

Ineos Paraform Limited
Annual report
for the year ended 31 December 2005

Registered Number 4482032

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Ineos Paraform Limited

Annual report

for the year ended 31 December 2005

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Ineos Paraform Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities

The principal activity of the Group is the manufacture and sale of a range of carbon based chemicals used in various chemical applications.

Results for the year

The results of the Group are set out in the consolidated profit and loss account on page 6. The directors do not recommend the payment of a dividend (2004: £nil).

Review of business developments and prospects

On 8 August 2005, the company approved the transformation of Ineos Paraform GmbH into a limited partnership (KG) by a change of the legal form according to §§ 190 ff. of the German Transformation Act (UmwG).

On 26 August 2005, the shareholders entered into share purchase agreements with Ineos Paraform Holdings Limited pursuant to which each of the shareholders agreed to sell their interest in Ineos Paraform Limited to Ineos Paraform Holdings Limited. The documents were duly executed on the same day by the relevant shareholders and Ineos Paraform Holdings Limited. The completion of the share for share exchange contemplated by those agreements took place also on 26 August 2005 and, consequently, the company has been a wholly owned subsidiary of Ineos Paraform Holdings Limited since that date.

On 30 August 2005, the company approved a conversion resolution and a partnership agreement of the company, Ineos Beteiligungs GmbH & Co. KG and SCHE 03 Verwaltungs GmbH relating to the conversion of Ineos Paraform GmbH into a partnership. With the execution of the aforementioned documents, Ineos Paraform Limited became a limited partner, Beteiligungs GmbH & Co. KG a further limited partner and SCHE 03 Verwaltungs GmbH an unlimited partner of Ineos Paraform GmbH. In order to establish this new structure, 10% of the company's shares in Ineos Paraform GmbH were sold to Ineos Paraform Beteiligungs GmbH & Co. KG for a consideration of €1,100,000 and one share in Ineos Paraform GmbH was transferred to SCHE 03 Verwaltungs GmbH.

The strong increase in demand for our products, which the Group experienced in 2004, slowed down in 2005. Sales volumes grew by 2.0% only to 88,517 tes (2004: 86,918 tes). Improved Paraformaldehyde and Methanol sales volumes compensated for lost sales in other product areas.

The average sales prices improved in 2005 compared to 2004, mainly driven by increased base raw material costs. Turnover grew by 0.8% from €50,575,000 to €51,989,000.

Costs for Methanol, the base raw materials for our products, decreased in the second half of 2005. The average Methanol price during 2004 was €225 per metric tonne (2004: €213 per metric tonne). Nevertheless, the price level was still high compared to previous years.

Overall cost for raw material and consumables were €1,702,000 above previous year compounded by increased freight costs related to the new motorway toll in Germany of €219,000 (2004: £nil). This increase was partly compensated by lower costs in other areas, such as insurance (€125,000) and energy (€130,000), and higher other operating income (increase of €508,000 over 2004).

Ineos Paraform Limited

In 2005, the Group's personnel costs have benefited from the restructuring programme, which was implemented in 2003 and which will continue over the next few years. The company was able to absorb the 2005 tariff increase and keep the personnel cost level at €9,870,000, which were €148,000 below 2004.

The company repaid its non-interest bearing loan from Ineos Capital Limited of €3,350,000 in August 2005 (2004: €3,350,000). Amounts outstanding under the Group's credit agreement with IKB were €5,400,000 (2004: €6,600,000). The details of the senior loan are set out in note 18 of the financial statements.

The Group's corporate strategy is to continue growing our profitability and cash flows by reducing costs in our businesses, increasing our 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 2006.

Share capital

On 21 January 2004, the company's authorised share capital was subdivided into 100,000 shares of 1p each. 10,000 were issued to each of the company's shareholders, but the rest remained un-issued. On 26 August 2005, these shares were sold by the company's shareholders to Ineos Paraform Holdings Limited in a share for share exchange transaction.

On 30 August 2005, the company accepted the application to subscribe for 10 additional shares in the company by Ineos Paraform Holdings Limited. The subscription monies exceeded the nominal value of the shares and the shares, therefore, were issued at a share premium of GBP 231,032.75 each.

Directors and their interests

The directors who served during the year were as follows:

Mr A C Currie
Mr J Reece
Mr G W Leask
Mr F Lerch

The interests of the directors in the share capital of the Company at 31 December 2005 and 31 December 2004 (or date of appointment, if later) are as follows:

| | Ineos Paraform Holdings Limited | | Ineos Paraform Limited | |
|---------------|---|---|---|---|
| | 31 December 2005 Ordinary shares of 1p each | 31 December 2004 Ordinary shares of 1p each | 31 December 2005 Ordinary shares of 1p each | 31 December 2004 Ordinary shares of 1p each |
| Mr A C Currie | 1,575 | - | - | 1,575 |
| Mr J Reece | 1,575 | - | - | 1,575 |
| Mr F Lerch | 200 | - | - | - |
| Mr G W Leask | 150 | - | - | 150 |
| | 3,500 | - | - | 3,300 |

On 26 August 2005, the directors signed, as mentioned above, purchase agreements with Ineos Paraform Holdings Limited pursuant to which each of the directors agreed to sell the shares they hold in the Company to Ineos Paraform Holdings Limited.

Ineos Paraform Limited

Donations

Charitable donations paid during the year amounted to €1,726 (2004: €683) for a variety of charitable purposes. Neither the Company nor its subsidiary undertaking 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 during the year averaged 22 days (2004: 32 days).

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.

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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

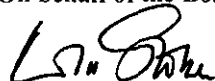
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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 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.

Auditors

The directors have appointed PricewaterhouseCoopers LLP as auditors. In accordance with Section 386 of the companies Act 1985 the company has elected to dispense with the obligation to appoint auditors annually.

On behalf of the Board



M Stokes
Company Secretary

30 May 2006

Ineos Paraform Limited

Independent auditors' report to the members of Ineos Paraform Limited

We have audited the group and parent company financial statements (the "financial statements") of Ineos Paraform Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

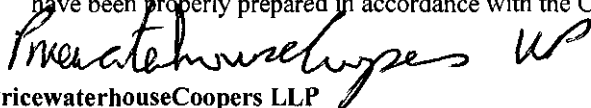
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Ineos Paraform Limited

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

30 May 2006

Ineos Paraform Limited

Consolidated profit and loss account for the year ended 31 December 2005

| | Note | 2005 €'000 | 2004 as restated €'000 |
|--|------|-----------------|------------------------------|
| Turnover | 2 | 51,989 | 50,575 |
| Operating expenses before exceptional expenses | 3 | (49,023) | (47,785) |
| Exceptional operating expenses | 4 | (923) | (1,582) |
| Total operating expenses | | (49,946) | (49,367) |
| Operating profit | 5 | 2,043 | 1,208 |
| Interest receivable and similar income | 8 | 52 | 35 |
| Interest payable and similar charges | 8 | (333) | (411) |
| Other finance costs | 9 | (205) | (226) |
| Profit on ordinary activities before taxation | | 1,557 | 606 |
| Tax on profit on ordinary activities | 10 | 127 | (552) |
| Retained profit for the financial year | 21 | 1,684 | 54 |

All results relate to continuing operations.

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

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Consolidated statement of total recognised gains and losses for the year ended 31 December 2005

| | Note | 2005 €'000 | 2004 as restated €'000 |
|--|------|---------------|------------------------------|
| Profit for the financial year | | 1,684 | 54 |
| Actuarial (loss)/profit recognised in the pension scheme | 30 | (506) | 195 |
| Movement on deferred tax relating to the pension liability | | - | - |
| Total recognised profits for the year | | 1,178 | 249 |
| Prior year adjustment | 30 | (64) | |
| Total profits recognised since last annual report | | 1,114 | |

Ineos Paraform Limited

Consolidated balance sheet as at 31 December 2005

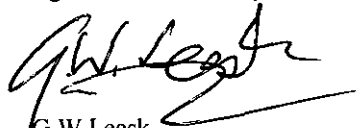
| | Note | 2005 €'000 | 2004 as restated €'000 |
|--|------|----------------|------------------------------|
| Fixed assets | | | |
| Goodwill | 11 | 3,928 | 4,132 |
| Tangible fixed assets | 12 | 7,140 | 7,360 |
| | | 11,068 | 11,492 |
| Current assets | | | |
| Stocks | 14 | 2,449 | 2,788 |
| Debtors | 15 | 8,552 | 8,003 |
| Cash at bank and in hand | | 949 | 920 |
| | | 11,950 | 11,711 |
| Creditors: amounts falling due within one year | 16 | (7,312) | (7,998) |
| Net current assets | | 4,638 | 3,713 |
| Total assets less current liabilities | | 15,706 | 15,205 |
| Creditors: amounts falling due after more than one year | 17 | (4,067) | (8,588) |
| Provisions for liabilities and charges | 19 | (6,753) | (6,259) |
| Net assets | | 4,886 | 358 |
| Capital and reserves | | | |
| Called up equity share capital | 20 | - | - |
| Share premium account | 22 | 3,350 | - |
| Profit and loss account | 21 | 1,536 | 358 |
| Equity shareholders' funds | 23 | 4,886 | 358 |

Ineos Paraform Limited

Company balance sheet as at 31 December 2005

| | Note | 2005 €'000 | 2004 as restated €'000 |
|--|------|---------------|------------------------------|
| Fixed assets | | | |
| Investment | 13 | 11,006 | 12,105 |
| Current assets | | | |
| Debtors | 15 | 1,104 | 40 |
| Cash at bank and in hand | | 68 | 106 |
| | | 1,172 | 146 |
| Creditors: amounts falling due within one year | 16 | (3,745) | (4,362) |
| Net current liabilities | | (2,573) | (4,216) |
| Total assets less current liabilities | | 8,433 | 7,889 |
| Creditors: amounts falling due after more than one year | 17 | (4,067) | (8,588) |
| Net assets/(liabilities) | | 4,366 | (699) |
| Capital and reserves | | | |
| Called up equity share capital | 20 | - | - |
| Share premium | 22 | 3,350 | - |
| Profit and loss account | 21 | 1,016 | (699) |
| Equity shareholders' funds/(deficit) | 23 | 4,366 | (699) |

The financial statements on pages 6 to 31 were approved by the board of directors on 30 May 2006 and were signed on its behalf by:


G W Leask
Director

Ineos Paraform Limited

Consolidated cash flow statement for the year ended 31 December 2005

| | Note | 2005 €'000 | 2004 €'000 |
|--|--------|----------------|----------------|
| Net cash inflow from operating activities | 25 | 3,374 | 2,746 |
| Returns on investment and servicing of finance | | | |
| Interest received | | 52 | 35 |
| Interest paid | | (313) | (538) |
| Net cash outflow from returns on investment and servicing of finance | | (261) | (503) |
| Taxation | | (910) | (318) |
| Capital expenditure and financial investment | | | |
| Sale of tangible fixed assets | | 3 | 14 |
| Purchase of tangible fixed assets | | (977) | (510) |
| Net cash outflow from capital expenditure and financial investment | | (974) | (496) |
| Acquisitions and disposals | | | |
| Acquisitions of businesses | | - | (7) |
| Net cash outflow from acquisitions and disposals | | - | (7) |
| Net cash inflow before financing | | 1,229 | 1,422 |
| Financing | | | |
| Issue of ordinary share capital | 22 | 3,350 | - |
| Repayment of bank loans | 27 | (1,200) | (1,400) |
| Repayment of loan from related party | | (3,350) | - |
| Net cash outflow from financing | | (1,200) | (1,400) |
| Increase in cash | 26, 27 | 29 | 22 |

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Accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertaking (the "Group") as at the balance sheet date. All intercompany transactions are eliminated as are 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.

Change in accounting policy

The Group has adopted FRS 17 "Employee benefits" in these financial statements. The effect of this change in accounting policy is an increase in staff costs of €1,000 (2004: €34,000), an increase in other finance costs of €205,000 (2004: €226,000) and a decrease in the profit for the year of €206,000 (2004: €260,000). The adoption has also resulted in a decrease in net assets of €712,000 (2004: €64,000).

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 shipped, when the prices are determinable and when collectability is considered probable.

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 | 5-40 years |
| Plant, machinery and equipment | 12% |
| Assets in the course of construction | Nil |

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.

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 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.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

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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.

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 Paraform Limited is the local currency of its principal operating environment. The Group's primary products are sold in an international commodities market prices 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 in the balance sheet are translated at the closing rate of the period. All translation gains and losses on the settlement of monetary assets and liabilities are included in the determination of profit for the year.

Pension costs

The Group operates an unfunded defined benefit scheme which covers the majority of its employees in Germany. The Group pays contributions to the plan on behalf of the employees.

The operating cost of providing pensions, as calculated periodically by independent actuaries, is charged to the company's operating profit and loss in the period that those benefits are earned by employees. The financial return expected on the scheme's assets is recognised in the period in which they arise as part of finance income and the effect of the unwinding of the discounted value of the scheme's liabilities is treated as part of finance costs. The changes in value of the schemes' assets and liabilities are reported as actuarial gains or losses as they arise in the statement of total recognised gains and losses. The pension scheme's surplus, to the extent it is considered recoverable, or deficit is recognised in full and presented in the balance sheet net of any related deferred tax.

The above reflects a change in accounting policy. A prior year adjustment has therefore been made to reflect the change.

Operating leases

Operating lease annual rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

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.

Financial instruments

Amounts payable or receivable in respect of interest rate cap and floor agreements are recognised in the interest payable charge on an accrual basis. The interest differential amounts (due to)/from the counterparty on such an agreement are accrued until settlement date and are recognised as an adjustment to interest expense.

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Notes to the financial statements for the year ended 31 December 2005

1 Reporting currency

The financial statements are expressed in Euros as the Company and the Group primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in Euros.

The exchange rate as at 31 December 2005 was 1.4571 €/£ (2004: 1.413 €/£)

2 Turnover

| Group | 2005 | 2004 |
|--------------------------------------|--------|--------|
| Turnover by geographical destination | €'000 | €'000 |
| Europe | 45,147 | 44,225 |
| Americas | 3,989 | 3,331 |
| Rest of World | 2,853 | 3,019 |
| | 51,989 | 50,575 |

Ineos Paraform Limited

3 Operating expenses

| Group | 2005 €'000 | 2004 as restated €'000 |
|---|-----------------------|---------------------------------------|
| Change in stocks of finished goods and work in progress | 178 | (116) |
| Own work capitalised | (168) | (122) |
| Other operating income | (1,814) | (1,306) |
| Raw materials and consumables | 29,619 | 27,917 |
| Other external charges | 9,860 | 9,552 |
| Staff costs (excluding exceptionals) | 9,870 | 10,018 |
| Depreciation | 1,194 | 1,232 |
| Amortisation of goodwill | 204 | 196 |
| Other operating charges | 80 | 414 |
| | 49,023 | 47,785 |

4 Exceptional operating expenses

The Group incurred €923,000 of exceptional operating expenses which mainly related to the provision for severance payments, business restructuring and share scheme implementation.

In the prior year the Group incurred €1,582,000 of exceptional operating expenses which mainly related to severance payments, business restructuring and share scheme implementation.

Ineos Paraform Limited

5 Operating profit

Group

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

| | 2005 €'000 | 2004 as restated €'000 |
|---------------------------------------|---------------|------------------------------|
| Auditors remuneration | | |
| - audit services | 56 | 44 |
| - non audit services | 70 | 30 |
| Depreciation of tangible fixed assets | 1,194 | 1,232 |
| Amortisation of goodwill | 204 | 196 |
| Operating lease rentals: | | |
| - other lease rentals | 556 | 514 |
| Net exchange gains | (301) | (20) |

Ineos Paraform Limited

6 Employees

Group

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

| | 2005 €'000 | 2004 €'000 |
|----------------|---------------|---------------|
| Administration | 69 | 69 |
| Operations | 97 | 96 |
| Apprentices | 13 | 15 |
| | 179 | 180 |

Group

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

| | 2005 €'000 | 2004 as restated €'000 |
|---|---------------|------------------------------|
| Wages and salaries | 8,671 | 9,159 |
| Social security costs | 1,626 | 1,749 |
| Pension costs | 489 | 571 |
| Total staff costs | 10,786 | 11,479 |
| Staff costs relating to restructuring and early retirement scheme included in exceptional operating expenses | (916) | (1,461) |
| Total staff costs less restructuring and early retirement scheme | 9,870 | 10,018 |

Ineos Paraform Limited

7 Directors' remuneration

| | 2005 €'000 | 2004 €'000 |
|----------------------|---------------|---------------|
| Aggregate emoluments | 156 | 148 |

No retirement benefits are accruing to directors (2004: €nil).

8 Interest

Group

| | 2005 €'000 | 2004 €'000 |
|---|---------------|---------------|
| Interest receivable and similar income | | |
| Interest receivable on bank balances | (52) | (35) |
| Interest payable and similar charges | | |
| Interest payable on bank loans and overdrafts | 304 | 382 |
| Amortisation of debt issue costs | 29 | 29 |
| | 333 | 411 |
| Net interest payable | 281 | 376 |

9 Other finance costs

Group

| | 2005 €'000 | 2004 as restated €'000 |
|-------------------------------|---------------|------------------------------|
| Other finance costs (note 30) | 205 | 226 |

Ineos Paraform Limited

10 Taxation

Group

The taxation charge for the year comprises:

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Foreign tax | | |
| Foreign tax at 21% (2004: 40%) | 468 | 438 |
| Adjustment in respect of prior years | (49) | (109) |
| Total foreign tax | 419 | 329 |
| Deferred tax | | |
| Origination and reversal of timing differences | (546) | 223 |
| | (127) | 552 |

Due to the change of Ineos Paraform GmbH into a partnership, the company is no longer subject to German Corporate Tax. As a result the applicable tax rate has decreased from 40% to 21% in 2005.

The tax for the period is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

| | 2005 €'000 | 2004 as restated €'000 |
|--|---------------|------------------------------|
| Profit on ordinary activities before tax | 1,557 | 606 |
| Profit on ordinary activities multiplied by standard rate of 30% (2004: 30%) | 467 | 182 |
| Expenses not deductible for tax purposes | 319 | 273 |
| Adjustment in respect of foreign tax rates | (201) | 87 |
| Other short term timing differences | (117) | 34 |
| Utilisation of losses | - | (216) |
| Effect of prior year adjustment | - | 78 |
| Adjustments in respect of previous periods | (49) | (109) |
| Tax charge for the year | 419 | 329 |

Factors affecting future tax charges

No deferred tax is recognised on the un-remitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Ineos Paraform Limited

11 Intangible fixed assets

| Group | Goodwill €'000 |
|----------------------------|-------------------|
| Cost | |
| At 1 January 2005 | 4,420 |
| Acquisitions | - |
| At 31 December 2005 | 4,420 |
| Amortisation | |
| At 1 January 2005 | 288 |
| Charge for the year | 204 |
| At 31 December 2005 | 492 |
| Net book amount | |
| At 31 December 2005 | 3,928 |
| At 31 December 2004 | 4,132 |

Goodwill arising on the acquisition of Methanova GmbH is being amortised on a straight line basis over 20 years. This period is that over which the directors estimate that the value of the underlying business acquired are expected to exceed the value of the underlying assets.

Ineos Paraform Limited

12 Tangible fixed assets

Group

| | Land and buildings | Plant, machinery, fixtures, fittings and motor vehicles | Assets in the course of construction | Total |
|----------------------------|-----------------------|--|--|---------------|
| | €'000 | €'000 | €'000 | €'000 |
| Cost or valuation | | | | |
| At 1 January 2005 | 7,205 | 53,511 | 43 | 60,759 |
| Additions | 3 | 706 | 268 | 977 |
| Transfers | 8 | 15 | (23) | - |
| Disposals | - | (364) | - | (364) |
| At 31 December 2005 | 7,216 | 53,868 | 288 | 61,372 |
| Depreciation | | | | |
| At 1 January 2005 | 5,855 | 47,544 | - | 53,399 |
| Change for the year | 113 | 1,081 | - | 1,194 |
| Disposals | - | (361) | - | (361) |
| At 31 December 2005 | 5,968 | 48,264 | - | 54,232 |
| Net book amount | | | | |
| At 31 December 2005 | 1,248 | 5,604 | 288 | 7,140 |
| At 31 December 2004 | 1,350 | 5,967 | 43 | 7,360 |

Ineos Paraform Limited

13 Investment

Company

| | 2005 €'000 | 2004 €'000 |
|---|---------------|---------------|
| Investments in subsidiary undertakings | 11,006 | 12,105 |

Decrease in investment relates to the sale of 10% of the shares in Ineos Paraform GmbH & Co. KG to Ineos Paraform Beteiligungs GmbH & Co. KG for a consideration of €1,100,000.

Increase in investment by €1,000 relates to the investment in Ineos Paraform Beteiligungs GmbH & Co. KG, Germany.

The following information relates to the principal subsidiary undertakings of the Company:

| | Country of registration and operation | Principal activity | Percentage holding |
|---|--|---|-----------------------|
| Ineos Paraform GmbH & Co. KG | Germany | Manufacture and sale of chemicals | 90% |
| Ineos Paraform Beteiligungs GmbH & Co. KG | Germany | Holding company | 100% |

The remaining 10% of the shares in Ineos Paraform GmbH & Co. KG is held by Ineos Paraform Beteiligungs GmbH & Co. KG.

The unlimited partner of both partnerships mentioned in the above table is SCHE 03 Verwaltungs GmbH which holds one share in each of the companies at a zero value.

14 Stocks

Group

| | 2005 €'000 | 2004 €'000 |
|------------------------------|---------------|---------------|
| Raw material and consumables | 1,349 | 1,510 |
| Finished goods | 1,100 | 1,278 |
| | 2,449 | 2,788 |

The company holds no stocks.

Ineos Paraform Limited

15 Debtors

| | Group 2005 €'000 | Group 2004 as restated €'000 | Company 2005 €'000 | Company 2004 €'000 |
|------------------------------------|---------------------------------|---|-----------------------------------|-----------------------------------|
| Trade debtors | 7,465 | 7,575 | - | - |
| Amounts owed by group undertakings | - | - | 1,100 | - |
| Other debtors | 1,019 | 330 | 4 | 40 |
| Prepayments | 68 | 98 | - | - |
| | 8,552 | 8,003 | 1,104 | 40 |

16 Creditors – Amounts falling due within one year

| | Group 2005 €'000 | Group 2004 as restated €'000 | Company 2005 €'000 | Company 2004 €'000 |
|-------------------------------------|---------------------------------|---|-----------------------------------|-----------------------------------|
| Bank and other borrowings (note 18) | 1,200 | 1,200 | 1,200 | 1,200 |
| Trade creditors | 2,204 | 3,147 | 95 | 376 |
| Amounts owed to group undertakings | - | - | 2,162 | 2,501 |
| Taxation and social security | 763 | 877 | 275 | 275 |
| Accruals and deferred income | 3,145 | 2,774 | 13 | 10 |
| | 7,312 | 7,998 | 3,745 | 4,362 |

17 Creditors – Amounts falling due after more than one year

| | Group 2005 €'000 | Group 2004 as restated €'000 | Company 2005 €'000 | Company 2004 as restated €'000 |
|---|---------------------------------|---|-----------------------------------|---|
| Bank and other borrowings (note 18) | 4,067 | 5,238 | 4,067 | 5,238 |
| Amounts owed to related parties (note 31) | - | 3,350 | - | 3,350 |
| | 4,067 | 8,588 | 4,067 | 8,588 |

Ineos Paraform Limited

18 Loans and other borrowings

| Group and Company | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Gross borrowings | 5,400 | 6,600 |
| Less issue costs | (133) | (162) |
| Net borrowings | 5,267 | 6,438 |
| Gross borrowings are repayable as follows: | | |
| Due within one year | 1,200 | 1,200 |
| Due between one and two years | 1,200 | 1,200 |
| Due between two and five years | 3,000 | 3,600 |
| Due after more than five years | - | 600 |
| | 5,400 | 6,600 |

Senior Credit Agreement

The Group has outstanding borrowings under a credit agreement (the "Senior Credit Agreement") and a revolving credit facility (the "Revolving Credit Facility"). The senior loan outstanding at 31 December 2005 was €5,400,000 (2004: €6,600,000), of which €1,200,000 (2004: €1,200,000) is due within one year.

The outstanding senior loan is repayable in 9 semi-annual instalments of €600,000 between 30 June 2006 until the repayment in June 2010.

The senior loan bears interest at a rate equal to a margin of 2.50% plus EURIBOR. The margin is subject to a reduction based on certain financial tests. The Group pays a commitment fee of €8,000 per annum on the undrawn amounts of the revolving credit facility.

Ineos Paraform Limited and all of its material subsidiaries are guarantors of the Senior Credit Agreement. Their obligations are secured by the shares Ineos Paraform Limited holds in Ineos Paraform GmbH. An amendment to the senior loan agreement and to cover the company restructuring in 2005 is pending.

The senior loan is stated net of unamortised debt issue costs of €133,000 (2004: €162,000) in the balance sheet. These costs are allocated to the profit and loss account in accordance with FRS 4.

Ineos Paraform Limited

19 Provisions for liabilities and charges

Group

| | Retirement costs €'000 | Service and restructuring costs €'000 | Deferred taxation €'000 | Total €'000 |
|--|------------------------------|--|-------------------------------|----------------|
| At 1 January 2005 | 4,170 | 1,543 | 546 | 6,259 |
| Charged/(credited) to the profit and loss account | 339 | 950 | (546) | 743 |
| Utilised in the year | (133) | (622) | - | (755) |
| Actuarial losses | 506 | - | - | 506 |
| At 31 December 2005 | 4,882 | 1,871 | - | 6,753 |

The deferred tax (asset)/liability unprovided represents:

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Short term timing differences | (263) | 593 |
| Depreciation in excess of capital allowances | (22) | (47) |
| | (285) | 546 |

The potential deferred tax asset of €285,000 has not been recognised in the financial statements as its recoverability is uncertain.

Ineos Paraform Limited

20 Called up equity share capital

Company and Group

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Authorised | | |
| Equity 100,010 ordinary shares of 1p each | 1 | 1 |
| (2004: 100,000 ordinary shares of 1p each) | | |
| | | |
| | 2005 €'000 | 2004 €'000 |
| Allotted issued and full paid | | |
| Equity 10,010 ordinary shares of 1p each | - | - |
| (2004: 10,000 ordinary shares of 1p each) | | |

On 30 August 2005, a further 10 ordinary shares of 1p each were authorised and issued at a premium of €3,350,000 following the group reconstruction as described on page 1.

21 Profit and loss account

| | Group 2005 €'000 | Company 2005 €'000 |
|--|------------------------|--------------------------|
| At 1 January 2005 as previously reported | 422 | (700) |
| Prior year adjustment | (64) | 1 |
| At 1 January 2005 as restated | 358 | (699) |
| Profit for the financial year | 1,684 | 1,715 |
| Actuarial loss recognised in the pension scheme | (506) | - |
| Movement on deferred tax in relation to the pension scheme | - | - |
| At 31 December 2005 | 1,536 | 1,016 |

Company

Ineos Paraform Limited has not presented its own profit and loss account as permitted by S230 of the Companies Act 1985. The amount of profit for the year dealt with in the accounts of Ineos Paraform Limited is a €1,715,000 (2004: loss of €503,000 as restated).

Ineos Paraform Limited

22 Share premium

Group and company

| | 2005 €'000 |
|---|---------------|
| At 1 January 2005 | - |
| Premium on issue of Ordinary shares in the year (note 20) | 3,350 |
| At 31 December 2005 | 3,350 |

23 Reconciliation of movement in equity shareholders' funds

| | Group 2005 €'000 | Group 2004 as restated €'000 | Company 2005 €'000 | Company 2004 as restated €'000 |
|--|------------------------|---------------------------------------|--------------------------|---|
| Profit/(loss) for the year | 1,684 | 54 | 1,715 | (503) |
| Actuarial (loss)/gain recognised in the pension scheme | (506) | 195 | - | - |
| Premium on issue of Ordinary shares in the year | 3,350 | - | 3,350 | - |
| Net increase in equity shareholders' funds | 4,528 | 249 | 5,065 | (503) |
| Opening equity shareholders' funds (originally €422,000 before deducting prior year adjustment of €64,000) | 358 | 109 | (699) | (196) |
| Closing equity shareholders' funds/(deficit) | 4,886 | 358 | 4,366 | (699) |

24 Operating lease commitments

Group

Annual commitments under non-cancellable operating leases expiring as follows:

| | 2005 €'000 | 2004 €'000 |
|----------------------------|---------------|---------------|
| Within one year | 443 | 611 |
| Between one and five years | 869 | 1,897 |
| | 1,312 | 2,508 |

Ineos Paraform Limited

25 Reconciliation of operating profit to net cash flow from operating activities

Group

| | 2005 €'000 | 2004 as restated €'000 |
|--|---------------|------------------------------|
| Operating profit | 2,043 | 1,208 |
| Depreciation of tangible fixed assets | 1,194 | 1,232 |
| Amortisation of goodwill | 204 | 196 |
| Actuarial (loss)/gain | (506) | 195 |
| Decrease/(increase) in stocks | 339 | (643) |
| Increase in debtors | (549) | (1,332) |
| Increase in creditors and provisions | 649 | 1,890 |
| Net cash inflow from operating activities | 3,374 | 2,746 |

26 Reconciliation of net cash inflow to movement in net debt

Group

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Increase in cash in the year | 29 | 22 |
| Cash outflow from change in debt financing | 1,200 | 1,400 |
| Decrease in net debt resulting from cash flows | 1,229 | 1,422 |
| Other non cash transactions | (29) | (29) |
| Movement in net debt in year | 1,200 | 1,393 |

Ineos Paraform Limited

27 Analysis of net debt

Group

| | At 1 January as restated 2005 | Cash flow | Other non- cash changes | At 31 December 2005 |
|-----------------------------------|-------------------------------------|--------------|----------------------------|---------------------------|
| | €'000 | €'000 | €'000 | €'000 |
| Cash at bank and in hand | 920 | 29 | - | 949 |
| Debt due within one year | (1,200) | 1,200 | (1,200) | (1,200) |
| Debt due after more than one year | (5,238) | - | 1,171 | (4,067) |
| Net debt | (5,518) | 1,229 | (29) | (4,318) |

Non cash changes relate to amortisation of debt issue costs.

28 Contingent liabilities

The company acquired Methanova GmbH from Degussa AG in July 2003. The purchase agreement included a provision for further consideration based upon the assessment of working capital as at the date of acquisition. The Company is presently in negotiations with Degussa AG to finalise the outcome of this assessment. The directors have assessed any contingent consideration to be €nil (2004: €nil).

29 Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2005 by the Group amounted to approximately €203,000 (2004: €130,000).

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30 Pension schemes

The Group operates an unfunded pension scheme in Germany. Provision is made in the financial statements for the benefits accruing to members of this pension scheme in accordance with the advice of independent actuaries.

The Group accounts for pensions and other post employment benefits in accordance with FRS 17.

Valuations are carried annually for the unfunded pension scheme in Germany. All valuations were performed by independent actuaries using the projected unit method to determine pension costs. The principal assumptions for the calculation under FRS 17 for the year ended 31 December 2005 were rate of general increase in salaries 2.50% and inflation 1.50%.

The most recent full valuations were carried out on 31 December 2005 by qualified independent actuaries. At 31 December 2005 the actuarial value of the benefit obligation was €4,882,000 which has been provided within these accounts.

The additional disclosures required by FRS 17 for the Company's principal pension plans are set out below:

| | 2005 % | 2004 % |
|--------------------------------------|-----------|-----------|
| Major assumptions | | |
| Rate of general increase in salaries | 2.50 | 2.00 |
| Rate of income to pension in payment | 1.50 | 1.20 |
| Discount rate for scheme liabilities | 4.40 | 5.00 |
| Inflation | 1.50 | 1.20 |

The expected long term rate of returns and market value of the assets of the Company's principal defined benefit plans were as follows:

| | 2005 €000 | 2004 €000 |
|------------------------------|--------------|--------------|
| Present value of liabilities | (4,882) | (4,170) |
| Deficit in plans | (4,882) | (4,170) |
| Related deferred tax asset | - | - |
| Net pension liability | (4,882) | (4,170) |

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Analysis of amount charged to operating profit

| | 2005 €'000 | 2004 €'000 |
|-------------------------------|---------------|---------------|
| Current service costs | 134 | 101 |
| Total operating charge | 134 | 101 |

Analysis of amount charged to other finance costs

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Interest on pension scheme liabilities | (205) | (226) |
| Net interest | (205) | (226) |

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

| | 2005 €'000 | 2004 €'000 |
|--|---------------|---------------|
| Experience gains and losses on liabilities and changes in assumptions underlying the present value of the scheme liabilities | (506) | 195 |
| Actuarial (loss)/gain recognised in STRGL | (506) | 195 |

Movements in deficit during the year:

| | 2005 €'000 | 2004 €'000 |
|---|----------------|----------------|
| Deficit in scheme at start of year | (4,170) | (4,171) |
| Current service costs | (134) | (101) |
| Company contributions paid | 133 | 133 |
| Other finance costs | (205) | (226) |
| Actuarial (loss)/gain | (506) | 195 |
| Deficit in scheme at end of the year | (4,882) | (4,170) |

Effect of full adoption of FRS 17

The adoption of FRS 17 has resulted in an increase in staff costs of €1,000 (2004: €34,000), an increase in other finance costs of €205,000 (2004: €226,000) and a decrease in the profit for the year of €206,000 (2004: €260,000). The adoption has also resulted in a decrease in net assets of €712,000 (2004: €64,000).

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31 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 Paraform Holdings Limited, the 100% holding company of Ineos Paraform Limited. At 31 December 2005 amounts due to Ineos Capital Limited, a company controlled by the partners of Ineos Capital, were €nil (2004: €217,000). Loans due to Ineos Capital Limited were €nil (2004: €3,350,000).

32 Ultimate controlling party

The ultimate controlling party is Ineos Paraform Holdings Limited, majority shareholder of Ineos Paraform Limited.