

INEOS Enterprises Limited
Annual report
for the year ended 31 December 2007

Registered Number 4651437

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INEOS Enterprises Limited
Annual report
for the year ended 31 December 2007
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INEOS Enterprises Limited

Directors' report for the year ended 31 December 2007

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities and review of the business

The Company manufactures and supplies chemicals and other services to the chemical industry

Group turnover for the year was £239.6m (2006 £229.8m) and the profit on ordinary activities before taxation was £30.4m (2006 £21.9m)

On 9 October 2007 the Company disposed of its UK Electrotechnology Business by way of an in specie dividend of £12.2m and on 18 October 2007 the Company sold its investment in INEOS Chlor Atlantik GmbH to a related party, INEOS Deutschland GmbH, generating a profit on disposal of £2.0m (see note 10)

On 9 October 2007 the Company's ultimate Parent Company became INEOS ETB Limited and on 19 October 2007 the Company's ultimate Parent Company became INEOS Group Limited

On 24 October 2007 the Company acquired a 50% stake in a joint venture, INEOS Champlor SAS

During the year the Company paid a cash dividend of £2.4m (2006 £nil). A further cash dividend of £12.0m was made on 11 June 2008 (2006 £nil)

Research and development

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

Future outlook

At the end of the year the Company and Group remained well placed to take advantage of the opportunities that are expected to arise in 2008

On 26 March 2008, IACC Limited became a wholly-owned subsidiary when the Company paid cash to acquire the remaining 40% minority interest

On 31 March 2008, the company's 100%-owned subsidiary, INEOS Enterprises LLC, entered into an agreement to acquire a 50% stake in another joint venture, Great Plains Oil and Exploration Company LLC

Financial risk management

The Company's and Group's operations expose them to a variety of financial risks which include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company and Group have in place a risk management programme which seeks to limit the adverse effects on the financial performance of the Company and Group where appropriate. The Company and Group are exposed to commodity price risk as a result of their operations. Where it is cost-effective to do so, this risk is managed by the use of contracts for difference. The Company and Group manage their credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties

Key performance indicators ("KPIs")

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

Directors

The Directors who held office during the year and to the date of this report were as follows

JA Ratcliffe	GS Corsi
CG MacLean	K Metcalfe
GB Stewart	PC Overment (appointed 17 March 2008)
H Deans	

INEOS Enterprises Limited

Directors' report for the year ended 31 December 2007 (continued)

Employees

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

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

Political and charitable contributions

The Group made no political contributions during the year (2006 Nil) Charitable donations amounted to £534 (2006 £3,000)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with both UK Generally Accepted Accounting Practice (United Kingdom Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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

Disclosure of information to Auditors

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

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

Auditors

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

By order of the Board



PF Nichols
Secretary

1 October 2008

INEOS Enterprises Limited

Independent Auditors' report to the members of INEOS Enterprises Limited

We have audited the Group and Parent Company financial statements (the "financial statements") of INEOS Enterprises Limited for the year ended 31 December 2007 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Reconciliation of movements in Group equity shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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 2007 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
Liverpool
7 October 2008

INEOS Enterprises Limited

Group profit and loss account for the year ended 31 December 2007

	Note	2007 Continuing Operations £m	2007 Discontinued Operations £m	2007 Total £m	2006 Continuing Operations £m	2006 Discontinued Operations £m	2006 Total £m
Turnover	2	189 7	49 9	239 6	178 6	51 2	229 8
Cost of sales		(131 9)	(36 3)	(168 2)	(144 9)	(40 0)	(184 9)
Gross profit		57 8	13 6	71 4	33 7	11 2	44 9
Selling and distribution costs		(18 2)	(4 8)	(23 0)	(8 3)	(5 3)	(13 6)
Administrative expenses		(14 6)	(3 1)	(17 7)	(3 6)	(4 1)	(7 7)
Other operating income		-	-	-	1 0	-	1 0
Operating profit	1,2	25 0	5 7	30 7	22 8	1 8	24 6
Group share of joint venture operating loss		(0 1)	-	(0 1)	-	-	-
		24 9	5 7	30 6	22 8	1 8	24 6
Profit on sale of subsidiary	10			2 0			-
Interest – Group				(1 9)			(2 6)
Interest – joint venture				(0 1)			-
Net interest payable	5			(2 0)			(2 6)
Other finance costs	25			(0 2)			(0 1)
Profit on ordinary activities before taxation				30 4			21 9
Tax on profit on ordinary activities	6			(12 4)			(11 5)
Profit on ordinary activities after taxation				18 0			10 4
Minority equity interests	20			(0 3)			(0 2)
Profit for the financial year	19			17 7			10 2

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

As permitted by Section 230 (1) of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of profit after taxation dealt with in the accounts of the Company is £11.3m (2006: £12.0m)

INEOS Enterprises Limited

Group balance sheet as at 31 December 2007

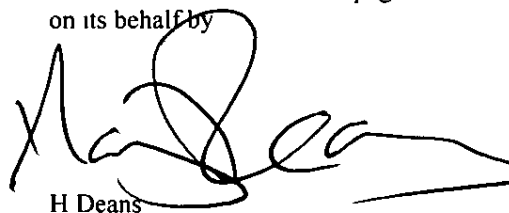
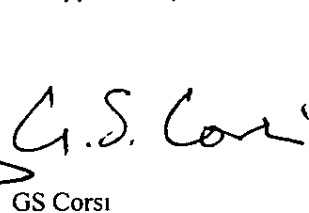
	Note	2007 £m	2006 £m
Fixed assets			
Goodwill	7	4.1	7.9
Negative goodwill	7	(0.5)	(0.5)
		3.6	7.4
Other intangible assets	7	-	0.1
Intangible assets		3.6	7.5
Tangible assets	8	78.1	82.2
Share of joint venture gross assets		12.3	-
Share of joint venture gross liabilities		(6.1)	-
Investment in joint venture	10	6.2	-
		87.9	89.7
Current assets			
Stocks	11	6.6	16.6
Debtors – amounts falling due within one year	12	42.3	50.4
Debtors – amounts falling due after more than one year	12	-	-
Cash at bank and in hand		27.4	6.6
		76.3	73.6
Creditors – amounts falling due within one year	13	(37.9)	(39.8)
Net current assets		38.4	33.8
Total assets less current liabilities	2	126.3	123.5
Creditors - amounts falling due after more than one year	14	(11.1)	(39.8)
Provisions for liabilities and charges	16	(4.7)	(2.5)
Deferred income	17	(29.9)	(0.5)
Pension liability	25	(7.3)	(13.7)
		73.3	67.0
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	42.4	35.7
Other reserves	19	30.0	30.0
Equity shareholders' funds		72.4	65.7
Minority shareholders' equity interests	20	0.9	1.3
Total shareholders' funds		73.3	67.0

INEOS Enterprises Limited

Company balance sheet as at 31 December 2007

	Note	2007 £m	2006 £m
Fixed assets			
Goodwill	7	1 9	2 5
Negative goodwill	7	(0 5)	(0 5)
		1 4	2 0
Other intangible assets	7	-	0 1
Intangible assets		1 4	2 1
Tangible assets	8	71 6	71 3
Investment in subsidiary undertakings	9	5 5	12 3
Interest in joint venture	9	6 4	-
		84 9	85 7
Current assets			
Stocks	11	5 8	14 6
Debtors due within one year	12	33 7	42 5
Debtors due after more than one year	12	-	-
Cash at bank and in hand		27 0	1 9
		66 5	59 0
Creditors – amounts falling due within one year	13	(34 4)	(29 0)
Net current assets		32 1	30 0
Total assets less current liabilities		117 0	115 7
Creditors – amounts falling due after more than one year	14	(10 2)	(37 5)
Provisions for liabilities and charges	16	(4 1)	(1 9)
Deferred income	17	(29 8)	(0 4)
Pension liability	25	(7 3)	(10 8)
		65 6	65 1
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	35 6	35 1
Other reserves	19	30 0	30 0
Total equity shareholders' funds		65 6	65 1

The Financial statements on pages 4 to 30 were approved by the Board of Directors on 1 October 2008 and are signed on its behalf by

H Deans

GS Corsi

INEOS Enterprises Limited

Group cash flow statement for the year ended 31 December 2007

	Note	2007 £m	2006 £m
Net cash inflow from operating activities	21	80.1	23.6
Returns on investment and servicing of finance			
Interest received		0.1	0.1
Interest paid		(2.2)	(2.4)
Issue costs of new bank loan		-	-
Dividends paid to minority interests		(0.7)	(0.2)
Net cash outflow from returns on investment and servicing of finance		(2.8)	(2.5)
Tax paid		(8.8)	(4.5)
Capital expenditure			
Purchase of tangible fixed assets		(15.0)	(10.7)
Less disposal of tangible fixed assets		-	0.3
Less grants and similar receipts		-	-
Net cash outflow from capital expenditure		(15.0)	(10.4)
Acquisitions and disposals			
Acquisition of businesses	10	(6.4)	(0.6)
Disposal of subsidiary undertaking		3.6	-
Net cash inflow/(outflow) from acquisitions and disposals		(2.8)	(0.6)
Equity dividends paid to shareholders		(2.4)	-
Net cash inflow/(outflow) before financing		48.3	5.6
Financing			
(Decrease)/increase in loans payable	22	(27.5)	(1.0)
Net cash (outflow)/inflow from financing		(27.5)	(1.0)
Increase/(decrease) in net cash	22	20.8	4.6

INEOS Enterprises Limited

Statement of Group total recognised gains and losses for the year ended 31 December 2007

	2007 £m	2006 £m
Profit for the financial year	17.7	10.2
Actuarial gain recognised in the pension scheme (Note 25)	3.2	-
Actuarial gain related to disposal of subsidiary	0.5	-
Movement in deferred tax relating to pension liability	(1.0)	-
Exchange translation effect on net assets of subsidiaries	0.9	(0.5)
Total recognised gains and losses for the financial year	21.3	9.7

Reconciliation of movements in Group equity shareholders' funds for the year ended 31 December 2007

	2007 £m	2006 £m
Profit for the financial year	17.7	10.2
In specie dividend	(12.2)	-
Cash dividend	(2.4)	-
Actuarial gain recognised in the pension scheme (Note 25)	3.7	-
Movement in deferred tax relating to pension liability	(1.0)	-
Other recognised gains and losses	0.9	(0.5)
Net increase in equity shareholders' funds	6.7	9.7
Equity shareholders' funds at the start of the year	65.7	56.0
Equity shareholders' funds at the end of the year	72.4	65.7

INEOS Enterprises Limited

Accounting policies

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

Group consolidation

The Group accounts include the accounts of INEOS Enterprises Limited and its subsidiary undertakings. The results of the businesses acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal respectively.

Joint ventures

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 and the consolidated balance sheet includes the value of the Group's share of the net assets of those undertakings.

Turnover

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

Tangible fixed assets and depreciation

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

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

Freehold buildings	-	30 to 50 years
Plant and machinery		
• Major items of plant	-	10 to 20 years
• Major plant overhauls	-	2 to 4 years
• Motor vehicles	-	5 years
• Fixtures, fittings and equipment	-	5 to 10 years
• Computer hardware and major software	-	2 to 4 years

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

Intangible assets

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

Negative goodwill arises when the fair value of the separable net assets is greater than the fair value of the consideration for an acquired undertaking. The amortisation process is the same as for goodwill.

Other intangible assets acquired as part of the acquisition of a business are valued at estimated replacement cost. Amortisation is charged so as to write off the assets over their estimated useful lives which are typically 10 years.

Stocks

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

Government grants and similar deferred income

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

INEOS Enterprises Limited

Accounting policies (continued)

Leases

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

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

Pension costs

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

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

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

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

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

Certain other non-UK Group companies also participate in local pension schemes providing similar benefits. These pension schemes are generally funded through payments to insurance companies or other independently administered funds. Appropriate steps are taken to correct for any deficits in the year in which they become known.

Deferred taxation

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

No provision is made to cover any further liability to taxation which could arise in respect of the distribution of profits retained by overseas subsidiary undertakings.

INEOS Enterprises Limited

Accounting policies (continued)

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.

Fees relating to long-term finance

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

Research and development

Expenditure on research and development is written off when incurred.

Foreign currencies

Results and assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The net difference arising from the restatement of the net assets of overseas subsidiary and related Companies at the beginning of the financial year, using the exchange rates prevailing at the end of the financial year, is taken directly to reserves. Exchange differences on foreign currency loans are also taken directly to reserves where there is an appropriate offset.

Related party disclosures

The Company is a subsidiary of INEOS Group Limited and its results are included in the consolidated financial statements of INEOS Group Limited, which are available to the public. Under the terms of Financial Reporting Standard 8 the Company is exempt from disclosing related party transactions with entities that form part of the INEOS Group Limited group and the Company has taken advantage of this exemption.

INEOS Enterprises Limited

Notes to the accounts

1 Operating profit

Operating profit is stated after charging:

	2007 £'000	2006 £'000
Auditors' remuneration		
Audit fees, including £38,000 (2006 £34,000) relating to the Company	86	75
Non-audit services	216	82
Depreciation	10,000	8,600
Amortisation		
Goodwill	1,400	1,400
Deferred income	(400)	(100)
Research and development costs	1,543	1,200
Rentals payable under operating leases		
Land and buildings	-	-
Plant and machinery	455	449

2 Segmental Information

2007	UK	Continental Western Europe	Asia Pacific	Other	Total
	£m	£m	£m	£m	£m
Turnover, by destination					
- continuing operations	76.5	104.6	0.8	7.8	189.7
- discontinued operations	31.8	4.3	8.1	5.7	49.9
	108.3	108.9	8.9	13.5	239.6
Analysis by origin					
Turnover					
- continuing operations	117.0	66.3	6.4	-	189.7
- discontinued operations	20.5	29.4	-	-	49.9
	137.5	95.7	6.4	-	239.6
Operating profit					
- continuing operations	18.6	5.3	1.1	-	25.0
- discontinued operations	4.2	1.5	-	-	5.7
	22.8	6.8	1.1	-	30.7
Total assets less current liabilities					
- continuing operations	113.0	11.0	2.3	-	126.3
- discontinued operations	-	-	-	-	-
	113.0	11.0	2.3	-	126.3

INEOS Enterprises Limited

Notes to the accounts (continued)

2006	UK	Continental Western Europe	Asia Pacific	Other	Total
	£m	£m	£m	£m	£m
Turnover, by destination					
- continuing operations	83.8	88.0	0.9	5.9	178.6
- discontinued operations	34.6	4.6	8.1	3.9	51.2
	118.4	92.6	9.0	9.8	229.8
Analysis by origin					
Turnover					
- continuing operations	108.6	64.3	5.7	-	178.6
- discontinued operations	18.5	32.7	-	-	51.2
	127.1	97.0	5.7	-	229.8
Operating profit/(loss)					
- continuing operations	17.3	4.9	0.6	-	22.8
- discontinued operations	5.0	(3.2)	-	-	1.8
	22.3	1.7	0.6	-	24.6
Total assets less current liabilities					
- continuing operations	88.6	9.1	3.3	-	101.0
- discontinued operations	13.9	8.6	-	-	22.5
	102.5	17.7	3.3	-	123.5

3 Directors' emoluments

	2007 £'000	2006 £'000
Aggregate emoluments	374	232
Sums paid to related parties for Directors' services	392	173
	766	405
Highest Paid Director		
Aggregate emoluments	277	123
Company pension contributions to defined benefit scheme	36	14
Accrued pension at the end of the year	41	3

2 Directors have retirement benefits accruing under a defined benefit pension scheme (2006: 2)

INEOS Enterprises Limited

Notes to the accounts (continued)

4 Staff numbers and costs

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

Analysis by function	2007 Number	2006 Number
Production	337	359
Distribution	75	80
Administration	69	54
Research and development	14	12
	495	505

The aggregate payroll costs of these people were as follows

	2007 £m	2006 £m
Wages and salaries	22.3	17.2
Social security costs	2.9	2.9
Other pension costs (Note 25)	2.5	2.0
	27.7	22.1

5 Net interest payable

	2007 £m	2006 £m
Interest payable on borrowings totally repayable within 5 years	2.0	2.6
Amortisation of issue costs of bank loans	0.1	0.1
Interest payable and similar charges	2.1	2.7
Interest receivable and similar income	(0.1)	(0.1)
Net interest payable	2.0	2.6

INEOS Enterprises Limited

Notes to the accounts (continued)

6 Tax on profit on ordinary activities

a) Analysis of the charge/(credit) for the year	2007 £m	2006 £m
UK Corporation Tax at 30% - current year	3.8	2.3
UK Corporation Tax at 30% - prior year	2.7	2.6
Overseas taxation – current year	1.8	2.0
Overseas taxation – prior year	-	0.5
Current taxation	8.3	7.4
Deferred taxation – current year	4.1	4.1
Deferred taxation – prior year	-	-
	12.4	11.5

(b) Factors affecting the tax charge for the year

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

	2007 £m	2006 £m
Profit on ordinary activities before taxation	30.4	21.9
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	9.1	6.6
Effects of		
Expenses not deductible for tax purposes	(0.2)	0.7
Group relief not paid	-	-
Depreciation in excess of capital allowances	(3.5)	(4.3)
Pension timing differences	0.3	0.2
Utilisation of tax losses	-	1.4
Deferred tax not provided	-	-
Differences in overseas tax rates	-	(0.3)
Adjustments in respect of previous periods	2.6	3.1
Current tax charge for year	8.3	7.4

(c) Factors which may affect future tax charges

During April 2008 the corporation tax rate changed from 30% to 28%. There are no other factors that are likely to have a significant effect on future tax charges

INEOS Enterprises Limited

Notes to the accounts (continued)

(d) Deferred Taxation

The amounts provided and not provided in respect of the deferred tax assets/(liabilities) are as follows

Group	2007		2006	
	Provided £m	Not provided £m	Provided £m	Not provided £m
Arising from accelerated capital allowances	(4 1)	-	(0 9)	-
Short-term timing differences	-	(0 3)	-	(0 3)
Tax losses and other credits available	-	3 8	-	3 8
	(4 1)	3 5	(0 9)	3 5
Pensions (Note 25)	2 8	-	4 7	0 9
Total	(1 3)	3 5	3 8	4 4

The potential deferred tax asset of £3 5m (2006 £4 4m) consists primarily of tax losses and other credits and has not been recognised because the benefit of these losses is not expected to crystallise in the foreseeable future

Company	2007		2006	
	Provided £m	Not provided £m	Provided £m	Not provided £m
Arising from accelerated capital allowances	(4 1)	-	(0 9)	-
Pensions (Note 25)	2 8	-	4 7	-
Total	(1 3)	-	3 8	-

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

	Group		Company	
	Provided £m	Not provided £m	Provided £m	Not provided £m
At 1 January 2007	3 8	4 4	3 8	-
Arising during the year	(5 1)	(0 9)	(5 1)	-
At 31 December 2007	(1 3)	3 5	(1 3)	-

INEOS Enterprises Limited

Notes to the accounts (continued)

7 Intangible assets

	Group			Company		
	Goodwill	Negative Goodwill	Other	Goodwill	Negative Goodwill	Other
	£m	£m	£m	£m	£m	£m
Gross book value						
At 1 January 2007	11 0	(0 8)	0 1	3 3	(0 8)	0 1
Exchange difference	0 1	-	-	-	-	-
Disposal of businesses (Note 10)	(3 9)	-	-	-	-	-
At 31 December 2007	7 2	(0 8)	0 1	3 3	(0 8)	0 1
Accumulated amortisation						
At 1 January 2007	3 1	(0 3)	-	0 8	(0 3)	-
Disposal of businesses (Note 10)	(1 3)	-	-	-	-	-
Charge for the year	1 3	-	0 1	0 6	-	0 1
At 31 December 2007	3 1	(0 3)	0 1	1 4	(0 3)	0 1
Net Book Value						
At 31 December 2006	7 9	(0 5)	0 1	2 5	(0 5)	0 1
At 31 December 2007	4 1	(0 5)	-	1 9	(0 5)	-

INEOS Enterprises Limited

Notes to the accounts (continued)

8 Tangible fixed assets

(a) Group	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
At 1 January 2007	10.9	78.5	11.8	101.2
Exchange difference	0.3	1.0	-	1.3
Capital Expenditure	-	-	17.7	17.7
Disposal of businesses (Note 10)	(5.1)	(12.1)	(1.2)	(18.4)
Transfers	0.5	5.8	(6.3)	-
At 31 December 2007	6.6	73.2	22.0	101.8
Accumulated depreciation				
At 1 January 2007	0.9	18.1	-	19.0
Exchange difference	-	0.3	-	0.3
Disposal of businesses (Note 10)	(0.5)	(5.1)	-	(5.6)
Charge for year	0.5	9.5	-	10.0
At 31 December 2007	0.9	22.8	-	23.7
Net book value				
At 31 December 2006	10.0	60.4	11.8	82.2
At 31 December 2007	5.7	50.4	22.0	78.1

INEOS Enterprises Limited

Notes to the accounts (continued)

(b) Company	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
At 1 January 2007	6 6	68 5	11 0	86 1
Disposal of businesses (Note 10)	(3 0)	(8 0)	(0 7)	(11 7)
Capital Expenditure	-	-	16 0	16 0
Transfers	-	5 2	(5 2)	-
At 31 December 2007	3 6	65 7	21 1	90 4
Accumulated depreciation				
At 1 January 2007	0 4	14 4	-	14 8
Disposal of businesses (Note 10)	(0 4)	(3 3)	-	(3 7)
Charge for year	0 2	7 5	-	7 7
At 31 December 2006	0 2	18 6	-	18 8
Net book value				
At 31 December 2006	6 2	54 1	11 0	71 3
At 31 December 2007	3 4	47 1	21 1	71 6

In both the Group and the Company all of the net book value of land and buildings relates to freehold properties

9 Fixed asset investments

Company	Subsidiaries			Joint venture (Note 10)		
	Shares £m	Loans £m	Total £m	Shares £m	Loans £m	Total £m
At 1 January 2007	5 5	6 8	12 3	-	-	-
Exchange difference	-	0 3	0 3	-	-	-
Additions	-	0 3	0 3	3 6	2 8	6 4
Disposal of businesses (Note 10)	-	(7 4)	(7 4)	-	-	-
At 31 December 2007	5 5	-	5 5	3 6	2 8	6 4

INEOS Enterprises Limited

Notes to the accounts (continued)

At 31 December 2007 the Company's subsidiaries, all of which are included within the consolidated Group accounts were as follows

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Enterprises France SAS	France	Toll conversion and selling of chemicals	Ordinary 100%
INEOS Asiatic Chemical Company Limited	Thailand	Chemicals manufacturing and selling	Ordinary 60%

On 26 March 2008, INEOS Asiatic Chemical Company Limited became a wholly-owned subsidiary when the Company acquired the remaining minority interest

10 Acquisition and disposal of businesses

Acquisition

On 24 October 2007, the Company acquired a 50% stake in INEOS Champlor SAS, a company incorporated in France. At 31 December 2007 the Company had invested £3.6m in share capital and had provided an additional £2.8m shareholder loan to the joint venture. INEOS Champlor SAS incurred a loss of £0.4m during the year (£0.2m of which is included in the Group Profit on ordinary activities before taxation) and at 31 December 2007 had invested in fixed assets in the course of construction amounting to £17.0m.

Disposals

(i) On 8 October 2007, the Company paid a dividend in specie comprising the net assets of its UK-based Electrotechnology Business. Details of the net assets disposed of by the Group and value of the in specie dividend are shown below.

Company and Group	Book value prior to disposal £m
Goodwill	-
Tangible fixed assets	8.0
Stocks	5.9
Debtors – amounts falling due within one year	4.7
Creditors – amounts falling due within one year	(2.6)
Provisions for liabilities and charges	(0.4)
Deferred income	(0.2)
Pension liability	(3.2)
In specie dividend paid	12.2

(ii) On 18 October 2007, the Group disposed of its 100% interest in INEOS Chlor Atlantik GmbH to a related party, INEOS Deutschland GmbH. Details of the net assets disposed of by the Group and consideration received are shown below.

INEOS Enterprises Limited

Notes to the accounts (continued)

Group	Book value prior to disposal £m
Goodwill	2 6
Tangible fixed assets	4 8
Stocks	0 9
Debtors – amounts falling due within one year	4 1
Cash at bank and in hand less overdrafts	3 8
Creditors – amounts falling due within one year	(8 1)
Pension liability	(2 7)
	5 4
Consideration received - cash	7 4
Profit on disposal	2 0

11 Stocks

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Engineering Stores	3 4	9 4	2 8	8 5
Raw materials and work in progress	-	3 5	-	2 7
Finished goods	3 2	3 7	3 0	3 4
	6 6	16 6	5 8	14 6

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

12 Debtors

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts falling due within one year				
Trade debtors	26 1	46 1	15 0	26 5
Amounts owed by subsidiary undertakings	-	-	7 7	14 4
Amounts owed by fellow Group undertakings	4 0	-	3 8	-
Other debtors	9 2	3 5	4 4	1 5
Prepayments and accrued income	3 0	0 8	2 8	0 1
	42 3	50 4	33 7	42 5

Amounts falling due after more than one year

Deferred Tax (Note 6)	-	-	-	-
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INEOS Enterprises Limited

Notes to the accounts (continued)

13 Creditors – amounts falling due within one year

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Trade creditors	9 8	14 8	8 1	10 9
Amounts owed to subsidiary undertakings	-	-	2 4	0 6
Amounts owed to fellow Group undertakings	4 2	-	4 0	-
Corporation Tax	2 1	1 9	2 2	-
Other taxes and social security	2 1	4 7	1 0	2 0
Other creditors	7 7	4 4	5 2	3 4
Accruals and deferred income	12 0	14 0	11 5	12 1
	37 9	39 8	34 4	29 0

14 Creditors – amounts falling due after more than one year

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Loans payable to related parties	-	3 0	-	3 0
Bank loan	10 0	34 4	10 0	34 4
Other loan	0 4	0 5	-	-
	10 4	37 9	10 0	37 4
Less unamortised finance costs	(0 2)	(0 3)	(0 2)	(0 3)
	10 2	37 6	9 8	37 1
Other creditors	0 9	2 2	0 4	0 4
	11 1	39 8	10 2	37 5

INEOS Enterprises Limited

Notes to the accounts (continued)

15 Net borrowings

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Loans repayable after more than 5 years	0.4	3.5	-	3.0
Bank loan repayable between 2 and 5 years	10.0	34.4	10.0	34.4
	10.4	37.9	10.0	37.4
Less unamortised finance costs	(0.2)	(0.3)	(0.2)	(0.3)
	10.2	37.6	9.8	37.1
Cash at bank and in hand	(27.4)	(6.6)	(27.0)	(1.9)
Net (funds)/borrowings	(17.2)	31.0	(17.2)	35.3

Loans repayable in instalments total £10.0m (2006 £34.9m) for the Group and £10.0m (2006 £34.4m) for the Company. The bank loan and overdraft is secured by fixed and floating charges over the Company's UK assets and by share pledges over the Company's subsidiaries. The loans repayable after more than one year are interest free and include £nil (2006 £3.0m) that has no fixed maturity date.

16 Provisions for liabilities and charges

Group	Deferred Tax £m	Retirement Benefits £m	Long-Term Contracts £m	Total £m
At 1 January 2007	0.9	0.6	1.0	2.5
Exchange difference	-	0.1	-	0.1
Charged/(credited) to the profit and loss account	3.2	-	(0.6)	2.6
Cash paid	-	(0.1)	-	(0.1)
Disposal of businesses (Note 10)	-	-	(0.4)	(0.4)
At 31 December 2007	4.1	0.6	-	4.7

Company	Deferred Tax £m	Long-Term Contracts £m	Total £m
At 1 January 2007	0.9	1.0	1.9
Charged/(Credited) to the profit and loss account	3.2	(0.6)	2.6
Disposal of businesses (Note 10)	-	(0.4)	(0.4)
At 31 December 2007	4.1	-	4.1

INEOS Enterprises Limited

Notes to the accounts (continued)

17 Deferred income

Government grants, other contributions towards the cost of tangible fixed assets and pre-paid lease income	Group £m	Company £m
At 1 January 2007	0.5	0.4
Credited to the profit and loss account - amortisation	(0.4)	(0.4)
Cash received	30.0	30.0
Disposal of business (Note 10)	(0.2)	(0.2)
At 31 December 2007	29.9	29.8

18 Share capital

Equity - ordinary shares of £1 each	2007 Number	2007 £	2006 Number	2006 £
Authorised	1,000	1,000	1,000	1,000
Allotted, issued and fully paid	100	100	100	100

19 Reserves

	Group		Company	
	Profit and loss account £m	Other Reserves £m	Profit and loss account £m	Other Reserves £m
At 1 January 2007	35.7	30.0	35.1	30.0
Exchange translation effects	0.9	-	-	-
Profit for the financial year	17.7	-	13.9	-
Dividends	(14.6)	-	(14.6)	-
Actuarial gain in pension scheme (Note 25)	3.7	-	3.2	-
Movement in deferred tax relating to pension liability	(1.0)	-	(2.0)	-
At 31 December 2007	42.4	30.0	35.6	30.0

20 Minority equity interests

	Group £m
At 1 January 2007	1.3
Share of retained profit after taxation	0.3
Dividends paid	(0.7)
At 31 December 2007	0.9

The Group minority equity interest represents the minority 40% share in INEOS Asiatic Chemical Company Limited

INEOS Enterprises Limited

Notes to the accounts (continued)

21 Net cash inflow from operating activities

	2007 £m	2006 £m
Operating profit	30.6	24.6
Depreciation and amortisation	11.4	9.9
Profit on disposal of tangible fixed assets	-	(0.3)
Decrease/(increase) in stocks	3.2	(3.2)
Increase in debtors	(0.7)	(9.6)
Increase in creditors	33.7	2.5
Other non-cash changes	1.9	(0.3)
Net cash inflow from operating activities	80.1	23.6

22 Analysis of changes in (debt)/funds

	1 January 2007 £m	Cash flow £m	Disposal of subsidiary £m	Non-cash changes £m	31 December 2007 £m
Cash at bank and in hand	6.6	20.8	-	-	27.4
Bank overdraft	-	-	-	-	-
Loans	(37.9)	27.5	-	-	(10.4)
Debt issue costs	0.3	-	-	(0.1)	0.2
Net (debt)/funds	(31.0)	48.3	-	(0.1)	17.2

The non-cash changes relate to the amortisation of debt issue costs

23 Reconciliation of net cash flow to movement in net debt

	2007 £m	2006 £m
Increase/(decrease) in cash in year	20.8	4.4
Decrease/(increase) in bank overdraft in year	-	0.8
Decrease in borrowings	27.5	1.0
Change in net debt resulting from cash flow	48.3	6.2
Net cash movement on disposal of subsidiary (Note 10)	-	(0.6)
Non-cash changes	(0.1)	(0.1)
Movement in net debt in the year	48.2	(5.5)

INEOS Enterprises Limited

Notes to the accounts (continued)

24 Commitments and contingent liabilities

a) Annual operating lease commitments

Group	Property		Other	
	2007 £m	2006 £m	2007 £m	2006 £m
Leases which expire				
Within one year	-	-	-	-
Between one and two years	-	-	-	0.7
Between two and five years	-	-	0.1	0.1
	-	-	0.1	0.8
<hr/>				
Company	Property		Other	
	2007 £m	2006 £m	2007 £m	2006 £m
Leases which expire				
Between one and two years	-	-	0.1	0.1

b) Capital commitments

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

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Contracts placed for future expenditure	1.5	1.3	1.2	1.2
Expenditure authorised but not yet contracted	28.3	4.1	28.0	3.8
	29.8	5.4	29.2	5.0

c) Unconditional purchase obligations and contingent liabilities

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

Group and Company	2007 £m	2006 £m
Purchase of electric power, until 2016	4.0	4.2
Manufacturing facility charges, until 2008	-	0.6
	4.0	4.8

INEOS Enterprises Limited

Notes to the accounts (continued)

d) Other commitments

In 2003 the Company, together with fellow group undertakings 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 Company and Group 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 2007 Grant payments of £27.2m (2006: £22.4m) had been made.

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

25 Retirement benefits

(a) Company

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

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

	2007 % pa	2006 % pa	2005 % pa
Price inflation	3.3	2.9	2.7
Discount rate for scheme liabilities	5.8	5.1	4.85
Rate of increases in salaries	4.8	4.4	4.2
Rate of increase of pensions in payment	3.3	2.9	2.7
Rate of increase for deferred pensioners	3.3	2.9	2.7

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

	31 December 2007		31 December 2006		31 December 2005	
	Expected rate of return % pa	Fair Value £m	Expected rate of return % pa	Fair Value £m	Expected rate of return % pa	Fair Value £m
Equities	8.0	20.8	7.8	23.7	7.8	23.3
Bonds	5.1	3.4	4.7	5.3	4.4	1.6
Other	4.5	0.2	4.3	0.5	4.0	1.5
Total fair value of assets	7.6	24.4	7.2	29.5	7.4	26.4
Actuarial value of scheme liabilities		(34.5)		(45.0)		(41.4)
Deficit in the scheme		(10.1)		(15.5)		(15.0)
Related deferred tax asset		2.8		4.7		4.5
Net pension liability		(7.3)		(10.8)		(10.5)

The prior year Pension liability also included an additional £2.9m relating to a subsidiary undertaking that was disposed of during the current year.

INEOS Enterprises Limited

Notes to the accounts (continued)

Analysis of the amount charged to operating profit	2007 £m	2006 £m
Current service cost	1 8	1 6
Past service costs	0 1	-
Total operating charge	1 9	1 6

Analysis of the amount charged to other finance costs	2007 £m	2006 £m
Expected return on pension scheme assets	2 1	2 0
Interest on pension scheme liabilities	(2 2)	(2 0)
Net charge	(0 1)	-

There was also an additional net charge of £0 1m (2006 £0 1m) relating to a subsidiary undertaking that was disposed of during the year

Analysis of amounts recognised in the statement of total recognised gains and losses	2007 £m	2006 £m
Actual return less expected return on pension fund assets	0 8	(0 3)
Experience gains/(losses) arising on fund liabilities	-	-
Gains on change of financial and demographic assumptions	2 4	0 3
Actuarial gain recognised in the statement of total recognised gains and losses	3 2	-

Movement in deficit during the year	2007 £m	2006 £m
Deficit in the fund at beginning of year	(15 5)	(15 0)
Reclassification	(0 1)	-
Contributions paid	1 1	1 1
Current service cost	(1 8)	(1 6)
Past service cost	(0 1)	-
Other finance costs	(0 1)	-
Disposal of business (Note 10)	3 2	-
Actuarial gain	3 2	-
Deficit in the fund at end of year, before allowance for deferred tax	(10 1)	(15 5)

INEOS Enterprises Limited

Notes to the accounts (continued)

History of experience gains and losses	2007	2006	2005
Difference between the actual and expected return on fund assets			
Amount	£0.8m	(£0.3m)	£0.5m
% of fund assets at end of year	3.3%	(1.1%)	1.9%
Experience gains/(losses) on fund liabilities			
Amount	-	-	(£1.6m)
% of fund liabilities at end of year	-	-	(3.9%)
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses			
Amount	£3.2m	-	(£3.3m)
% of fund liabilities at end of year	9.3%	-	(8.0%)

(b) Other Group Companies

In addition to the UK Group scheme, certain other group companies also participate in local, unfunded pension schemes. The pension cost charged to the profit and loss account for the year was £0.2m (2006: £0.4m) in respect of these schemes, including £0.1m (2006: £0.1m) charged to other finance costs. There is no associated pension liability at 31 December 2007 (2006: £2.9m) due to the disposal of the business during the year. The actuarial gain credited to the statement of total recognised gains and losses before disposal in respect of the scheme was £0.5m (2006: £nil).

26 Subsequent Events

An additional cash dividend payment of £12.0m was made on 11 June 2008.

27 Related party transactions

The Company is related to INEOS Technologies Limited, INEOS Capital Partners, INEOS Capital Limited and Screencondor Limited by virtue of common control.

Material trading transactions with related parties during the year were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Group at 31 December £m
INEOS Technologies Limited	- £nil (2006: £nil)	- £nil (2006: £nil)	2007: £(0.2) 2006: Nil

INEOS Enterprises Limited

Notes to the accounts (continued)

Other material transactions with related parties during the year were

Related party	Transaction	Balance owed to/(by) the Group at 31 December £m
INEOS Capital Partners	Management services provided to the Company - £0.7m (2006: £0.7m)	2007: £nil 2006: £nil
INEOS Capital Limited	2007: Loans repaid by the Company - £3.0m (2006: £nil)	2007: £nil 2006: (3.0)
Screencondor Limited	Funding of administrative expenses - £nil (2006: £0.1)	2007: 0.1 2006: 0.3

28 Ultimate Parent Company and Ultimate Controlling Party

At 31 December 2007, the Company was a subsidiary undertaking of INEOS Enterprises Group Limited, a Company registered in England and Wales. The Company's ultimate Parent Company was INEOS Group Limited, a company registered in England and Wales.

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

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