# Ineos Europe Limited

# Annual report

# for the year ended 31 December 2008

**Registered Number 5310655**

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# Ineos Europe Limited

# Annual report

# for the year ended 31 December 2008

# Contents

# Ineos Europe Limited

# Directors' report for the year ended 31 December 2008

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

**Principal activity**
The company is engaged in the refining and sale of petroleum products and the production and sale of petrochemical products.

**Review of business and future developments.**
In our refining business we operate two large oil refineries in Europe. Our principal refining products are transport fuels, naphtha and heating and fuel oils. Our refineries are physically integrated with our petrochemical plants located at the same sites. Our chemicals businesses produce olefins and related products, a broad range of polymers and a variety of other speciality chemical products.

Both the refining and petrochemical markets are currently experiencing difficult trading conditions which have prevailed since the fourth Quarter of 2008. The global economic conditions and impending recessions in many of our key markets has seen a drop in demand for our products which in turn has seen significant price discounting in the market place to secure sales volume. Although raw material prices have fallen there has been a considerable tightening of margins. The fall in product prices has seen the company suffer from significant stock 'holding' losses in the second half of 2008.

The company has reacted strongly to the economic downturn with the introduction of substantial cost cutting programmes and reductions in Working Capital and Capital Investment programmes to ensure a positive cashflow and to secure liquidity.

In line with the rest of the Industry the company has cut back production on one of the crackers at its Grangemouth site and temporarily suspended production at the Butadiene II plant at Koln until demand increases. It should be noted that the company has continued to operate the majority of its production capacity normally.

In addition to these commercially driven shutdowns the company suffered from a loss of production due to an unplanned outage of the Hydrocracker unit at Grangemouth as a result of a fire and a Crude Distillation outage at Koln. The Grangemouth site also sustained an unplanned outage in April as a result of industrial action. In January 2009 the company introduced new pension arrangements with the support of the Union thus resolving the cause of the dispute.

Towards the end of 2008 the company reviewed its business structure and as a result merged its Olefins and Polyolefins businesses in to one business under one management team. This will allow the company to better optimise margin capture across the complete manufacturing and supply chain in times of tight margins.

**Results and dividends**
The loss for the financial year before taxation was €460.0m (2007: profit of €173.8m). The directors do not propose the payment of a dividend (2007: €nil).

# Ineos Europe Limited

**Directors**
The directors who held office during the year and up to the date of signing the financial statements were as follows:

| | |
|---|---|
| U Braun | (Resigned 1 December 2008) |
| T P Crotty | (Appointed 22 January 2009) |
| P J de Klerk | (Appointed 1 December 2008) |
| G Leask | |
| C G MacLean | |

**Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

**Employee involvement**
The company 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 company.

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

**Going concern**
The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Ineos Limited. The directors have received confirmation that Ineos Limited intends to support the company for at least one year after these financial statements are signed.

**Financial risk management**
The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company where appropriate. The company is exposed to commodity price risk as a result of its operations. The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The company is funded internally by the Ineos group and therefore has no direct exposure to liquidity or debt market risk. Interest rate exposures are managed on a group basis and are fully disclosed in the consolidated financial statements of Ineos Limited.

**Principal risks and uncertainties**
From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Ineos Limited which include those of the company, are discussed in the group's annual report which does not form part of this report.

**Key performance indicators (KPI's)**
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. The development, performance and position of Ineos Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

**Statement of directors' responsibilities in respect of the Annual Report and the financial statements**
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial 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;
- 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, 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 taking reasonable steps 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 Group's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

# Ineos Europe Limited

**Independent auditors**
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board

M Stokes
**Company secretary**
3 September 2009

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

We have audited the financial statements of Ineos Europe Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the 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 2008 and of the loss 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

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
3 September 2009

# Ineos Europe Limited

## Profit and loss account for the year ended 31 December 2008

| | Note | 2008<br>€m | 2007<br>€m |
|---|---|---|---|
| **Turnover** | 2 | **19,714.6** | 18,911.5 |
| Cost of sales | | **(19,670.6)** | (18,279.7) |
| **Gross profit** | | **44.0** | 631.8 |
| Distribution costs | | **(348.0)** | (322.8) |
| Goodwill amortisation | 3 | **(13.6)** | (13.4) |
| Other administrative expenses | | **(30.4)** | (60.5) |
| Total administrative expenses | | **(44.0)** | (73.9) |
| Other operating income | 3 | **38.6** | 7.4 |
| **Operating (loss)/profit** | 3 | **(309.4)** | 242.5 |
| Interest receivable and similar income | 4 | **125.4** | 127.4 |
| Interest payable and similar charges | 5 | **(276.0)** | (196.1) |
| **(Loss)/profit on ordinary activities before taxation** | | **(460.0)** | 173.8 |
| Tax on (loss)/profit on ordinary activities | 6 | **142.2** | (62.3) |
| **(Loss)/profit for the financial year** | 19 | **(317.8)** | 111.5 |

All activities of the company relate to continuing operations.

There are no recognised gains or losses attributable to the shareholders of the company other than the (loss)/profit above, therefore no separate statement of total recognised gains and losses has been presented.

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

# Ineos Europe Limited

## Balance sheet at 31 December 2008

| | Note | 2008 €m | 2007 €m |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 8 | **220.2** | 232.0 |
| Tangible assets | 9 | **18.7** | 20.6 |
| Investments | 10 | **646.3** | 594.4 |
| | | **885.2** | 847.0 |
| **Current assets** | | | |
| Stocks | 11 | **746.7** | 1,374.2 |
| Debtors – amounts falling due within one year | 12 | **912.6** | 1,328.8 |
| Debtors – amounts falling due after more than one year | 13 | **531.7** | 445.6 |
| Cash at bank and in hand | | **66.4** | 60.4 |
| | | **2,257.4** | 3,209.0 |
| **Creditors: amounts falling due within one year** | 14 | **(2,903.3)** | (4,092.6) |
| **Net current liabilities** | | **(645.9)** | (883.6) |
| **Total assets less current liabilities** | | **239.3** | (36.6) |
| **Creditors: amounts falling due after more than one year** | 15 | **(598.3)** | (7.5) |
| **Provisions for liabilities** | 17 | **(2.9)** | - |
| **Net liabilities** | | **(361.9)** | (44.1) |
| **Capital and reserves** | | | |
| Called up share capital | 18 | **-** | - |
| Profit and loss account | 19 | **(361.9)** | (44.1) |
| **Total shareholders' deficit** | 20 | **(361.9)** | (44.1) |

The financial statements on pages 6 to 25 were approved by the board of directors on 3 September 2009 and were signed on its behalf by:

G Leask
Director

# Ineos Europe Limited

**Statement of accounting policies**

**Basis of preparation**
These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

**Going concern**
The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the intermediate parent company Ineos Holdings Limited. The directors have received confirmation that Ineos Limited intends to support the company for at least one year after these financial statements are signed.

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

**Cash flow statement**
The company is ultimately consolidated within the financial statements of Ineos Limited, 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).

**Investments**
Investments held as fixed assets are stated at cost less provision for impairment. All investments are reviewed for impairment where there are indications that the carrying value may not be fully recoverable.

**Stock valuation**
Stocks are valued at cost to the company, using first-in first-out method or at net realisable value, whichever is lower. Provision is made where necessary for obsolete, slow moving and defective stocks. Stores are valued at the cost to the company mainly using the average method or net realisable value, whichever is the lower.

**Government grants**
Capital related government grants are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project. Revenue grants are credited to the profit and loss account in the same period as the items to which they relate.

**Foreign currency transactions**
Foreign currency transactions in currencies other than Euros are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than Euros are translated into euros at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year.

Operating results of branches in currencies other than euros are translated at the average rates of exchange for the year. Assets and liabilities held in branches in currencies other than euros have been translated at exchange rates ruling at the balance sheet date. Differences on exchange are dealt with through the profit and loss account.

**Securitisation**
The company is party to a trade debtors securitisation programme in which various group subsidiaries sell trade receivables to Ineos Finance Ireland, a special purpose vehicle, for a discounted rate. Ineos Finance Ireland pledges the debtors as security for borrowings from a number of conduit lenders. The company has retained no significant risks or rewards of ownership relating to the receivables sold to Ineos Finance Ireland and therefore no longer recognise those receivables from the date of sale. The cash due from the sale of

debtors, less a financing cost, is lent to Ineos Holdings Limited. The financing cost is recognised in interest payable.

**Intangible fixed assets**
Goodwill represents the excess of cost of acquisitions of subsidiary undertakings and businesses over the fair value attributed to their net assets. Goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account on a straight line basis over its estimated useful economic life, limited to a maximum period of 20 years.

For intellectual property rights acquired in connection with an acquisition or recognised following valuations performed by independent valuation experts, the fair value of these separable intangible assets is capitalised and amortised over the life of the technology based upon the directors' estimates of between 10 and 15 years.

All intangible fixed assets are reviewed for impairment when there are indications that carrying value may not be fully recoverable, in which case any excess is written off to the profit and loss account.

**Tangible fixed assets and depreciation**
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. Straight line annual rates of depreciation most widely used are:

| | |
|---|---|
| Plant and machinery | - 5 years |
| Fixtures and fittings | - 5 years |

**Leases**
Rentals under operating leases are charged against income on a straight line basis over the lease term.

**Turnover**
Turnover, which is stated net of value added tax, customs duties and sales taxes represent amounts invoiced to third parties. Sales are recognised when the conditions of sale have been fulfilled.

**Pensions**
The company participates in a group operated defined benefit pension scheme providing benefits based on final pensionable pay for all employees. Contributions are made to this scheme by Ineos Europe Limited and Ineos Manufacturing Scotland Limited. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

We are unable to split the assets and liabilities of the scheme between the respective companies and therefore the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full in the accounts of Ineos Manufacturing Scotland Limited. The contributions paid by Ineos Europe Limited have been recognised in these financial statements as defined contribution.

**Provisions**
A provision is recognised in the balance sheet where the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

**Deferred tax**

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

# Ineos Europe Limited

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

## 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 2008 was €0.98030/£1 (2007: €1.36482/£1).

## 2 Turnover

The turnover attributable to each different class of business is as follows:

| By business area: | **2008**<br>**€m** | 2007<br>€m |
|---|---|---|
| Refining | **10,245.9** | 7,985.0 |
| Petrochemicals | **9,468.7** | 10,926.5 |
| **Total** | **19,714.6** | 18,911.5 |

An analysis of turnover by geographic segment is as follows:

| By geographical area: | **2008**<br>**€m** | 2007<br>€m |
|---|---|---|
| UK | **6,137.0** | 6,023.2 |
| Rest of Europe | **12,032.8** | 12,199.0 |
| The Americas | **382.5** | 241.7 |
| Rest of World | **1,162.3** | 447.6 |
| **Total** | **19,714.6** | 18,911.5 |

## 3 Operating (loss)/profit

This is stated after charging/(crediting):

| | 2008 €m | 2007 €m |
|---|---|---|
| Hire charges under operating leases – plant & machinery | **1.3** | 1.5 |
| Hire charges under operating leases – land and buildings | **2.5** | 4.4 |
| Exchange loss | **141.5** | 158.2 |
| Depreciation of owned tangible fixed assets (note 9) | **5.0** | 6.0 |
| Amortisation of intangible assets (note 8) | **13.6** | 13.4 |
| Royalty and sundry income | **(38.6)** | (7.4) |
| Auditors' remuneration: | | |
| - Audit fees | **0.3** | 0.2 |
| - Other services relating to taxation | **1.4** | 1.2 |

## 4 Interest receivable and similar income

| | 2008 €m | 2007 €m |
|---|---|---|
| Interest income from group undertakings | **125.4** | 127.4 |

# Ineos Europe Limited

## 5 Interest payable and similar charges

| | 2008 €m | 2007 €m |
|---|---|---|
| Interest payable on loans from group undertakings | **270.4** | 196.0 |
| Other finance charges | **5.6** | 0.1 |
| | **276.0** | 196.1 |

## 6 Taxation

### (a) Analysis of (credit)/charge in the year

The tax (credit)/charge is made up as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| **Current tax for the year** | | |
| Group relief payable on profits / losses for the year | **-** | 58.8 |
| Adjustment in respect of previous years | **(25.6)** | (10.9) |
| Double tax relief | **4.2** | 1.4 |
| **Total current tax** | **(21.4)** | 49.3 |
| **Deferred tax for the year** | | |
| Origination and reversal of timing differences | **(120.8)** | 13.0 |
| **Total deferred tax** (note 16) | **(120.8)** | 13.0 |
| **Tax on (loss)/profit on ordinary activities** | **(142.2)** | 62.3 |

# Ineos Europe Limited

## 6 Taxation (continued)

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 28 % (2007: 30%). The differences are explained below:

| | **2008** | 2007 |
|---|---|---|
| | **€m** | €m |
| (Loss)/profit before taxation | **(460.0)** | 173.8 |
| Current tax at 28% (2007: 30%) | **(128.8)** | 52.1 |
| Expenses not deductible for tax | **5.2** | 4.6 |
| Accelerated capital allowances and other timing differences | **125.7** | 2.1 |
| Other short term time differences | **(2.1)** | - |
| Double tax relief | **4.2** | 1.4 |
| Adjustments in respect of previous year | **(25.6)** | (10.9) |
| **Tax (credit)/charge for current year** | **(21.4)** | 49.3 |

### (c) Factors that may affect future tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from the 1 April 2008.

There are no other factors expected to significantly affect the tax charge in future years.

## 7 Directors and employees

### (a) Remuneration of directors

| | **2008** | 2007 |
|---|---|---|
| | **€m** | €m |
| **Directors' emoluments** | | |
| Aggregate emoluments | **0.3** | 0.2 |

## 7 Directors and employees (continued)

| | 2008 €m | 2007 €m |
|---|---|---|
| **Highest paid director** | | |
| Aggregate emoluments | **0.3** | 0.2 |

No director had benefits accruing under a defined benefit pension scheme (2007: none).

No other directors received any fees or remuneration for services as a director of the company during the financial year.

### (b) Employee costs

The aggregate payroll costs of persons employed by the company (including directors) during the year was:

| By activity: | 2008 €m | 2007 €m |
|---|---|---|
| Wages and salaries | **20.0** | 23.9 |
| Social security costs | **1.9** | 2.5 |
| Pension costs (note 24) | **2.9** | 3.7 |
| | **24.8** | 30.1 |

### (c) Average monthly number of employees (including directors) during the year

| | 2008 Number | 2007 Number |
|---|---|---|
| Distribution | **19** | 25 |
| Sales & marketing | **9** | 11 |
| Administration | **134** | 133 |
| Technology | **11** | 11 |
| | **173** | 180 |

## 8 Intangible assets

| | Intellectual property rights | Goodwill | Total |
|---|---|---|---|
| | €m | €m | €m |
| **Cost** | | | |
| At 1 January 2008 | - | 279.7 | 279.7 |
| Additions | 1.8 | - | 1.8 |
| **At 31 December 2008** | **1.8** | **279.7** | **281.5** |
| **Accumulated amortisation** | | | |
| At 1 January 2008 | - | (47.7) | (47.7) |
| Charge for the year | (0.1) | (13.5) | (13.6) |
| **At 31 December 2008** | **(0.1)** | **(61.2)** | **(61.3)** |
| **Net book amount** | | | |
| **At 31 December 2008** | **1.7** | **218.5** | **220.2** |
| At 31 December 2007 | - | 232.0 | 232.0 |

The intellectual property rights intangible asset relates to the acquisition of assets from BP at the site in Saltend, Hull, UK. This intangible asset is amortised on a straight-line basis over fifteen years.

Goodwill is being amortised on a straight-line basis over twenty years. This is the period over which the directors estimate that the values of the underlying businesses are expected to exceed the values of the underlying assets.

# Ineos Europe Limited

## 9 Tangible assets

| | Plant & machinery | Fixtures & fittings | Total |
|---|---|---|---|
| | €m | €m | €m |
| **Costs** | | | |
| At 1 January 2008 | 18.3 | 11.0 | 29.3 |
| Additions | - | 3.1 | 3.1 |
| **At 31 December 2008** | **18.3** | **14.1** | **32.4** |
| **Accumulated depreciation** | | | |
| At 1 January 2008 | (3.1) | (5.6) | (8.7) |
| Charge for the year | (3.1) | (1.9) | (5.0) |
| **At 31 December 2008** | **(6.2)** | **(7.5)** | **(13.7)** |
| **Net book amount** | | | |
| **At 31 December 2008** | **12.1** | **6.6** | **18.7** |
| At 31 December 2007 | 15.2 | 5.4 | 20.6 |

# Ineos Europe Limited

## 10 Investments

| | Shares €m | Loans €m | Total €m |
|---|---|---|---|
| **Cost and Net Book Amount** | | | |
| At 1 January 2008 | - | 594.4 | 594.4 |
| Additions | - | 51.9 | 51.9 |
| **At 31 December 2008** | - | **646.3** | **646.3** |

The loan relates to a loan with Ineos Phenol Limited, a fellow subsidiary undertaking. There is currently no fixed repayment term for this loan.

The investments in the undertakings of the company at 31 December 2008 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

| Undertaking | % | Country of incorporation | Principal activity |
|---|---|---|---|
| Ineos Sales Belgium NV | 1 | Belgium | Distributor |
| Ineos Services Belgium NV | 0.001 | Belgium | Research & Technology |

The remaining shareholdings in the above companies are held by Ineos European Holdings Limited.

## 11 Stocks

| | 2008 €m | 2007 €m |
|---|---|---|
| Raw materials and consumables | **83.9** | 641.3 |
| Work in progress | **4.5** | 9.7 |
| Finished goods and goods for resale | **644.2** | 706.4 |
| Plant spares and stores | **14.1** | 16.8 |
| | **746.7** | 1,374.2 |

The difference between the carrying value of stocks and their replacement cost is not material.

Included within raw materials and consumables and finished goods are oil stocks for which a charge is held as security against a working capital financing facility.

# Ineos Europe Limited

## 12 Debtors – amounts falling due within one year

| | 2008 €m | 2007 €m |
|---|---|---|
| Trade debtors | 251.9 | 621.6 |
| Amounts owed by group undertakings | 429.2 | 559.0 |
| Amounts owed by related parties | 14.5 | 52.2 |
| Prepayments and accrued income | 11.4 | 11.0 |
| Deferred tax (note 16) | 128.1 | 7.3 |
| Other debtors | 77.5 | 77.7 |
| | 912.6 | 1,328.8 |

## 13 Debtors – amounts falling due after more than one year

| | 2008 €m | 2007 €m |
|---|---|---|
| Trade debtors | 1.1 | 0.7 |
| Amounts owed by group undertakings | 487.8 | 444.9 |
| Other taxes receivable | 42.8 | - |
| | 531.7 | 445.6 |

## 14 Creditors – amounts falling due within one year

| | 2008 €m | 2007 €m |
|---|---|---|
| Trade creditors | 702.8 | 1,424.6 |
| Amounts owed to group undertakings | 1,926.1 | 2,268.1 |
| Amounts owed to related parties | 16.9 | 17.8 |
| Other taxes payable | 119.9 | 162.7 |
| Accruals and deferred income | 134.9 | 47.3 |
| Other creditors | 2.7 | 172.1 |
| | 2,903.3 | 4,092.6 |

## 15 Creditors – amounts falling due after more than one year

| | 2008 €m | 2007 €m |
|---|---|---|
| Amounts owed to group undertakings | **577.8** | - |
| Accruals and deferred income | **20.5** | 7.5 |
| | **598.3** | 7.5 |

## 16 Deferred tax

The movement in the deferred tax asset is analysed as follows:

| | Total €m |
|---|---|
| At 1 January 2008 | 7.3 |
| Credited to the profit and loss account (note 6) | 120.8 |
| **At 31 December 2008** | **128.1** |

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset on accelerated capital allowances and short term timing differences. Where there is uncertainty of the reversal of such differences, these amounts remain unprovided.

The elements of the deferred tax asset which has been recognised in full are as follows:

| | Amount provided | |
|---|---|---|
| | **2008 €m** | 2007 €m |
| Accelerated capital allowances | **3.9** | 5.2 |
| Short term timing differences | - | 2.1 |
| Losses | **124.2** | - |
| | **128.1** | 7.3 |

# Ineos Europe Limited

## 17 Provisions for liabilities

| | Compass Point Dilapidations €m | O&P Europe Restructuring €m | Total €m |
|---|---|---|---|
| At 1 January 2008 | - | - | - |
| Reclassification | 2.3 | - | 2.3 |
| Charged to profit and loss account | - | 0.6 | 0.6 |
| **At 31 December 2008** | **2.3** | **0.6** | **2.9** |

**Compass Point Dilapidations Provision**

The company has provided for expected dilapidation costs in relation to the lease of the Compass Point premises, which were previously accrued. The costs are expected to be incurred at the end of the lease period in 2015.

**O&P Europe Restructuring Provision**

The company has provided for expected severance costs in relation to the Olefins & Polyolefins reorganisation which occurred in 2008. These costs have been paid in full in 2009.

## 18 Called up share capital

| | 2008 €m | 2007 €m |
|---|---|---|
| **Authorised** | | |
| 5,000,000,000 ordinary shares of £1 each | 7,237.3 | 7,237.3 |
| **Allotted, and fully paid** | | |
| 1 ordinary share of £1 | - | - |

As the reporting currency of the company is the euro the share capital has been converted to euros at the effective rate of exchange ruling at the date of issuance.

## 19 Profit and loss account

| | €m |
|---|---|
| At 1 January 2008 | (44.1) |
| Loss for the financial year | (317.8) |
| **At 31 December 2008** | **(361.9)** |

# Ineos Europe Limited

## 20 Reconciliation of the movement in shareholders' deficit

| | 2008<br>€m | 2007<br>€m |
|---|---|---|
| (Loss)/Profit for the financial year | (317.8) | 111.5 |
| Opening shareholders deficit | (44.1) | (155.6) |
| **Closing shareholders' deficit** | **(361.9)** | (44.1) |

## 21 Operating lease commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases as set out below:

| | 2008<br>€m | 2007<br>€m |
|---|---|---|
| **Plant and equipment** | | |
| **Expiring:** | | |
| Within 1 year | **1.3** | 0.8 |
| Between 2 to 5 years | **1.1** | - |
| | **2.4** | 0.8 |
| **Land and buildings** | | |
| **Expiring:** | | |
| More than 5 years | **2.1** | 2.8 |

## 22 Contingent liabilities

The company is party to a Senior Facilities Agreement dated 14 December 2005 (as amended). The Senior Facilities Agreement comprises of term loans (Term Loan A, Term Loan B, Term Loan C and Term Loan D) and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2008 was €5,079.6 million (2007: €5,020.2 million). The company is a guarantor under the Senior Facilities Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

The company is party to the Senior Notes Indenture dated 7 February 2006 (as amended). The Senior Notes comprise the €1,630 million 7.875% Senior Notes Due 2016 and the $700 million 8.5% Senior Notes Due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2008 was €2,124.9 million (2007: €2,110.6 million). The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.

## 23 Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

There were a number of transactions with related parties during the year, all of which arose in the normal course of business. A summary of these transactions and the balances outstanding at 31 December 2008 is shown in the table below.

| | **Value of transactions 2008** | **Balance receivable at 31 December 2008** | Value of transactions 2007 | Balance receivable at 31 December 2007 |
|---|---|---|---|---|
| | **€m** | **€m** | €m | €m |
| **Sales to related parties** | | | | |
| Oxochimie SAS | - | - | - | 1.4 |
| Appryl SNC | 1.3 | 0.1 | - | - |
| Ineos Nova International S.A. | 276.0 | 14.2 | 430.9 | 50.4 |
| Ineos Technologies Limited | - | 0.2 | - | - |
| | 277.3 | 14.5 | 430.9 | 51.8 |

# Ineos Europe Limited

## 23 Related party transactions (continued)

| | Value of transactions 2008 €m | Balance payable at 31 December 2008 €m | Value of transactions 2007 €m | Balance payable at 31 December 2007 €m Restated |
|---|---|---|---|---|
| **Purchases from related parties** | | | | |
| Oxochimie | - | - | 4.7 | - |
| Appryl | 20.4 | 3.7 | 23.5 | 11.3 |
| Napthachimie | 61.9 | 13.1 | 65.5 | 5.8 |
| Ineos Nova International S.A. | 17.1 | - | 15.1 | - |
| Ineos Capital | 2.9 | 0.1 | - | - |
| Ineos Technologies Limited | 0.1 | - | - | - |
| PQ Silicas UK Limited | 0.3 | - | - | - |
| | 85.6 | 16.9 | 95.2 | 17.8 |

## 24 Pensions

The scheme covers employees of both Ineos Europe Limited and Ineos Manufacturing Scotland Limited. The scheme is managed by Trustees, who are directors of Innovene Trustee Limited which has a trust deed in favour of Ineos Europe Limited. The full scheme has been included in the accounts of Ineos Manufacturing Scotland Limited as we are unable to split the assets and liabilities of the scheme by company. The majority of the employees who are participants in the pension scheme are employees of Ineos Manufacturing Scotland Limited. Therefore the Company's pension contributions have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 17 disclosures have been made in these financial statements with regards to the UK former Innovene pension fund.

The most recent actuarial valuation for the UK former Innovene pension fund was 30 June 2006.

## 25 Ultimate parent undertaking

The immediate parent undertaking is Ineos European Holdings Limited.

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

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