

INEOS Industrial Investments Limited
Annual report
for the year ended 31 December 2010

Registered Number 4588429

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INEOS Industrial Investments Limited

Annual report

for the year ended 31 December 2010

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INEOS Industrial Investments Limited

Directors' report for the year ended 31 December 2010

The Directors present their report and the audited financial statements of INEOS Industrial Investments Limited ("the Company") for the year ended 31 December 2010

Principal activities and review of the business

The Company's principal activity is the provision of funding to a fellow group undertaking

The profit on ordinary activities before taxation was £1.2 million (2009: £3.2 million). The Directors do not recommend the payment of a dividend (2009: £nil).

On 28 January 2010, INEOS Limited completed the restructuring of financing and shareholding relationships in respect of several group companies, including INEOS Industrial Investments Limited. INEOS Limited subsequently became an indirect wholly-owned subsidiary of INEOS AG.

Kerling plc, an indirect wholly-owned subsidiary of INEOS AG, issued Senior Secured Notes due in 2017 in an aggregate principal amount of €785.0 million and used the net proceeds to

- Finance the acquisition of the ChlorVinyls business, including the Company. The Company's immediate parent undertaking became INEOS ChlorVinyls Holdings Limited (formerly INEOS ChlorVinyls Limited), an indirect wholly-owned subsidiary of Kerling plc, from this date.
- Refinance the existing indebtedness of the Kerling plc group and the existing indebtedness of the acquired ChlorVinyls business, including net amounts owed to INEOS Limited subsidiaries.
- Make available additional cash to the newly enlarged group.

As a result of the refinancing, all outstanding non-trading balances between the ChlorVinyls business and INEOS Limited group subsidiaries were settled and there are no longer any loans between the Kerling plc group companies and other companies in the INEOS Limited group. Although Kerling plc remains an indirect wholly-owned subsidiary of INEOS AG, the financing arrangements of the Kerling plc group are distinct and ring-fenced from those of the INEOS Limited group companies.

The impact of the refinancing and restructuring on the Company is that any non-trading, interest bearing balances with INEOS Limited group companies at the refinancing date were converted into non-trading, interest bearing balances with Kerling plc group companies.

Future outlook

There are no immediate plans for a change in the Company's operations.

Financial risk management

The Company's operations expose it to a variety of financial risks which include the effects of credit risk, liquidity risk and interest rate risk. All of the Company's operations involve related parties and therefore none of these risks are considered to be significant.

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 held office during the year, and up to the date of signing the financial statements, were as follows:

C E Tane
M J Maher
A J Reed
O Schnurr (appointed 19 January 2010, resigned 1 January 2011)

GGJ Decadt was appointed as a director on 1 January 2011.

INEOS Industrial Investments Limited

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

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 Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. As a consequence of the Company having passed a written shareholder resolution, there is no requirement to reappoint PricewaterhouseCoopers LLP as auditors of the Company on an annual basis.

By order of the Board



P F Nichols
Company Secretary
29 June 2011

INEOS Industrial Investments Limited

Independent auditors' report to the members of INEOS Industrial Investments Limited

We have audited the financial statements (the "financial statements") of INEOS Industrial Investments Limited for the year ended 31 December 2010 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

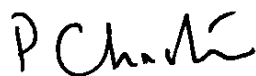
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Paul Christian (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Liverpool
29 June 2011

INEOS Industrial Investments Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £m	2009 £m
Operating profit	1	-	-
Interest receivable and similar income	4	1.2	3 2
Profit on ordinary activities before taxation		1.2	3 2
Tax on profit on ordinary activities	5	(0.3)	1 4
Profit for the financial year	11	0.9	4 6

All activities of the Company relate to continuing operations

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

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of recognised gains and losses has been presented

Reconciliation of movements in shareholder's funds for the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the financial year	0.9	4 6
Shareholder's funds at the start of the year	19.1	14 5
Shareholder's funds at the end of the year	20.0	19 1

INEOS Industrial Investments Limited

Balance sheet as at 31 December 2010

		2010 £m	2009 £m
Fixed asset investment	6	-	65.1
Current assets			
Debtors – amounts falling due within one year	7	20.0	9.0
Creditors - amounts falling due within one year	8	-	(55.0)
Net current assets/(liabilities)		20.0	(46.0)
Total assets less current liabilities		20.0	19.1
Net assets		20.0	19.1
Capital and reserves			
Called up share capital	9	-	-
Share premium account	11	115.0	115.0
Profit and loss account	11	(95.0)	(95.9)
Total shareholder's funds		20.0	19.1

The financial statements on pages 4 to 9 were approved by the Board of Directors on 29 June 2011 and were signed on its behalf by



MJ Maher
Director

INEOS Industrial Investments Limited

Registered Number 4588429

INEOS Industrial Investments Limited

Statement of accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards, the Companies Act 2006 and the accounting policies set out below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value. Where the cost of investments includes long-term loans, these are included within fixed asset investments. All investments are reviewed for impairment when there are indications that the carrying values may not be fully recoverable.

Cash flow statement and related party disclosures

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

- Under the terms of Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" the Company is exempt from preparing a cash flow statement.
- Under the terms of Financial Reporting Standard 8 "Related Party Disclosures" the Company is exempt from disclosing related party transactions with entities that form part of the INEOS Limited group.

Foreign currencies

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Deferred taxation

Deferred tax is recognised as a liability or asset in respect of all timing differences which have originated but not reversed at the balance sheet date if transactions have occurred at the balance sheet date which give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of timing differences can be deducted. Deferred tax is measured at the average tax rates which are expected to apply in the periods during which the timing differences are expected to reverse, based on the tax rates and laws which are in place at the balance sheet date. Deferred tax assets and liabilities are not discounted.

INEOS Industrial Investments Limited

Notes to the financial statements

1 Operating profit

Auditors' remuneration of £1,800 (2009 £1,440) was borne by a fellow group undertaking

2 Directors' emoluments

None of the Directors received any emoluments in respect of services to the Company during the year or the previous year

3 Employee information

The Company had no employees, other than the Directors, during the year or the previous year

4 Interest receivable and similar income

	2010 £m	2009 £m
Interest receivable on loans to fellow group undertaking	1.0	3.2
Exchange gains and similar income	0.2	-
Interest receivable and similar income	1.2	3.2

5 Tax on profit on ordinary activities

(a) Analysis of the tax charge/(credit) for the year	2010 £m	2009 £m
UK Corporation Tax at 28% – current year	-	(0.2)
UK Corporation Tax at 28% – prior year	0.3	(1.2)
Current tax charge/(credit)	0.3	(1.4)

(b) Factors affecting the tax charge/(credit) for the year

The tax assessed for the previous year is equal to (2009 lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2010 £m	2009 £m
Profit on ordinary activities before taxation	1.2	3.2
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28%	0.3	0.9
Effects of:		
Permanent differences	-	(1.1)
Tax losses not recognised	(0.3)	-
Adjustments in respect of prior periods	0.3	(1.2)
Current tax charge/(credit) for the year	0.3	(1.4)

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Notes to the financial statements (continued)

(c) Factors affecting future tax charges

During the year, a change in the UK corporation tax rate from 28% to 27% was substantively enacted and the reduced rate will be effective from 1 April 2011

In the 2011 Budget on 23 March 2011, the UK Government announced its intention to reduce the UK corporation tax rate to 26% from 1 April 2011. Further reductions to the UK corporation tax rate have been announced which will reduce the UK corporation tax rate by 1% per annum until this reaches 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

(d) Deferred taxation

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

	2010		2009	
	Provided £m	Not provided £m	Provided £m	Not provided £m
Tax losses	-	0.3	-	-

The potential deferred tax asset of £0.3million (2009: £nil) has not been recognised as the benefit of these losses is not expected to crystallise in the foreseeable future

6 Fixed asset investment

Loans to fellow group undertaking	£m
Cost and net book value	
At 1 January 2010	65.1
Repayment	(65.1)
At 31 December 2010	-

As a result of the restructuring described on page 1, on 28 January 2010, the loan was settled at par

At 31 December 2009, the Company held 1,000 deferred shares in INEOS Chlor Newco 2 Limited. On 20 January 2010, the Company sold these shares to a fellow group company for a consideration of €1

7 Debtors – amounts falling due within one year

	2010 £m	2009 £m
Amounts due from fellow group undertakings	20.0	9.0

8 Creditors - amounts falling due within one year

	2010 £m	2009 £m
Amounts due to fellow group undertakings	-	55.0

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Notes to the financial statements (continued)

9 Called up share capital

At 31 December 2009 and 31 December 2010	Allotted, issued and fully paid	
	Number	£
Ordinary shares	1	1
Deferred shares	1,000	1,000
	1,001	1,001

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

10 Reserves

	Share premium account £m	Profit and loss account £m
At 1 January 2010	115.0	(95.9)
Profit for the financial year	-	0.9
At 31 December 2010	115.0	(95.0)

11 Commitments and contingent liabilities

In 2003, the Company, together with other Group companies and related parties, provided a guarantee to the Secretary of State for Trade and Industry in respect of a Regional Selective Assistance Grant that has been made available to INEOS Chlor Limited. Under certain circumstances the Group companies, including the Company, could become liable to repay to the Department for Trade and Industry up to 50% of the amount advanced to INEOS Chlor Limited. At 31 December 2010 grant payments of £31.2m (2009: £31.2m) had been received by INEOS Chlor Limited.

12 Ultimate parent company and ultimate controlling party

At 31 December 2009, the Company's immediate parent undertaking was INEOS Holdings Limited, a company registered in England and Wales. On 28 January 2010, INEOS ChlorVinyls Holdings Limited (formerly INEOS ChlorVinyls Limited), a company registered in England and Wales, acquired the Company from INEOS Holdings Limited and became the Company's immediate parent undertaking from this date.

At 31 December 2009 the Company's ultimate parent company was INEOS Limited, a company registered in England and Wales. On 26 March 2010, INEOS Limited was acquired by INEOS AG, a company registered in Switzerland. INEOS AG became the Company's ultimate parent company from this date.

The smallest group that consolidates the Company's financial statements is Kerling plc. The consolidated financial statements of Kerling plc are available to the public and may be obtained from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE, United Kingdom. The largest group that consolidates the Company's financial statements is INEOS Limited, a subsidiary of INEOS AG. The consolidated financial statements of INEOS Limited are available to the public and may be obtained from the Company Secretary at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom.

The Directors regard Mr JA Ratchiffe to be the ultimate controlling party by virtue of his shareholding in INEOS AG.