

Ineos Paraform Limited  
Annual report  
for the year ended 31 December 2006

Registered Number 4482032



# Ineos Paraform Limited

## Annual report

for the year ended 31 December 2006

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# **Ineos Paraform Limited**

## **Directors' report for the year ended 31 December 2006**

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

### **Principal activities**

The principal activity of the company is to act as an intermediate non-trading parent company to Ineos Paraform GmbH

### **Results for the year**

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (2005: €nil)

### **Review of business developments and prospects**

The directors are satisfied with the performance of the company during the year and anticipate a similar financial performance in 2007

### **Principal risks and uncertainties**

The directors are confident that the company is structured and positioned in a manner that will enable it to meet the demands of its markets and business environment

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

### **Directors**

The directors who served during the year were as follows

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

### **Statement of directors' responsibilities**

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

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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

# Ineos Paraform Limited

## Statement of directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

9 May 2007

# Ineos Paraform Limited

## Independent auditors' report to the members of Ineos Paraform Limited

We have audited the financial statements of Ineos Paraform Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### Basis of audit opinion

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

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

9 May 2007

## Ineos Paraform Limited

### Profit and Loss account for the year ended 31 December 2006

	Note	2006 €'000	2005 €'000
Turnover		233	236
Operating expenses	2	(246)	(356)
<b>Operating loss</b>		<b>(13)</b>	<b>(120)</b>
Investment income from subsidiary undertakings	6	1,985	2,317
Interest payable and similar charges	4	(418)	(482)
<b>Profit on ordinary activities before taxation</b>		<b>1,554</b>	<b>1,715</b>
Tax on profit on ordinary activities	5	(1,077)	-
<b>Retained profit for the financial year</b>	12	<b>477</b>	<b>1,715</b>

All results relate to continuing operations

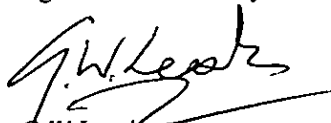
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

# Ineos Paraform Limited

## Balance sheet as at 31 December 2006

	Note	2006 €'000	2005 €'000
<b>Fixed assets</b>			
Investments	6	11,006	11,006
<b>Current assets</b>			
Debtors	7	1,109	1,104
Cash at bank and in hand		119	68
		<b>1,228</b>	<b>1,172</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(4,495)</b>	<b>(3,745)</b>
<b>Net current liabilities</b>		<b>(3,267)</b>	<b>(2,573)</b>
<b>Total assets less current liabilities</b>		<b>7,739</b>	<b>8,433</b>
<b>Creditors: amounts falling due after more than one year</b>	9	<b>(2,896)</b>	<b>(4,067)</b>
<b>Net assets</b>		<b>4,843</b>	<b>4,366</b>
<b>Capital and reserves</b>			
Called up equity share capital	11	-	-
Share premium	13	3,350	3,350
Profit and loss account	12	1,493	1,016
<b>Equity shareholders' funds</b>	14	<b>4,843</b>	<b>4,366</b>

The financial statements on pages 4 to 13 were approved by the board of directors on 9 May 2007 and were signed on its behalf by

  
G W Leask  
Director

# **Ineos Paraform Limited**

## **Accounting policies**

### **Basis of preparation**

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. The principal accounting policies, which have been applied consistently, are set out below.

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 228 of the Companies Act 1985. These financial statements present information about the company as an individual undertaking and not about its group.

### **Cash flow statement**

The company is a wholly owned subsidiary of Ineos Paraform Holdings Limited and its results are included in the consolidated financial statements of its parent company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

### **Related party transactions**

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the group headed by Ineos Paraform Holdings Limited and investees of that group.

### **Turnover**

Turnover represents the invoiced value of products sold or services provided to inter-company parties.

### **Investments**

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

### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. This is with the exception of deferred taxation assets, which are only recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

### **Foreign currencies**

The functional currency of Ineos Paraform Limited is the local currency of its principal operating environment. The primary products of the company's principal subsidiary are sold in international commodities market prices and invoiced primarily in Euros, therefore the Euro is the company'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.



# Ineos Paraform Limited

## Notes to the financial statements for the year ended 31 December 2006

### 1 Reporting currency

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

The exchange rate as at 31 December 2006 was 1 4842 €/£ (2005 1 4571 €/£)

### 2 Operating expenses

	2006	2005
	€'000	€'000
Materials and inspections	16	67
Inter-company advisory fee	233	229
Other operating income	(3)	-
Exchange rate losses	-	22
Other fees and charges	-	38
	246	356

### 3 Employees and directors

Ineos Paraform Limited had no employees during 2006 (2005 Nil) apart from the directors

No director received remuneration from Ineos Paraform Limited during the year (2005 €Nil)

### 4 Interest payable

	2006	2005
	€'000	€'000
Interest payable on bank loans and overdrafts	237	304
Inter-company interest payable	152	149
Amortisation of debt issue costs	29	29
<b>Total interest payable</b>	<b>418</b>	<b>482</b>

# Ineos Paraform Limited

## 5 Taxation

The taxation charge for the year comprises

	2006	2005
	€'000	€'000
<b>Current tax</b>		
UK corporation tax on profit for the period	162	-
Adjustment in respect of prior years	104	-
Overseas tax – current year	470	-
Overseas tax – prior year	341	-
Total current tax	1,077	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
	1,077	-

The tax for the period is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	2006	2005
	€'000	€'000
Profit on ordinary activities before tax	1,554	1,715
Profit on ordinary activities before tax multiplied by standard rate of 30% (2005 30%)	466	515
Expenses not deductible for tax purposes	166	-
Income not taxed	-	(515)
Adjustments in respect of prior periods	445	-
<b>Tax charge for the year</b>	1,077	-

### Factors affecting future tax charges

There are no known factors that may affect future tax charges

# Ineos Paraform Limited

## 6 Investments

	2006 €'000	2005 €'000
<b>Investments in subsidiary undertakings</b>	<b>11,006</b>	<b>11,006</b>

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 partnership	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

	2006 €'000	2005 €'000
<b>Investment income from subsidiary undertakings</b>	<b>1,985</b>	<b>2,317</b>

## 7 Debtors

	2006 €'000	2005 €'000
Amounts owed by group undertakings	1,100	1,100
Other debtors	9	4
	<b>1,109</b>	<b>1,104</b>

## Ineos Paraform Limited

### 8 Creditors – Amounts falling due within one year

	2006 €'000	2005 €'000
Bank and other borrowings (note 10)	1,200	1,200
Trade creditors	42	95
Amounts owed to group undertakings	2,058	2,162
Corporation tax	1,047	-
Accruals and deferred income	11	13
Other creditors	137	275
	<b>4,495</b>	<b>3,745</b>

### 9 Creditors – Amounts falling due after more than one year

	2006 €'000	2005 €'000
Bank and other borrowings (note 10)	2,896	4,067

### 10 Loans and other borrowings

	2006 €'000	2005 € 000
Gross borrowings	4,200	5,400
Less unamortised issue costs	(104)	(133)
<b>Net borrowings</b>	<b>4,096</b>	<b>5,267</b>
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	1,800	3 000
	<b>4,200</b>	<b>5,400</b>

# Ineos Paraform Limited

## 10 Loans and other borrowings (continued)

### Senior Credit Agreement

The company 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 2006 was €4,200,000 (2005 €5,400,000), of which €1,200,000 (2005 €1,200,000) is due within one year

The outstanding senior loan is repayable in 7 semi-annual instalments of €600,000 between 30 June 2007 until the final 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 company 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

The senior loan is stated net of unamortised debt issue costs of €104,000 (2005 €133,000) in the balance sheet These costs are allocated to the profit and loss account in accordance with FRS 4

## 11 Called up equity share capital

	2006 €'000	2005 €'000
<b>Authorised</b>		
Equity 100,010 ordinary shares of 1p each (2005 100,010 ordinary shares of 1p each)	1	1
	2006 €'000	2005 €'000
<b>Allotted issued and full paid</b>		
Equity 10,010 ordinary shares of 1p each (2005 10,010 ordinary shares of 1p each)	-	-

## **Ineos Paraform Limited**

### **12 Profit and loss account**

	<b>2006</b> <b>€'000</b>
At 1 January 2006	1,016
Profit for the financial year	477
<b>At 31 December 2006</b>	<b>1,493</b>

### **13 Share premium**

	<b>2006</b> <b>€'000</b>
At 1 January 2006 and 31 December 2006	<b>3,350</b>

### **14 Reconciliation of movement in equity shareholders' funds**

	<b>2006</b> <b>€'000</b>	<b>2005</b> <b>€'000</b>
Profit for the year	477	1,715
Premium on issue of Ordinary shares in the year	-	3,350
Net increase in equity shareholders' funds	477	5,065
Opening equity shareholders' funds	4,366	(699)
<b>Closing equity shareholders' funds</b>	<b>4,843</b>	<b>4,366</b>

### **15 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 negotiations with Degussa AG have not been actively pursued during 2005 and 2006. Given the fact that the closing date for amendment was in 2003 the directors believe that any contingent consideration is €nil (2005: €nil).

## **Ineos Paraform Limited**

### **16 Related party transactions**

Included within creditors due in less than one year at 31 December 2006 are amounts owing to Ineos Paraform GmbH of €2,058,000 (2005 €2,162,000). The balance has arisen as a result of inter-company trading on an arms length basis on normal commercial terms.

### **17 Ultimate controlling party**

The company's ultimate controlling party is Ineos Paraform Holdings Limited, the sole shareholder of Ineos Paraform Limited.