany profits included in the Group which were not realised at the balance sheet date. Subsidiaries acquired during the year are included in the consolidated financial statements from the effective date of acquisition. Subsidiaries disposed of during the year are included in the consolidated financial statements up to the effective date of disposal.

Associates and joint ventures

Associated undertakings are companies in which the Group has a participating interest (usually from 20% to 50%) which is held for the long term and over whose operating and financial policies it exercises a significant influence. Joint ventures are undertakings in which the Group has a long term interest and over which it exercises joint control. The consolidated profit and loss account includes the Group's share of profits less losses of associated undertakings and of joint ventures. The consolidated balance sheet includes interests in associated undertakings and joint ventures at the value of the Group's share of the net assets of those undertakings.

Turnover

Turnover represents the invoiced value of products sold or services provided to third parties net of sales discounts and value added taxes.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue is recognised when the goods are either despatched or delivered depending on the relevant delivery terms, when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer. For all other services, revenue is recognised upon completion of the service provided.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write down the cost of the relevant assets to their estimated residual values in equal annual instalments over their expected useful lives. The rates used are as follows:

Land	Nil
Freehold buildings	2.5 - 10%
Plant, machinery and equipment	2.5 - 33%
Assets in the course of construction	Nil

All tangible fixed assets held under finance leases or other similar contracts are depreciated over the shorter of the lease terms and their useful lives.

Reviews are made annually of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

All tangible fixed assets are reviewed for impairment when there are indications that carrying values may not be fully recoverable.

Ineos Group Holdings plc

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 up to a maximum of 20 years. Negative goodwill is amortised over the periods in which the non-monetary assets of acquisitions made are recovered, whether through depreciation or sale. The Group is amortising negative goodwill over periods of 5 to 15 years.

For pre-existing non-compete agreements and licences acquired in connection with an acquisition, the fair value of these separable intangible assets is capitalised and amortised over the period of the agreement.

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 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.

Investments

Fixed asset investments are stated at cost less provision for any impairment. All investments are reviewed for impairment when there are indications that the carrying value may not be fully recoverable.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of relevant production overheads and is attributed to stocks on a first in, first out ("FIFO") basis. Provision is made for obsolete, slow-moving or defective items where appropriate.

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.

Deferred finance costs

Costs associated with raising finance are deducted from the gross proceeds in the balance sheet and amortised over the term of the relevant financing at a constant rate on the carrying amount.

Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year incurred.

Foreign currencies

The functional currency of Ineos Group Holdings plc is the local currency of its principal operating environment. The Group's primary products are sold in an international commodities market which is priced and invoiced primarily in Euros; therefore the Euro is the Group's functional currency.

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

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Foreign currencies (continued)

Assets and liabilities of overseas subsidiaries are translated into Euros at the rates of exchange ruling at the balance sheet date. Trading results of overseas subsidiaries and associated undertakings have been translated at the average exchange rate for the relevant accounting period. Exchange differences arising on consolidation of overseas subsidiaries and associates, and on matching foreign currency loans, are taken to reserves.

To the extent they are not accounted for as a hedge, exchange differences on long-term monetary items outstanding at the balance sheet date are dealt with in the profit and loss account. This treatment is required by SSAP 20 in order to give a true and fair view of the Group's results. Compliance with SSAP 20 overrides schedule 4 paragraph 12 of the Companies Act 1985 which states that only profits realised at the balance sheet date should be included in the profit and loss account. The effect of the currency retranslation is disclosed in Note 8.

Pension and other post retirement benefits

Employees of the Group participate in a number of funded defined benefit pension plans. The Group pays contributions to the plans on behalf of the employees. The Group operates a number of unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits and long service awards.

The Group provides health care insurance to eligible retired employees and their dependents. These benefits relate mainly to employees in the United States and Belgium.

Pension and other post retirement scheme assets are measured using market values. Pension and other post retirement scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Grants

Government grants 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.

Environmental liabilities

The Group is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provision for these costs is made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

Restructuring provisions

Estimated costs to be incurred in connection with restructuring measures are provided for when the Group has a constructive obligation, which is generally the announcement date. The announcement date is the date at which the plan is announced in sufficient detail to enable employees to estimate the redundancy payments to which they are entitled.

Remediation provisions

Where the Group has a legal or constructive obligation to carry out any remediation works the costs of undertaking such work is provided. A provision is only made for specific work for which a reasonable estimate can be determined.

Ineos Group Holdings plc

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Financial instruments

Amounts payable or receivable in respect of interest rate cap, floor and swap agreements are recognised in the interest payable charge on an accruals basis. The interest differential amounts due to/from the counterparty on such agreements are accrued until settlement date and are recognised as an adjustment to interest expense. Further detail is provided in note 36.

Securitisation

The Group is party to a debt securitisation programme in which various subsidiaries sell trade receivables to Ineos Finance Ireland, a special purpose vehicle, for a discounted rate. Ineos Finance Ireland pledges the receivables as security for borrowings from a number of conduit lenders. The cash due from the sale of receivables, less a financing cost, is lent to Ineos Holdings Limited. The financing cost is recognised in interest payable. The risks and rewards of ownership of the receivables are retained by the Group and therefore Ineos Finance Ireland has been included in the consolidated financial statements as a quasi subsidiary.

Emission trading scheme

The Group is a member of the UK Government Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the government also allows the surplus to be traded in the form of emissions permits.

The incentive money due from the UK Government is recognised in the profit and loss account once the reduction targets have been met. The emissions permits allocated by the Government are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international “flexible mechanisms” to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism (“CDM”). CDM permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions (“CERs”). It is the trading of these CERs that provides the market incentive to reduce emissions. The company is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The company recognises the revenue from sale of CERs upon their sale to third parties.

Ineos Group Holdings plc

Notes to the consolidated financial statements for the year ended 31 December 2008

1 Reporting currency

The financial statements are expressed in Euros as the Company and the Group primarily generate income, incur expenditure and have the majority of their assets and liabilities denominated in Euros.

The exchange rate as at 31 December 2008 was €1.02009/£1 (2007: €1.36482/£1).

2 Segmental information

Class of business

The Company reports under the following four business segments: O&P North America, O&P Europe, Refining and Chemical Intermediates. The newly acquired VAM, EtAc, Seal Sands and ABS India businesses form part of the Chemical Intermediates segment. The Directors' assess the performance of the operating segments based on a measure of EBITDA.

The turnover, EBITDA and net assets attributable to each different class of business is as follows:

	2008	2007
	€'m	€'m
Turnover		
O&P North America	2,950.9	3,036.8
O&P Europe	9,946.6	9,696.9
Refining	11,757.7	9,426.5
Chemical Intermediates	14,082.7	13,400.7
Corporate and Eliminations	(8,424.2)	(7,697.5)
	30,313.7	27,863.4
EBITDA		
O&P North America	26.2	242.0
O&P Europe	101.4	526.2
Refining	43.4	427.4
Chemical Intermediates	422.5	1,025.2
	593.5	2,220.8

Ineos Group Holdings plc

2 Segmental information (continued)

A reconciliation of earnings before exceptional operating items, interest, taxation, depreciation and amortisation ("EBITDA") to operating (loss)/profit is provided below:

	2008 €'m	2007 €'m
EBITDA	593.5	2,220.8
Exceptional administrative expenses	(85.2)	(105.4)
Depreciation	(755.5)	(893.4)
Amortisation	(41.6)	7.6
Income from participating interests	(3.9)	(6.5)
Operating (loss)/profit including share of profit/(loss) of joint ventures	(292.7)	1,223.1

	2008 €'m	2007 €'m
Net assets/(liabilities)		
O&P North America	559.7	891.3
O&P Europe	2,204.1	2,593.0
Refining	558.3	972.0
Chemical Intermediates	332.3	784.9
Corporate and Eliminations	(4,284.8)	(4,742.9)
	(630.4)	498.3

Geographical analysis

The directors of the Company are of the opinion that disclosure of operating profit and net assets by geographical location would be seriously prejudicial to the interests of the Company. Accordingly, they have elected to exercise the exemption from such disclosure permitted by Statement of Standard Accounting Practice No 25 (SSAP 25) "Segmental reporting".

Turnover (including share of joint ventures) by geographical destination is as follows:

	2008 €'m	2007 €'m
Europe	22,528.4	20,502.3
Americas	6,143.8	5,834.4
Rest of World	1,641.5	1,526.6
	30,313.7	27,863.3

Ineos Group Holdings plc

2 Segmental information (continued)

Turnover (including share of joint ventures) by geographical origin is as follows:

	2008 €'m	2007 €'m
Europe	23,743.0	21,008.5
Americas	6,080.3	6,529.0
Rest of World	490.4	325.8
	30,313.7	27,863.3

3 Exceptional cost of sales

Exceptional cost of sales was €130.3 million during the year ended 31 December 2008 (31 December 2007: €45.9 million). The charge for the year ended December 31, 2008 reflects the non cash write down of certain tangible fixed assets. The charge reflects the closure of the polypropylene assets in Bamble, Norway during the year together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium have also been written off after these projects were shelved. An impairment charge has also been taken against the HFC 125 assets in Runcorn after a review of the business was carried out during the year.

4 Administrative expenses before exceptional items

	2008 €'m	2007 €'m
Administrative expenses	398.9	460.8
Amortisation of positive goodwill	78.2	43.3
Amortisation of negative goodwill	(51.0)	(65.1)
	426.1	439.0

Ineos Group Holdings plc

5 Exceptional administrative expenses

	2008 €'m	2007 €'m
Restructuring of Innovene operations	20.4	43.3
Restructuring of other acquired businesses	26.5	13.6
Restructuring of joint ventures	4.5	48.5
Settlement of legal claim	33.8	-
	85.2	105.4

The Group has continued its restructuring programme for the acquired Innovene business during 2008. The restructuring is focused on the operations at the main sites in the business at Grangemouth, Laver, Cologne and Chocolate Bayou. In addition two of the production lines at the Saralbe site are scheduled to be closed, which will result in a corresponding reduction in the workforce there. The restructuring costs largely relate to severance and early retirement costs. Restructuring costs of €26.5 million in relation to other acquired businesses in 2008 primarily relates to severance costs, early retirement costs and contract termination penalties at Bamble, Norway.

The Group has agreed to an out of court settlement of €33.8 million (including costs) to settle the case involving damages awarded to Dr Mannsfeld in Alabama, USA for allegedly patenting his ideas. The Group denied the accusation. The Group acquired Phenolchemie in 2001. Dr Mannsfeld's claim against the Group was based on the contention that Phenolchemie took his idea of using phenol residue as a feedstock for making carbon black in the late nineties. Dr Mannsfeld was an employee of Degussa at that time and has never been an employee of either Phenolchemie or the Group.

6 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting) the following:

	2008 €'m	2007 €'m
Depreciation of tangible fixed assets:		
Owned assets	749.2	886.7
Finance leased assets	6.3	6.7
Amortisation of goodwill	78.2	43.3
Write back of negative goodwill	(51.0)	(65.1)
Amortisation of other intangibles	14.4	14.2
Loss on disposal of fixed assets	21.2	2.9
Research and development expenditure	66.6	85.9
Operating lease rental charges:		
Other	8.3	17.4
Plant, machinery and equipment	46.1	45.9
Amortisation of government grants	(4.9)	(3.0)

Ineos Group Holdings plc

6 Operating (loss)/profit (continued)

Services provided by the Group's auditor and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors as detailed below:

	2008 €'m	2007 €'m
Audit services		
Fees payable to the Group's auditor for the audit of parent company and consolidated accounts	0.7	0.7
Other services		
Fees payable to the Group's auditor and its associates for other services:		
The audit of Company's subsidiaries and accounts	2.5	2.7
Tax services	1.7	2.5
Services relating to corporate finance transactions	0.8	1.5
Other services	1.4	1.3
	7.1	8.7

7 Profit/(loss) on disposal of business

	2008 €'m	2007 €'m
Profit on disposal of Silicas business (note 30)	150.3	-
Loss on disposal of E-PVC business	0.1	(9.9)
Loss on disposal of Styrenics business into joint venture	-	(2.5)
	150.4	(12.4)

Ineos Group Holdings plc

8 Interest, other income and similar charges

	2008	2007
	€'m	€'m
Interest receivable and similar income		
Interest receivable on bank balances	(30.6)	(31.7)
Other interest	(5.1)	-
	(35.7)	(31.7)
Interest payable and similar charges		
Interest payable on Senior Notes	182.0	188.4
Interest payable on bank loans and overdrafts	390.8	401.9
Interest payable on securitisation	53.1	70.2
Amortisation of debt issue costs	28.6	28.7
Interest payable on finance leases	0.2	0.9
Bank consent fees	40.5	4.5
Other interest	40.1	8.6
Exchange differences on foreign currency loan balances	158.0	79.1
	893.3	782.3
Other finance costs		
Interest on pension scheme liabilities	96.2	90.5
Expected return on pension scheme assets	(85.6)	(87.6)
	10.6	2.9

Ineos Group Holdings plc

9 Directors' remuneration

	2008	2007
	€'m	€'m
Aggregate emoluments	0.6	0.6
Company contribution to money purchase scheme	0.1	0.1
Aggregate emoluments	0.7	0.7

Retirement benefits are accruing to two directors (2007: two directors) under a money purchase scheme. No directors (2007: no director) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year were €0.4 million (2007: €0.4 million). Pension contributions of €35,000 (2007: €41,000) were paid into a personal pension scheme in relation to the highest paid director.

10 Taxation

Analysis of charge in the year:

	2008	2007
	€'m	€'m
United Kingdom		
Corporation tax at 28% (2007: 30%)	7.4	18.0
Double taxation relief	(7.4)	(18.0)
Adjustments in respect of previous periods	(1.3)	1.0
	(1.3)	1.0
Foreign tax		
Corporation taxes	79.8	95.8
Adjustments in respect of previous periods	(11.4)	(54.4)
	68.4	41.4
Total current tax	67.1	42.4
Deferred tax		
Origination and reversal of timing differences	(259.2)	65.3
Adjustments in respect of previous periods	(79.0)	37.2
Total deferred tax	(338.2)	102.5
Tax on profit on ordinary activities	(271.1)	144.9

Ineos Group Holdings plc

10 Taxation (continued)

The current tax for the year is higher (2007: lower) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2008 €'m	2007 €'m
Profit on ordinary activities before tax	(1,006.6)	470.1
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	(281.8)	141.0
Effects of:		
Income not chargeable for tax purposes	8.4	(1.0)
Capital allowances in excess of depreciation	36.3	(81.1)
Other short term timing differences	222.9	15.7
Disposal of business	9.7	-
Adjustment in respect of foreign tax rates	9.8	7.3
Deferred tax not provided	-	17.1
Utilisation of tax losses	74.5	(3.2)
Adjustments in respect of previous periods	(12.7)	(53.4)
Total current tax	67.1	42.4

Factors affecting future tax charges

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future.

Deferred tax has been recognised in respect of certain taxation losses of the Group as indicated in note 23. Future tax charges may be affected by the realisation of other taxation losses which have not been recognised at the balance sheet date.

11 Dividends

	2008 €'m	2007 €'m
Equity interim dividends paid of €nil (2007: €2.17) per ordinary share	-	25.0

Ineos Group Holdings plc

12 Intangible fixed assets

	Non- competes	License fees	Intellectual property rights	Total	Goodwill	Negative goodwill
	€'m	€'m	€'m	€'m	€'m	€'m
Cost						
At 1 January 2008	2.9	6.9	134.2	144.0	906.4	(646.0)
Fair value adjustment	-	-	-	-	32.0	-
Additions	-	0.2	2.1	2.3	-	-
Disposals	-	-	-	-	(2.6)	3.9
Acquisition of businesses	-	-	25.2	25.2	19.1	(39.7)
Exchange adjustments	-	0.1	1.9	2.0	17.4	37.6
At 31 December 2008	2.9	7.2	163.4	173.5	972.3	(644.2)
Accumulated amortisation						
At 1 January 2008	2.3	5.5	19.2	27.0	88.3	(227.7)
Charge for the year	-	0.3	14.1	14.4	78.2	(51.0)
Disposals	-	-	-	-	-	-
Exchange adjustments	-	-	0.2	0.2	(0.6)	10.7
At 31 December 2008	2.3	5.8	33.5	41.6	165.9	(268.0)
Net book amount						
At 31 December 2008	0.6	1.4	129.9	131.9	806.4	(376.2)
At 31 December 2007	0.6	1.4	115.0	117.0	818.1	(418.3)

Goodwill arising on the Group's acquisitions is being amortized on a straight line basis over 20 years. This period is that over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Negative goodwill arising on the acquisition of Ineos Fluor, Ineos Phenol, Ineos Vinyls, Ineos Chlor and Seal Sands is being amortized on a straight line basis over 5 to 15 years. This period represents that over which the non monetary assets are recovered, whether through depreciation or sale. Negative goodwill arising on the acquisition of Ineos ABS was fully amortized during 2007. As the fixed assets of the business were fair valued to Enil million on acquisition, this period represents that over which the inventory acquired was utilised.

The intellectual property rights intangible asset relates to the recognition of technology assets acquired, based upon valuations performed by independent valuation experts and the value of the licensing, catalyst and additives technologies acquired as part of Ineos Vinyls. The acquisition in the year ended 31 December 2008 relates to intellectual property rights and other know-how in the field of bioethanol technology and production from third parties. These intellectual property rights are being amortized on a straight line basis over 10 to 15 years. This period represents the directors' estimate of the life of the technology before it is replaced by either competing or new technology.

Ineos Group Holdings plc

12 Intangible fixed assets (continued)

The license fees represent amounts paid for various chemical manufacturing processes. These license fees are being amortized by equal annual instalments up to 15 years, being the periods of the various agreements.

13 Tangible fixed assets

	Freehold land and buildings	Plant, machinery, fixtures, fittings and motor vehicles	Assets in the course of construction	Total
	€'m	€'m	€'m	€'m
Cost				
At 1 January 2008	476.0	7,576.4	348.3	8,400.7
Additions	6.2	237.5	356.5	600.2
Acquisitions of businesses	6.6	73.4	0.2	80.2
Disposals	(48.0)	(223.5)	(24.4)	(295.9)
Transfers	9.9	222.9	(232.8)	-
Exchange adjustments	(3.4)	(548.2)	24.8	(526.8)
At 31 December 2008	447.3	7,338.5	472.6	8,258.4
Accumulated depreciation				
At 1 January 2008	113.4	2,215.2	-	2,328.6
Charge for the year	21.4	603.8	-	625.2
Exceptional charge for the year	-	130.3	-	130.3
Effect of disposals in the year	(10.5)	(160.5)	-	(171.0)
Exchange adjustments	(1.3)	(93.2)	-	(94.5)
At 31 December 2008	123.0	2,695.6	-	2,818.6
Net book amount				
At 31 December 2008	324.3	4,642.9	472.6	5,439.8
At 31 December 2007	362.6	5,361.2	348.3	6,072.1

Included in the above are assets held under hire purchase and finance leases with a net book value of €50.0 million (2007: €56.2 million).

The exceptional charge for the year ended 31 December 2008 of €130.3 million reflects the closure of polypropylene assets in Bamble, Norway during the year, and the planned closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009.

Ineos Group Holdings plc

14 Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2008 by the Group amounted to approximately €60.9 million (2007: €209.0 million).

15 Investments

Group	Joint ventures €'m	Associated undertakings €'m	Other investments €'m	Total €'m
At 1 January 2008	158.8	0.7	47.7	207.2
Transfer to provisions for liabilities	32.3	-	-	32.3
Share of profits/(losses) retained	(60.9)	-	-	(60.9)
Additions	3.9	-	122.4	126.3
Share capital repayment	(6.7)	-	-	(6.7)
Loan repayment	(6.4)	-	-	(6.4)
Reclassifications	2.7	-	1.3	4.0
Dividends received	(1.0)	-	-	(1.0)
Disposals	-	(0.5)	-	(0.5)
Exchange adjustments	(7.2)	(0.2)	(23.7)	(31.1)
At 31 December 2008	115.5	-	147.7	263.2

The Group has a loan investment with Noretyl AS. At the year end the balance was €21.7m (2007: €32.1m).

Other investments relate to a 19.9% investment in Geosel Manosque, a company registered in France whose principal activity is the provision of underground storage facilities for liquid hydrocarbons in Southern France and a 16.7% investment in Aethylen Rohrleitungs Gesellschaft mbH & Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe.

During the year the Group acquired a preferred partnership interest in Ineos Investments LLP an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business based in the USA.

Ineos Group Holdings plc

15 Investments (continued)

Details of investments in joint ventures is set out below:

Company	Class of shares held	Country of incorporation	Percentage held	Principal activities
Appryl SNC	Ordinary	France	50%	Chemicals
Naphthachimie SNC	Ordinary	France	50%	Chemicals
Oxochimie SA	Ordinary	France	50%	Chemicals
Ineos Nova European Holding BV	Class A Ordinary	Netherlands	50%	Chemicals
Ineos Nova International SA	Class A Ordinary	Switzerland	50%	Chemicals
Ineos Nova LLC	Common	USA	50%	Chemicals
Southern Ridge Pipeline GP LLC	Partnership	USA	50%	Pipeline/ Transportation
Jiangxi In-Tech Chemical Company Limited	Ordinary	China	50%	Chemicals
Noretyl AS	Ordinary	Norway	50%	Chemicals

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The following information relates to the principal subsidiary undertakings of the Company. The full list of subsidiary undertakings at 31 December 2008 will be annexed to the Company's next annual return:

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Holdings Limited*	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Industrial Investment Limited	England	100%	Finance
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Partners DGP	US	100%	Holding Company
Ineos Phenol Limited	England	100%	Holding Company
Ineos Phenol GmbH	Germany	100%	Chemicals
Ineos Investment Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Intermediate Holdings (Fluor & Silicas)	England	100%	Holding Company
Ineos Investments International Limited	England	100%	Holding Company
Ineos Fluor Holdings Limited	England	100%	Holding Company
Ineos Fluor Limited	England	100%	Chemicals
Ineos Fluor Japan Limited	Japan	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Canada Inc	Canada	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Holding Limited	England	100%	Holding Company
Ineos Silicas Limited	England	100%	Chemicals
Ineos Silicas Netherlands BV	Holland	100%	Chemicals
Ineos Healthcare Limited	England	100%	Healthcare
Ineos US Holding Company II LLC	US	100%	Holding Company
Ineos US Intermediate Holding Company LLC	US	100%	Holding Company
Ineos Americas LLC	US	100%	Chemicals
Ineos US Investment Holding Company LLC	US	100%	Holding Company
Ineos European Holdings Limited	England	100%	Holding Company

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Belgium Holdco NV	Belgium	100%	Holding Company
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Europe Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Manufacturing Scotland Limited	Scotland	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s.r.l.	Italy	100%	Chemicals
Ineos Manufacturing France SAS	France	100%	Chemicals
Ineos Manufacturing Italia s.p.a.	Italy	100%	Chemicals
Ineos Melamines GmbH	Germany	100%	Chemicals
Ineos Deutschland GmbH	Germany	100%	Holding Company
Ineos LLC	US	100%	Holding Company
Ineos Holdings Company LLC	US	100%	Holding Company
Ineos USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Canada Investment Company	Canada	100%	Holding Company
Ineos Chlor Limited	England	100%	Chemicals
Ineos Chlor Atlantik GmbH	Germany	100%	Chemicals
Ineos Vinyls Group Limited	England	100%	Holding Company
Ineos Vinyls Limited	England	100%	Holding Company
Ineos Vinyls Finance plc	England	100%	Finance
Ineos Vinyls UK Limited	England	100%	Chemicals
Ineos Vinyls Belgium NV	Belgium	100%	Chemicals
Ineos Vinyls Deutschland GmbH	Germany	100%	Chemicals

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Vinyls Sales GmbH	Germany	100%	Chemicals
Ineos Compounds UK Limited	England	100%	Chemicals
Ineos Compounds Switzerland AG	Switzerland	100%	Chemicals
Ineos Compounds Italia s.r.l.	Italy	100%	Chemicals
Ineos Films s.p.a.	Italy	100%	Chemicals
Ineos Films Italia s.r.l.	Italy	100%	Chemicals
Ineos Films Inc	US	100%	Chemicals
Ineos Films GmbH	Germany	100%	Chemicals
Ineos Films Staufien GmbH	Germany	100%	Chemicals
Caprihans India Limited	India	59%	Chemicals
Ineos ABS (Jersey) Limited	UK	51%	Holding Company
Ineos ABS (Deutschland) Limited	Germany	51%	Chemicals
Ineos ABS (UK) Limited	UK	51%	Chemicals
Ineos ABS Thailand Co. Limited	Thailand	51%	Chemicals
Ineos ABS (Spain) SL	Spain	51%	Chemicals
Ineos ABS (India) Limited	India	42%	Chemicals
Ineos ABS (USA) Corporation	US	51%	Chemicals
Ineos Holdings (Malta) Limited	Malta	100%	Holding Company
Ineos Financing (Malta) Limited	Malta	100%	Holding Company
Ineos Holdings Norge AS	Norway	100%	Holding Company
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Sales Norge AS	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited	England	100%	Chemicals
Ineos Bio Limited	England	100%	Chemicals
Ineos Bio USA LLC	US	100%	Chemicals

* Held directly by the Company

Ineos Group Holdings plc

16 Stocks

	Group	
	2008	2007
	€'m	€'m
Raw materials and consumables	421.0	1,071.7
Work in progress	39.7	62.8
Finished products	1,132.9	1,474.5
	1,593.6	2,609.0

17 Debtors

	Group	
	2008	2007
	€'m	€'m
Amounts due within one year		
Trade debtors	1,574.1	2,888.3
Amounts owed by related parties (note 37)	100.4	51.4
Other debtors	245.0	288.7
Prepayments and accrued income	72.4	85.1
	1,991.9	3,313.5
Amounts due after more than one year		
Amounts owed by related parties (note 37)	44.2	44.2
Amounts owed by group undertakings	94.0	94.0
Deferred tax asset	62.0	-
Other debtors	5.9	1.7
Prepayments and accrued income	24.1	20.6
	230.2	160.5

Trade debtors at 31 December 2008, are stated net of an allowance for doubtful trade debtors of €49.0 million (2007: €43.7 million).

Ineos Group Holdings plc

18 Creditors – amounts falling due within one year

	Group	
	2008	2007
	€'m	€'m
Senior Facilities Agreement	612.0	194.8
Other bank loans	0.4	0.4
Obligations under finance leases	3.2	1.5
Trade creditors	707.0	2,429.0
Amounts due to related parties (note 37)	84.0	34.9
Amounts owed to group undertakings	20.7	21.2
Other creditors	571.7	514.5
Deferred consideration	30.8	30.4
Corporation tax	8.4	45.9
Accruals and deferred income	1,036.9	948.7
	3,075.1	4,221.3

19 Creditors – amounts falling due after more than one year

	Group	
	2008	2007
	€'m	€'m
Senior Notes	2,088.8	2,062.6
Ineos Vinyls Senior Notes	160.4	160.4
Senior Facilities Agreement	4,357.5	4,702.0
Securitisation Facility	748.4	1,084.6
Other bank loans	0.2	1.1
Obligations under finance leases	17.7	12.2
Other loans	0.9	0.7
Amounts owed to related parties	3.6	4.9
Other creditors	69.5	50.7
Accruals and deferred income	27.3	38.7
	7,474.3	8,117.9

Ineos Group Holdings plc

20 Obligations under finance leases

Group	2008 €'m	2007 €'m
Obligations under finance leases comprise:		
Rentals due within one year	4.8	2.3
Rentals due between one to two years	4.6	2.1
Rentals due between two to five years	11.1	6.3
Rentals due after more than five years	14.8	9.7
	35.3	20.4
Less amounts representing interest relating to future periods	(14.4)	(6.7)
Present value of minimum lease payments	20.9	13.7
Less amounts due within one year	(3.2)	(1.5)
Amounts due after more than one year	17.7	12.2

21 Borrowings

	Group	
	2008 €'m	2007 €'m
Gross borrowings	8,118.6	8,385.1
Less issue costs	(150.0)	(178.5)
Net borrowings	7,968.6	8,206.6
Gross borrowings are repayable as follows:		
Due within one year	642.3	225.1
Due between one and two years	260.7	240.0
Due between two and five years	1,476.4	2,104.4
Due after more than five years	5,739.2	5,815.6
	8,118.6	8,385.1

21 Borrowings (continued)

Senior Facilities Agreement

The Company has outstanding borrowings under a facilities agreement (the "Senior Facilities Agreement") which consists of Term Loans ("Term Loan A", "Term Loan B", "Term Loan C" and "Term Loan D"), and a revolving credit facility (the "Revolving Credit Facility"). The Term Loans outstanding at 31 December 2008 were €5,079.8 million (2007: €5,020.2 million), of which €641.9 million (2007: €224.7 million) is due within one year. The total amounts outstanding on Term Loan A were €929.0 million (2007: €1,151.8 million), Term Loan B were €1,545.4 million (2007: €1,609.2 million), Term Loan C were €1,545.4 million (2007: €1,609.2 million), Term Loan D were €650.0 million (2007: €650.0 million) and Revolving Credit Facility were €410.0 million (2007: €nil).

Term Loan A is repayable in 14 semi-annual installments beginning on 31 December 2006 ranging from 6.0% to 10.0% of the principal amount of the loan up until the final repayment on 16 December 2012. Term Loan B is repayable in 9 installments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2013. Term Loan C is repayable in 10 installments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2014. Term Loan D is repayable in full on 16 December 2015. Under the Senior Facilities Agreement the Company had a receivables borrowing base facility ("Borrowing Base Facilities"). All outstanding amounts under these facilities were repaid on 11 July 2006, with the proceeds of receivables securitization facility entered into by the Company. Unamortized debt issue costs of €37.3 million in relation to the Borrowings Base Facilities were written off during the year ended 31 December 2006.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum margins as at 31 December 2008 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 4.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. The margins on Term Loans A and B are subject to a reduction based on certain financial tests. Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. The Group is currently in the process of renegotiating its financial covenants (see Statement of Accounting Policies). In addition, the Senior Facilities Agreement includes covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends.

The Term Loans are stated net of unamortized debt issue costs of €110.3 million (2007: €123.4 million). These costs are allocated to the profit and loss account in accordance with FRS4 Capital Instruments.

Ineos Group Holdings plc

21 Borrowings (continued)

Senior Notes

On 7 February 2006, the Company issued €1,750 million 7.875% Senior Notes due 2016 (the 'Euro Notes') and \$750 million 8.5% Senior Notes due 2016 (the 'Dollar Notes') pursuant to a private offering. The Senior Notes were subsequently listed on the Luxembourg Stock Exchange on 13 April 2006.

On 21 July 2006 the Company completed the repurchase of €120 million of the €1,750 million 7.875% Senior Notes Due 2016 and \$50 million of the \$750 million 8.5% Senior Notes Due 2016. The repurchased Senior Notes have now been cancelled. The repurchase was funded by the €250 million increase in the Term Loan D tranche of the Company's senior bank facilities. The remainder of the Tranche D increase was used to refinance the Ineos Vinyls senior debt on acquisition.

The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Company at their principal amount on 15 February 2016.

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Company, 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 15 February of the years indicated below:

Year	Euro Notes	Dollar Notes
	Redemption Price	Redemption Price
2011	103.938%	104.250%
2012	102.625%	102.833%
2013	101.313%	101.417%
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 Notes are secured by junior pledges of all of the shares of Ineos Holdings Limited. The Senior Notes are guaranteed by Ineos Holdings Limited and its material operating subsidiaries on an unsecured senior subordinated basis (excluding any Ineos Vinyls operating subsidiaries). Such guarantees only become due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

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.

The Senior Notes are stated net of debt issue costs of €36.2 million (2007: €48.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with FRS 4 Capital Instruments.

Ineos Group Holdings plc

21 Borrowings (continued)

Ineos Vinyls Senior Notes

The Company acquired Ineos Vinyls on 26 July 2006. Ineos Vinyls has outstanding senior notes of €160 million ("Ineos Vinyls Senior Notes"). As a result of the acquisition the Ineos Vinyls Senior Notes were fair valued to their market price at that date. The Ineos Vinyls Senior Notes are listed on the Luxembourg Stock Exchange.

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on 1 June and 1 December of each year. Unless previously redeemed, the Ineos Vinyls Senior Notes will be redeemed by the Company at their principal amount on 1 December 2011.

The payments due under the Ineos Vinyls Senior Notes are unconditionally guaranteed by the Company. The guarantee is a senior, unsubordinated obligation of the Company, ranking *pari passu* with its obligations under the Senior Notes, except that it will not be secured by the shares of Ineos Holdings Limited and the Funding Loans from the Company to Ineos Holdings Limited. The Ineos Vinyls Senior Notes are not guaranteed by the guarantors of the Senior Notes.

The Ineos Vinyls 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.

The Ineos Vinyls Senior Notes are stated net of debt issue costs of €1.3 million (2007: €2.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with FRS 4 Capital Instruments.

Receivables Securitisation Facility

The Company entered into a €1,500 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") on 11 July 2006. The proceeds of the securitisation were used to repay the Borrowing Base Facilities, which were originally put in place in December 2005 as a bridge facility until the planned implementation of the securitisation. The term of the facility is five years. On 9 April 2009, the Group entered into an amendment agreement to reduce the overall facility to €1,200 million for the remaining term of the facility and to increase margins on amounts drawn and the commitment fee on amounts undrawn. The total amount outstanding at 31 December 2008 was €750.6 million (2007: €1,089.7 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €2.2 million (2007: €5.1 million).

Ineos Group Holdings plc

22 Provisions for liabilities

	Severance and restructuring costs	Remediation	Joint ventures	Other	Deferred tax	Total
	€'m	€'m	€'m	€'m	€'m	€'m
At 1 January 2008	64.7	100.8	-	64.9	280.2	510.6
Reclassifications	0.2	(0.2)	-	(4.2)	(280.2)	(284.4)
Acquisitions	0.7	-	-	2.6	-	3.3
Disposals	(5.8)	(1.3)	-	-	-	(7.1)
Charged to the profit and loss account	39.5	-	-	6.9	-	46.4
Fair value adjustments	-	-	-	43.7	-	43.7
Utilised in the year	(42.1)	(10.2)	-	(25.9)	-	(78.2)
Released in the year	(0.4)	(13.7)	-	(2.2)	-	(16.3)
Transfer from investments	-	-	32.3	-	-	32.3
Exchange adjustments	(4.7)	(19.0)	-	(0.8)	-	(24.5)
At 31 December 2008	52.1	56.4	32.3	85.0	-	225.8

Severance and restructuring costs

The Group has an ongoing programme of restructuring its acquired businesses in order to reduce their fixed cost base in line with the Ineos business strategy. The Group has continued the restructuring programme for the acquired Innovene business and this is now focussed on the operations at the main sites in the business at Grangemouth, Lavera, Cologne and Chocolate Bayou. The Group has also restructured the operations at Bamble, Norway in 2008. The Group has incurred costs as part of these restructurings, which primarily relate to the reorganization of operations and severance and early retirement costs of former employees. The utilisation of this provision is expected to be within the next two years.

Remediation costs

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavera, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next four year period.

Other provisions

The Group has provided for the expected losses on an onerous loss making raw material supply contract with its ABS business in Germany for the period until the end of the contract in 2012. Other provisions also include a number of provisions for other loss making contracts and commercial disputes.

Ineos Group Holdings plc

23 Deferred taxation

Deferred tax asset/(liability) provided for:

	Group	
	2008	2007
	€'m	€'m
Accelerated capital allowances	(226.0)	(366.2)
Losses	226.8	41.4
Short term timing differences	61.2	44.6
	62.0	(280.2)
Pension and other post retirement benefit schemes	223.8	147.9
	285.8	(132.3)

Deferred tax asset not provided for:

	Group	
	2008	2007
	€'m	€'m
Accelerated capital allowances	(48.7)	(62.8)
Losses	(159.6)	(89.2)
	(208.3)	(152.0)

The unprovided deferred tax asset has not been recognised as it is not considered more likely than not that the losses and accelerated capital allowances will be utilised in the foreseeable future.

Analysis of movement in the year:

	Group
	€'m
At 1 January 2008	(132.3)
Credited to profit and loss account	338.2
Credited to statement of total recognised gains and losses	79.7
Exchange	0.2
At 31 December 2008	285.8

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and France.

The Group also operates a number of unfunded pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows: United Kingdom on 31 December 2007 for ChlorVinyls, 30 June 2006 for legacy Innovene otherwise 31 December 2004, United States on 1 January 2007, Belgium and Norway on 31 December 2007, France on 31 December 2006 for all plans except for the RSI plan which was as of 31 December 2007, and Germany on 31 December 2007 except in the case of Films, which was as of 31 December 2006. These valuations have been updated where appropriate to 31 December 2008 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium and France.

The major assumptions used in this valuation were:

	United Kingdom			North America			Other European		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
	%	%	%	%	%	%	%	%	%
Major assumptions									
Rate of general increase in salaries	4.60	4.80	4.40	4.00	4.00	3.75-4.00	2.75-4.50	2.75-4.50	2.75
Rate of increase to pension in payment	3.10	3.30	2.90	0.00	0.00	0.00	1.00-4.25	1.50-4.25	1.50-2.00
Discount rate for scheme liabilities	6.10	5.80	5.10	5.75	6.25	4.75-6.00	5.75-6.00	5.50	4.75
Inflation	3.10	3.30	2.90	2.50	0.00	2.25	2.00-2.50	2.00-2.25	2.00

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

The mortality assumptions used in the valuation of the defined benefit pension liabilities of the group's plans are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of those plans. This has been done by adjusting standard mortality tables which reflect recent research into mortality experience in the United Kingdom, North America and Other European countries.

	United Kingdom		North America		Other European	
	2008 years	2007 years	2008 years	2007 years	2008 years	2007 Years
Longevity at age 65 for current pensioners	18.9 – 20.9	18.8 – 20.8	18.1 – 19.5	16.1 – 19.8	17.0 – 23.0	17.0 – 23.0

The amounts recognised in the balance sheet are as follows:

	United Kingdom		North America		Other European	
	2008	2007	2008	2007	2008	2007
	€m	€m	€m	€m	€m	€m
Present value of funded obligations	855.1	1,166.9	185.3	163.1	149.1	136.7
Fair value of plan assets	(564.8)	(971.0)	(128.4)	(165.2)	(85.5)	(101.6)
Deficit in plans	290.3	195.9	56.9	(2.1)	63.6	35.1
Present value of unfunded obligations	-	-	-	-	310.2	279.7
Deficit/(surplus)	290.3	195.9	56.9	(2.1)	373.8	314.8
Related deferred tax (asset)/liability	(81.3)	(54.8)	(19.9)	0.7	(105.8)	(82.4)
Net liability/(asset)	209.0	141.1	37.0	(1.4)	268.0	232.4

Deferred tax assets and liabilities in relation to pension liabilities have only been recognised where it is more likely than not that they will be recoverable in the foreseeable future.

The amounts recognised in the profit or loss account are as follows:

	United Kingdom		North America		Other European	
	2008	2007	2008	2007	2008	2007
	€m	€m	€m	€m	€m	€m
Current service cost	47.9	47.7	9.0	7.7	23.0	19.1
Interest on obligation	61.2	60.6	10.0	10.3	22.5	17.2
Expected return on plan assets	(66.6)	(69.1)	(12.6)	(13.3)	(6.4)	(5.2)
Past service cost	-	0.5	-	0.5	4.7	6.4
Losses/(gains) on curtailments and settlements	(7.6)	(3.8)	(3.2)	4.1	(7.7)	-
Total	34.9	35.9	3.2	9.3	36.1	37.5

24 Pension schemes and other post retirement benefits (continued)

The amounts recognised in the statement of total recognised gains and losses are as follows:

	United Kingdom		North America		Other European	
	2008	2007	2008	2007	2008	2007
	€m	€m	€m	€m	€m	€m
Actual return less expected return on pension scheme assets	(293.5)	(23.3)	(58.9)	6.8	(27.4)	(3.0)
Experience gains and losses arising on scheme liabilities	(7.7)	(10.3)	(11.7)	5.5	(40.6)	(10.7)
Changes in assumptions	124.9	55.7	(8.5)	7.9	13.6	15.8
Actuarial (loss) recognised in statement of total recognised gains and losses	(176.3)	22.1	(79.1)	20.2	(54.4)	2.1

Reconciliation of present value of scheme liabilities

	United Kingdom		North America		Other European	
	2008	2007	2008	2007	2008	2007
	€m	€m	€m	€m	€m	€m
1 January	1,166.9	1,218.9	163.1	187.4	416.4	365.7
Interest cost	61.2	60.6	10.0	10.3	22.5	17.2
Current service cost	47.9	47.7	9.0	7.7	23.0	19.1
Past service cost	-	0.5	-	0.2	4.7	6.4
Member contributions	5.6	6.5	-	-	-	-
Curtailments	(7.6)	(3.8)	(0.2)	(1.4)	(3.7)	-
Settlements	-	-	(3.0)	5.5	(4.0)	-
Benefits paid	(12.7)	(11.8)	(16.7)	(22.3)	(26.6)	(30.0)
Reclassifications	(0.4)	-	(1.7)	(5.3)	(5.6)	(7.4)
Acquisitions	2.4	-	5.4	12.9	14.3	50.2
Disposal	-	-	(6.4)	-	-	-
(Gain) or loss on change of assumptions	(124.9)	(55.7)	8.5	(7.9)	(13.6)	(15.8)
Experience (gain) or loss	7.7	10.3	11.7	(5.5)	40.6	10.7
Exchange movements	(291.0)	(106.3)	5.6	(18.5)	(8.7)	0.3
31 December	855.1	1,166.9	185.3	163.1	459.3	416.4

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

Reconciliation of fair value of scheme assets

	United Kingdom		North America		Other European	
	2008	2007	2008	2007	2008	2007
	€m	€m	€m	€m	€m	€m
1 January	971.0	977.0	165.2	175.3	101.6	78.7
Benefit payments	(12.7)	(11.8)	(16.7)	(22.3)	(26.6)	(30.0)
Company contributions	35.5	41.1	28.7	1.4	31.5	24.9
Member contributions	5.6	6.5	-	-	-	-
Expected return on plan assets	66.6	69.1	12.6	13.3	6.4	5.1
Actuarial gain or (loss)	(293.5)	(23.2)	(58.9)	6.8	(27.4)	(2.9)
Acquisitions	2.4	-	2.3	8.9	10.7	28.9
Disposals	-	-	(5.7)	-	-	(3.3)
Settlements	-	-	(2.3)	-	(4.0)	-
Exchange movements	(210.1)	(87.7)	3.2	(18.2)	(6.7)	0.2
31 December	564.8	971.0	128.4	165.2	85.5	101.6

Scheme assets do not include any of Ineos Group Holdings plc's own financial instruments, or any property occupied by Ineos Group Holdings plc.

The group expects to contribute €71.4 million to its defined benefit pension plans in 2009.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experiences in the respective markets.

The actual return on scheme assets was a loss of €294.3 million in the year ended 31 December 2008 and a gain of €68.2 million in the year ended 31 December 2007.

24 Pension schemes and other post retirement benefits (continued)

Post-retirement health care plans

The group also operates a number of plans, primarily in the United States and Europe, which provide employees with other post-employment benefits in respect of health care. The plans are generally unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming a liability discount rate of 5.75% (2007: 6.25%) in the US and 5.75% (2007: 5.50%) in Europe, and a long-term health care trend rate of 5.00% (2007: 4.50%) in the US and 2.75% (2007: 2.50%) in Europe.

	Post-retirement health care plans	
	2008	2007
	€'m	€'m
Market value of assets	-	-
Present value of liabilities	(48.2)	(32.7)
Deficit in the plans	(48.2)	(32.7)
Related deferred tax asset	16.8	11.4
Net liability	(31.4)	(21.3)

Reconciliation of present value of scheme liabilities

	2008	2007
	€'m	€'m
At 1 January	(32.7)	(49.8)
Reclassifications	-	3.8
Current service cost	(2.4)	(2.6)
Past service cost	(0.3)	13.6
Curtailment/settlement	5.7	-
Contributions	0.4	0.1
Other finance costs	(2.5)	(2.4)
Actuarial (loss)/gain	(1.6)	7.5
Acquisitions	(13.2)	(6.5)
Exchange adjustments	(1.6)	3.6
At 31 December	(48.2)	(32.7)

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

Sensitivity analysis of post retirement plan scheme liabilities

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2008	
	Sensitivity to a change in medical trend rate	
	Increase of 1%	Decrease of 1%
	€'m	€'m
Impact on scheme liabilities	0.8	(0.6)
Impact on aggregate of service and interest cost	6.9	(5.0)

25 Minority interests

	2008	2007
	€'m	€'m
At 1 January	(89.0)	(13.8)
Acquisitions (note 29)	(6.4)	(83.5)
Fair value adjustments	30.4	-
Loss on ordinary activities after taxation	20.5	5.6
Exchange adjustments	2.1	2.7
At 31 December	(42.4)	(89.0)

Ineos Group Holdings plc

26 Called up share capital

	2008	2007
	€'m	€'m
Authorised, allotted, issued and fully paid		
Equity		
11,499,950 (2007: 11,499,950) ordinary shares of £1 each	17.7	17.7

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.

27 Reserves

Group	Share premium	Profit and loss account
	€'m	€'m
At 1 January 2008	51.1	429.5
Loss for the financial year	-	(715.0)
Exchange adjustments	-	(182.0)
Actuarial loss recognised on pension schemes	-	(311.4)
Deferred tax arising on gains in pension schemes	-	79.7
At 31 December 2008	51.1	(699.2)

28 Reconciliation of movement in total shareholders' (deficit)/funds

	Group	
	2008	2007
	€'m	€'m
(Loss)/profit for the year	(715.0)	330.8
Equity dividends paid (note 11)	-	(25.0)
(Loss)/retained profit for the year	(715.0)	305.8
Other recognised gains and losses relating to the year (net)	(413.7)	(198.2)
Net (decrease)/increase in total shareholders' funds	(1,128.7)	107.6
Opening total shareholders' funds	498.3	390.7
Closing total shareholders' (deficit)/funds	(630.4)	498.3

Ineos Group Holdings plc

29 Acquisitions

VAM/EtAc

On the 31 March 2008 the Group acquired the assets of the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. The purchase has been accounted for as an acquisition in these consolidated financial statements. The newly acquired business now forms part of the Chemical Intermediates segment.

The consolidated financial statements presented include management's allocation of the purchase price which includes certain preliminary allocations. The final allocations of the purchase price may change after completion of the valuations performed at the acquisition date.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below:

	Book value	Revaluation	Provisional fair value
	€'m	€'m	€'m
Tangible fixed assets	21.6	-	21.6
Stock	24.4	1.8	26.2
Debtors	6.8	-	6.8
Net assets acquired	52.8	1.8	54.6
Goodwill			0.6
Consideration (including acquisition expenses)			55.2

The revaluation of stock by €1.8 million represents an adjustment to reflect the fair value of catalyst stocks acquired at acquisition.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets.

Ineos Group Holdings plc

29 Acquisitions (continued)

Seal Sands

On 18 August 2008 the Group acquired the Seal Sands site on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN), adipodinitrile (AND) and hexamethylenediamine (HMD), along with by-product plants. The total consideration, including acquisition expenses was €15.5 million. The purchase has been accounted for as an acquisition in these consolidated financial statements. The newly acquired business now forms part of the Nitriles business within the Chemical Intermediates segment.

The consolidated financial statements presented include management's allocation of the purchase price which includes certain preliminary allocations. The final allocations of the purchase price may change after completion of the valuations performed at the acquisition date.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below:

	Book value	Revaluation	Provisional fair value
	€'m	€'m	€'m
Tangible fixed assets	40.7	(6.8)	33.9
Stock	24.6	-	24.6
Provisions	(3.3)	-	(3.3)
Net assets acquired	62.0	(6.8)	55.2
Negative goodwill			(39.7)
Consideration (including acquisition expenses)			15.5

The revaluation of tangible fixed assets by €6.8 million represents an adjustment to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets.

Ineos Group Holdings plc

29 Acquisitions (continued)

ABS India

On 2 October 2007 the Group acquired a 51% majority of the Lanxess ABS plastic business, Lustran Polymers. At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the group acquired a 83.33% shareholding in the Indian part of the business.

The consolidated financial statements presented include management's allocation of the purchase price which includes certain preliminary allocations. The final allocations of the purchase price may change after completion of the valuations performed at the acquisition date.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below:

	Book value	Revaluation	Provisional fair value
	€'m	€'m	€'m
Tangible fixed assets	5.9	17.4	23.3
Stock	10.4	-	10.4
Debtors	16.4	-	16.4
Cash	13.5	-	13.5
Creditors	(26.3)	-	(26.3)
Net assets acquired	19.9	17.4	37.3
Minority interest			(6.4)
Net assets acquired			30.9
Goodwill			18.5
Consideration (including acquisition expenses)			49.4

The revaluation of tangible fixed assets by €17.4 million represents an adjustment to reflect the carrying value of the assets based on the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

In its last financial year to December 31, 2007, ABS India made a profit after taxation of €6.2 million (INR 349.5 million). For the period from January 1, 2008 until the date of acquisition, ABS India made a profit after taxation of €0.7 million (INR 43.6 million).

Other acquisitions

During 2008 the Group acquired tangible fixed assets and intellectual property rights and other knowhow in the field of bioethanol technology and production from third parties for €1.4 million (\$2.0 million) and €25.2 million (\$39.3 million), respectively. These tangible and intangible assets were acquired at fair value consequently no goodwill has arisen on acquisition of these assets.

Ineos Group Holdings plc

29 Acquisitions (continued)

Updates to prior years acquisitions

Lanxess ABS

The Group acquired a 51% majority of the Lanxess ABS plastics business, Lustran Polymers on 2 October 2007. The consolidated financial statements for the year ended 31 December 2007 included management's allocation of the purchase price which included certain provisional fair values assigned to the book value of identifiable assets and liabilities. In 2008 these provisional fair values were reviewed and the allocation of the purchase price was finalized, as set out below:

	Provisional fair value	Revaluation	Final fair value
	€'m	€'m	€'m
Stock.....	139.2	(0.7)	138.5
Debtors	160.2	(0.2)	160.0
Cash	21.0	-	21.0
Provisions	(44.4)	(43.7)	(88.1)
Creditors	(96.4)	(10.9)	(107.3)
Pensions.....	(14.6)	(6.7)	(21.3)
Deferred taxation on pensions	5.5	-	5.5
Net assets.....	170.5	(62.2)	108.3
Minority interest			(53.1)
Net assets acquired			55.2
Goodwill.....			0.0
Consideration (including acquisition expenses)			55.2

The business in Germany was acquired with an onerous raw material supply contract and an increase in the provision of €43.7 million has now been recognized for the expected further losses on this contract. Following a detailed review of acquired contracts, a finance lease for storage facilities has now been recognized within creditors. The independent actuarial valuation of the pension plan liabilities on acquisition has now been finalized, which has resulted in an increase in the pension deficit of €6.7 million.

Ineos Group Holdings plc

30 Disposals

Ineos Silicas

On 2 July 2008 the Group completed the sale of the Ineos Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group, for a total consideration of €320.9 million, of which €198.5 million was received in cash.

	Total
	€'m
Tangible fixed assets	103.7
Positive goodwill	2.6
Negative goodwill	(3.9)
Investments	0.5
Stock	22.9
Debtors	109.5
Cash	13.1
Creditors	(70.0)
Pensions	(0.7)
Provisions	(7.1)
Net assets disposed	170.6
Profit on sale (note 7)	150.3
Sales proceeds satisfied by:	
Cash	198.5
Preference share capital in Ineos Investments LLP	122.4
	<u>320.9</u>

Other disposals

During 2008 the Group received cash of €4.9 million being deferred consideration on the disposal of the Emulsion PVC (E-PVC) business which took place on 2 July 2007.

Ineos Group Holdings plc

31 Employees

The average monthly number of employees in the Group for the year by function were:

	2008	2007
Operations	11,651	11,221
Administration	2,741	1,859
Research and development	579	602
	14,971	13,682

The year end number of employees in the Group by function were:

	2008	2007
Operations	10,827	11,905
Administration	2,595	2,266
Research and development	554	640
	13,976	14,811

Staff costs for the above employees (including executive directors) were:

	2008	2007
	€'m	€'m
Wages and salaries	797.1	959.5
Social security costs	180.5	147.2
Pension costs	78.8	83.8
	1,056.4	1,190.5

Ineos Group Holdings plc

32 Operating lease commitments

Annual commitments under non-cancellable operating leases comprise:

	2008 €'m	2007 €'m
Plant and equipment:		
Expiring within one year	14.1	7.7
Expiring between 1 to 2 years	8.5	4.7
Expiring between 2 to 5 years	9.4	10.3
Expiring in more than 5 years	22.3	28.2
	54.3	50.9
Land and buildings:		
Expiring within one year	1.1	1.4
Expiring between 1 to 2 years	0.6	0.1
Expiring between 2 to 5 years	1.4	1.2
Expiring in more than 5 years	5.2	6.0
	8.3	8.7

33 Reconciliation of operating (loss)/profit to net cash flow from operating activities

	2008 €'m	2007 €'m
Operating (loss)/profit	(252.5)	1,210.7
Depreciation of tangible fixed assets	755.5	893.4
Amortisation of intangible fixed assets	41.6	(7.6)
Loss on disposal of fixed assets	21.2	2.9
(Increase)/decrease in stocks	1,164.1	(500.8)
(Increase)/decrease in debtors	1,306.6	(813.4)
Increase/(decrease) in creditors and provisions	(1,669.4)	1,402.0
Net cash flow from operating activities	1,367.1	2,187.2

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34 Reconciliation of net cash flow to movement in net debt

	2008 €'m	2007 €'m
(Decrease) / increase in cash in the year	(295.8)	318.8
Cash outflow from change in debt financing	325.0	260.3
Change in net debt resulting from cashflows	29.2	579.1
Loans and finance leases acquired with subsidiary	(10.4)	-
Other net non-cash transactions	(59.1)	214.9
Movement in net debt in year	(40.3)	794.0

35 Analysis of net debt

	At 1 January 2008 €'m	Cash flow €'m	Acquisition (excluding cash) €'m	Other non-cash changes €'m	At 31 December 2008 €'m
Cash at bank and in hand	951.4	(295.8)	-	(3.8)	651.8
Cash overdrafts	-	-	-	-	-
	951.4	(295.8)	-	(3.8)	651.8
Debt due within one year	(225.1)	(410.0)	-	(7.2)	(642.3)
Debt due after more than one year	(8,160.0)	732.2	-	(48.5)	(7,476.3)
Finance leases	(13.7)	2.8	(10.4)	0.4	(20.9)
	(8,398.8)	325.0	(10.4)	(55.3)	(8,139.5)
Net debt	(7,447.4)	29.2	(10.4)	(59.1)	(7,487.7)

Non cash changes relate primarily to exchange movements, reclassifications between debt due after more than one year and debt due within one year and new finance leases.

36 Derivatives and other financial instruments

The Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short term debtors and creditors, other than for foreign currency risk disclosures.

(a) Financial instruments

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors, that arise from its operations. The main purpose of these financial instruments is to manage the Group's operations. It is, and has been throughout the period under review, the policy of the Group that no trading in financial instruments shall be undertaken.

The main risks from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(b) Interest risk

The Group finances its operations through a mixture of retained profits, borrowings under the Senior Facilities Agreement and the Senior Notes. The Group's exposure to market risk for changes in interest rates relates primarily to its borrowings under the Senior Facilities Agreement upon which interest is paid at variable rates and to its cash resources which are invested at variable rates.

The Group has entered into a number of derivative financial instruments during the year to manage its interest rate risk under the Senior Facilities Agreement. The derivatives consist of interest rate caps and floors with a number of counterparties. These interest rate collars have a total initial notional principal of €2,572.8 million, amortising to €2,205.8 million, with a cap rate of 4.49% and a floor rate of 2.71%. All of the derivatives mature in February 2009. Our interest rate collars entitle us to receive from counterparties the amounts, if any, by which our interest payments on certain of our floating rate borrowings exceed the cap rate, or pay to counterparties the amounts, if any, by which our interest payments fall below the floor rate.

(c) Liquidity risk

The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

(d) Foreign currency risk

The currencies most important to the Group's financial position and results of operations are the Euro as well as U.S. Dollars, Sterling and Yen.

To mitigate the effect of the currency exposure arising from its overseas operations, the Group borrows in the local currencies of its main operating units.

36 Derivatives and other financial instruments (continued)

(e) Interest rate and current profile of financial assets and liabilities

The interest rate and currency profile of the Group's gross financial liabilities at 31 December 2008 and 2007 were:

At 31 December 2008:

Fixed rate financial liabilities					
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	€'m	€'m	€'m	%	Years
Euros	6,215.1	4,403.3	1,811.8	8.0	6.7
US Dollars	1,874.8	1,379.9	494.9	8.5	7.1
GBP	47.2	47.2	-	-	-
Yen	2.4	0.9	1.5	4.2	3.2
	8,139.5	5,831.3	2,308.2	8.1	6.8

The floating rate liabilities comprise the Euro and US Dollar portions of the Senior Facilities Agreement and the Securitisation Facility.

At 31 December 2007:

Fixed rate financial liabilities					
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	€'m	€'m	€'m	%	Years
Euros	6,289.0	4,483.0	1,806.0	8.0	7.7
US Dollars	2,039.1	1,558.6	480.5	8.5	8.1
GBP	68.3	68.3	-	-	-
Yen	2.4	1.1	1.3	4.6	7.9
	8,398.8	6,111.0	2,287.8	8.1	7.8

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36 Derivatives and other financial instruments (continued)

The floating rate liabilities comprise the Euro and US Dollar portions of the Senior Facilities Agreement and the Bridge Facility.

The Group has cash balances of €651.8 million (2007: €951.4 million) which earn interest at prevailing market rates. €279.2 million (2007: €270.5 million) were denominated in Euro, €289.3 million (2007: €546.5 million) were denominated in US Dollars, €40.6 million (2007: €71.4 million) were denominated in Sterling, and other currencies total €42.7 million (2007: €63.0 million).

(f) Maturity of financial liabilities and undrawn committed facilities

The maturity profile of the Group's financial liabilities and undrawn committed facilities at 31 December 2008 and 2007 was as follows:

	2008	2007	2008	2007
	Financial Liabilities	Financial Liabilities	Undrawn Facilities	Undrawn Facilities
	€'m	€'m	€'m	€'m
In one year or less, or on demand	616.2	197.1	-	2.5
In more than one year, but not more than two years	235.9	212.0	-	-
In more than two years, but not more than five years	1,409.7	2,025.0	66.0	-
In more than five years	5,727.7	5,786.2	-	425.0
	7,989.5	8,220.3	66.0	427.5

The Group has committed overdraft facilities of €nil million (2007: €2.5 million) and unused committed Revolving Credit Facilities of €66.0 million (2007: €425.0 million).

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

(g) Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2007 and as of 31 December 2008.

	2008		2007	
	Book value €'m	Fair value €'m	Book value €'m	Fair value €'m
Primary financial instruments held to finance the Group's operations:				
Cash at bank and in hand	651.8	651.8	951.4	951.4
Amounts owed by related parties	44.2	44.2	44.2	44.2
Amounts owed by group undertakings	94.0	94.0	94.0	94.0
Bank and other loans repayable within one year	642.3	531.9	225.1	225.1
Bank and other loans repayable after more than one year	5,189.6	1,935.3	5,877.0	5,887.0
Senior Notes	2,286.7	285.0	2,273.0	1,943.1
Derivative financial instruments held to manage the Group's interest rate profile:				
Interest rate, floors and caps	-	-	-	5.6
Derivative financial instruments held to manage the Group's commodity risk:				
Refining forward contracts	-	89.1	-	-

The fair value of cash, bank overdrafts and amounts owed by group undertakings approximate their respective book values as they have floating interest rates.

The fair value of the Senior Notes, bank loans, interest rate collars and refining forward contracts have been calculated by reference to available market prices.

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedge position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains €'m	Losses €'m	Total net gains/(losses) €'m
Unrecognised gains and losses on hedges at 1 January 2008	5.6	-	5.6
Gains and losses arising in previous years that were recognised in 2007	-	-	-
Gains and losses arising before 1 January 2008 that were not recognised in 2008	5.6	-	5.6
Gains and losses arising in 2008 that were not recognised in 2008	83.5	-	83.5
Unrecognised gains and losses on hedges at 31 December 2008	89.1	-	89.1
Of which:			
Gains/losses expected to be recognised in 2009	89.1	-	89.1
Gains/losses expected to be recognised in 2010 or later	-	-	-

(h) Currency exposure of the Group's net monetary assets/(liabilities)

The principal currency exposure of the Group's net monetary assets/(liabilities) is shown below for the years ended 31 December 2008 and 31 December 2007. Such exposures comprise the monetary assets and monetary liabilities that are not denominated in the operating currency of the operating unit involved. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the companies and the Group.

Net foreign currency monetary assets/(liabilities)						
	€'m					
	Euros	US Dollars	Sterling	Yen	Other	Total
2008						
Euros	-	(32.1)	15.3	-	2.1	(14.7)
US dollars	58.7	-	(182.3)	-	-	(123.6)
Sterling	(27.7)	28.6	-	0.2	0.1	1.2
Yen	-	(2.6)	-	-	-	(2.6)
Other	5.8	18.3	(1.3)	-	-	22.8
Total	36.8	12.2	(168.3)	0.2	2.2	(116.9)

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

Net foreign currency monetary assets/(liabilities)						
€'m						
	Euros	US Dollars	Sterling	Yen	Other	Total
2007						
Euros	-	(27.9)	15.0	0.3	(2.8)	(15.4)
US dollars	33.7	-	(236.9)	-	0.2	(203.0)
Sterling	27.8	22.4	-	0.3	0.4	50.9
Yen	-	0.9	-	-	-	0.9
Other	(1.4)	20.0	(0.9)	(0.1)	-	17.6
Total	60.1	15.4	(222.8)	0.5	(2.2)	(149.0)

37 Related party transactions

The Group has a management services agreement with Ineos Capital Partners ("Ineos Capital"). The partners of Ineos Capital own a controlling interest in the share capital of Ineos Group Limited, the ultimate parent company of Ineos Group Holdings plc. Ineos Capital management fees of €79.9 million (2007: €71.2 million) and deal advisory fees of €nil (2007: €4.0 million) were charged in the year. At 31 December 2008 amounts owed to Ineos Capital were €21.9 million (2007: €27.8 million). Amounts due from Ineos Capital Limited, a company controlled by the partners of Ineos Capital, were €44.2 million (2007: €44.2 million).

The partners of Ineos Capital own a controlling interest in Vinyls Italia SpA. The Group made sales to this company of €4.5 million (2007: €21.7 million), recovered costs of €0.4 million (2007: €0.7 million) and made purchases of €51.8 million (2007: €56.8 million). At 31 December, 2008 €7.1 million (31 December, 2007: €9.5 million) was owed by and €6.0 million (31 December, 2007: €6.9 million) was owed to Vinyls Italia SpA.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €383.3 million (2007: €501.7 million), recovered costs of €35.1 million (2007: €50.8 million) and made purchases of €29.6 million (2007: €25.7 million). At 31 December, 2008 €46.4 million (2007: €37.0 million) was owed by joint ventures and €36.3 million (2007: €nil) was owed to joint ventures.

Ineos Group Holdings plc

38 Ultimate controlling party

The immediate parent undertaking is Ineos Intermediate Holdings Limited.

The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of Ineos Limited. The ultimate parent company is Ineos Limited, a company incorporated in England and Wales.

Ineos Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2008. The consolidated financial statements of Ineos Limited are available from the Company Secretary, Ineos Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.

Ineos Group Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The financial statements of Ineos Group Holdings plc are available from the Company Secretary, Ineos Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.

39 Subsequent events

In January 2009 the Group completed the disposal of the Compounds business in Italy.

In February 2009 the Group completed the disposal of some land at its site in Monfalcone, Italy for approximately €25 million.

In April 2009 the Group signed a contract with Viridor Laing to construct an Energy from Waste CHP plant in Runcorn, England. Solid recovered fuel from the Greater Manchester Waste Disposal Authority will be supplied to the CHP plant to provide heat and power to the Group's chemical manufacturing operations at the Runcorn site. The plant is scheduled to be completed by 2013.

Ineos Group Holdings plc

Company profit and loss account for the year ended 31 December 2008

		2008	2007
	Note	€'m	€'m
Income from group undertakings		-	25.0
Interest receivable and similar income	1	180.5	187.1
Interest payable and similar charges	2	(204.8)	(176.8)
(Loss) / profit on ordinary activities before taxation		(24.3)	35.3
Tax on (loss) / profit on ordinary activities	3	9.5	(3.9)
(Loss) / profit on ordinary activities after taxation	8	(14.8)	31.4

All activities of the company relate to continuing operations.

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


There is no difference between the reported (losses) / profits stated above and their historical cost equivalents.

Ineos Group Holdings plc

Company balance sheet as at 31 December 2008

	Note	2008 €'m	2007 €'m
Tangible fixed assets			
Investments	4	17.6	17.6
Current assets			
Debtors: amounts due within one year	5	63.8	86.9
Debtors: amounts due after more than one year	5	2,359.2	2,343.8
Cash at bank and in hand		-	-
		2,423.0	2,430.7
Creditors: amounts falling due within one year	6	(85.6)	(98.2)
Net current assets		2,337.4	2,332.5
Total assets less current liabilities		2,355.0	2,350.1
Creditors : amounts falling due after more than one year	7	(2,280.2)	(2,260.5)
Net assets		74.8	89.6
Capital and reserves			
Called up equity share capital		17.7	17.7
Share premium account		51.1	51.1
Profit and loss account	8	6.0	20.8
Total shareholders' funds	9	74.8	89.6

The financial statements on pages 10 to 70 were approved by the board of directors on 29 May 2009 and were signed on its behalf by:


J Reece
Director

Ineos Group Holdings plc

Notes to the company financial statements for the year ended 31 December 2008

The company financial statements should be read in conjunction with the statement of accounting policies and notes to the consolidated financial statements on pages 15 to 64.

1 Interest receivable and similar income

	2008	2007
	€'m	€'m
Interest receivable from group undertakings	180.5	187.1

2 Interest payable and similar charges

	2008	2007
	€'m	€'m
Interest payable on Senior Notes	168.2	174.4
Interest payable to group undertakings	12.3	-
Exchange differences on foreign currency loan balances	24.3	2.4
	204.8	176.8

Ineos Group Holdings plc

3 Taxation

Analysis of tax charge:

	2008 €'m	2007 €'m
Group relief payable to/(receivable from) other group companies at 28% (2007: 30%)	(6.8)	3.1
Adjustments in respect of previous periods	(2.7)	0.8
	(9.5)	3.9

The tax for the year is higher (2007: lower) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2008 €'m	2007 €'m
(Loss)/profit on ordinary activities before tax	(24.4)	35.3
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in UK of 28% (2007: 30%)	(6.8)	10.6
Effects of:		
Non-taxable credits	-	(7.5)
Adjustments in respect of previous periods	(2.7)	0.8
Tax (credit)/charge for the year	(9.5)	3.9

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

4 Fixed asset investments

	2008 €'m	2007 €'m
Investment in subsidiary undertakings	17.6	17.6

Ineos Group Holdings plc

5 Debtors

	2008	2007
	€'m	€'m
Amounts falling due within one year		
Amounts due from group undertakings	63.8	86.9
Amounts falling due after more than one year		
Amounts due from group undertakings	2,359.2	2,343.8

6 Creditors – Amounts falling due within one year

	2008	2007
	€'m	€'m
Amounts due to group undertakings	21.8	30.5
Accruals and deferred income	63.8	67.7
	85.6	98.2

7 Creditors – Amounts falling due after more than one year

	2008	2007
	€'m	€'m
Senior Notes	2,124.9	2,110.5
Amounts due to group undertakings	155.3	150.0
	2,280.2	2,260.5

8 Profit and loss account

	€'m
At 1 January 2008	20.8
Loss for the financial year	(14.8)
At 31 December 2008	6.0

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9 Reconciliation of movements in total shareholders' funds

	2008	2007
	€'m	€'m
Opening total shareholder's funds	89.6	83.2
(Loss) / profit for the year	(14.8)	31.4
Equity dividends paid	-	(25.0)
Closing total shareholders' funds	74.8	89.6