

Ineos Europe Limited  
Annual report  
for the year ended 31 December 2007

Registered Number 5310655

THURSDAY



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Ineos Europe Limited  
Annual report  
for the year ended 31 December 2007  
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# **Ineos Europe Limited**

## **Directors' report for the year ended 31 December 2007**

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

### **Principal activity**

The company is engaged in the refining and sale of petroleum products and the production and sale of petrochemical products

### **Review of activities 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 favourable supply and demand environments, as a result of robust demand from end-use sectors and limited capacity growth. The global petrochemicals market has experienced strong levels of growth over recent years and is forecast to continue to outstrip global GDP growth over the medium term. Industry experts expect current market conditions in the refining and petrochemical industries to continue over the short term.

Our corporate strategy is to continue growing our profitability and cash flows by reducing costs in acquired businesses, increasing the focus on high margin products, leveraging our existing resources to expand sales and keeping the overall management structure of the company simple and decentralised. The company will continue to focus on this during 2008.

The company performed major turnarounds to one of the naphtha crackers at its Köln site and to a number of refining units at Grangemouth during 2007. Although these planned outages restricted production capacity, the combined effect on profitability was less than that caused by scheduled downtime in 2006.

In addition to these scheduled outages, the company suffered from a loss of production due to an unplanned outage of the gas cracker and sulphur recovery units at Grangemouth during the year. A strike at the Port de Marseille in April 2007 restricted production capability at the company's manufacturing site, Lavéra, France.

As part of the company's on-going restructuring of its Polyolefins business, which will see significant investment in its assets over a three year period, the company announced in July 2007 its intention to exit polypropylene production on two of the three lines at Sarrelouis in France as a result of security of feedstock supply issues.

In July 2007, the company signed an agreement with Morgan Stanley, whereby Morgan Stanley will become the sole trading partner for crude, refined product and trading services related to the refineries at Grangemouth and Lavéra. The agreement commenced upon the termination of our supply agreements with BP on 31 March 2008. The contract with Morgan Stanley is in line with our strategy to grow our own trading and back office capabilities in order to have the option of operating independently in the market in a three to five year horizon.

### **Results and dividends**

The profit for the financial year before taxation was €173.8m (2006 restated loss €338.5m). The directors do not propose the payment of a dividend (2006: €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

G Leask

C G MacLean

U Braun

## 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

During the year employees have been provided with information on matters of concern to them. Regular meetings are held between employees and local management to allow a free flow of information and ideas

## Charitable and political donations

No donations were made by the company for charitable or political purposes in the year (2006: £nil)

## 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. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits. 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 Group Limited.

## 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 Group Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

## 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 Group Limited which include those of the company, are discussed in the group's annual report which does not form part of this report.

# Ineos Europe Limited

## 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.

### 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  
14 July 2008

# **Ineos Europe Limited**

## **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 2007 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.

# Ineos Europe Limited

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

14 July 2008

# Ineos Europe Limited

## Profit and loss account for the year ended 31 December 2007

		2007 €m	2006 €m
	Note		Restated
<b>Turnover</b>	2	<b>18,911.5</b>	16,940.2
Cost of sales		(18,279.7)	(16,632.6)
<b>Gross profit</b>		<b>631.8</b>	307.6
Distribution costs		(322.8)	(348.1)
Goodwill amortisation	3	(13.4)	(20.6)
Exceptional administrative expenses	3	-	(127.5)
Other administrative expenses	3	(60.5)	(63.4)
Total administrative expenses		(73.9)	(211.5)
Other operating income	3	7.4	11.6
<b>Operating profit/(loss)</b>	3	<b>242.5</b>	(240.4)
Interest receivable and similar income	4	127.4	37.0
Interest payable and similar charges	5	(196.1)	(135.1)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>173.8</b>	(338.5)
Tax on profit/(loss) on ordinary activities	6	(62.3)	67.1
<b>Profit/(loss) for the financial year</b>	18	<b>111.5</b>	(271.4)

All activities of the company relate to continuing operations

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

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented




# Ineos Europe Limited

## Balance sheet at 31 December 2007

		2007 €m	2006 €m
	Note		Restated
<b>Fixed assets</b>			
Intangible assets	8	232.0	245.4
Tangible assets	9	20.6	24.4
Investments	10	594.4	550.0
		847.0	819.8
<b>Current assets</b>			
Stocks	11	1,374.2	1,036.1
Debtors – amounts falling due within one year	12	1,328.8	939.1
Debtors – amounts falling due after more than one year	13	445.6	435.9
Cash at bank and in hand		60.4	9.2
		3,209.0	2,420.3
<b>Creditors' amounts falling due within one year</b>	14	(4,092.6)	(3,388.7)
<b>Net current liabilities</b>		(883.6)	(968.4)
<b>Total assets less current liabilities</b>		(36.6)	(148.6)
<b>Creditors' amounts falling due after more than one year</b>	15	(7.5)	(7.0)
<b>Net liabilities</b>		(44.1)	(155.6)
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account	18	(44.1)	(155.6)
<b>Total shareholders' deficit</b>	19	(44.1)	(155.6)

The financial statements on pages 6 to 23 were approved by the board of directors on 14 July 2008 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

The principal accounting policies are set out below

### Change in presentation

The profit and loss account for the company in the 2006 Annual Report was presented on the basis of Format 2 of the Companies Act 1985. The company has now adopted Format 1 of the Companies Act 1985 for the year ended 31 December 2007, and changed the comparatives accordingly. The change in presentation has been made to bring the company into line with the rest of the Ineos group.

### Restatement of comparative result

The company operates two divisions for the sales and purchasing activities of the refineries at Grangemouth and Lavéra. These divisions' results and net assets are denominated in US dollars. In prior years these were translated into euros and incorporated into the company's overall results using the closing rate method. This year the divisions' results have been incorporated into the company's overall results using the temporal method. The accounting method has been changed as the directors consider this gives a fairer presentation of the company's results as they arise during the course of an accounting period.

The implementation of this change has been recognised in the financial statements as a restatement of the prior year profit and loss account comparatives. The effect of implementing this new accounting interpretation was to reduce the profit before taxation by €179.4 million (2006 increase the loss before taxation by €101.4 million), however the overall net assets and total recognised gains and losses remain unchanged.

### Cash flow statement

The company is ultimately consolidated within the financial statements of Ineos Group Limited. 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.

# Ineos Europe Limited

## 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. Monetary assets and liabilities held in branches in currencies other than euros have been translated at exchange rates ruling at the balance sheet date except for stocks and tangible fixed assets which are translated at the rates ruling at the date of purchase. Differences on exchange are dealt with through the profit and loss account.

## Securitisation

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

## Goodwill

Acquired goodwill is capitalised and amortised over its estimated useful economic life, limited to a maximum period of 20 years.

## 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, fittings and equipment	- 5 years

## Leases

Rentals under operating leases are charged against income as incurred.

## 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.

## **Ineos Europe Limited**

### **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.

### **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 benefit 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 2007

### 1 Reporting currency

The financial statements are expressed in euros as the company and the group primarily generate income, incur expenditure and have the majority of their assets and liabilities denominated in euros

The exchange rate as at 31 December 2007 was €1 36482/£1 (2006 €1 49098/£1)

### 2 Turnover

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

By business area:	2007	2006
	€m	€m
		Restated
Refining	7,985 0	8,617 5
Petrochemicals	10,926.5	8,322 7
<b>Total</b>	<b>18,911.5</b>	<b>16,940 2</b>

An analysis of turnover by geographic segment is as follows

By geographical area:	2007	2006
	€m	€m
		Restated
UK	6,023.2	5,126 5
Rest of Europe	12,199.0	10,553 4
The Americas	241.7	200 6
Rest of World	447.6	1,059 7
<b>Total</b>	<b>18,911.5</b>	<b>16,940 2</b>

# Ineos Europe Limited

## 3 Operating profit/(loss)

This is stated after charging/(crediting)

	2007 €m	2006 €m Restated
Hire charges under operating leases – plant & machinery	1.5	2.8
Hire charges under operating leases – land and buildings	4.4	3.5
Exchange loss	158.2	112.5
Depreciation of owned tangible fixed assets (note 9)	6.0	2.9
Amortisation of intangible assets (note 8)	13.4	20.6
Loss on disposal of intangible assets	-	11.0
Staff costs (note 7)	30.1	60.5
Royalty and sundry income	(7.4)	(11.7)
Auditors' remuneration		
- Audit fees	0.2	0.3
- Other services relating to taxation	1.2	1.0

### Exceptional administrative expenses

In the prior year the company incurred exceptional administrative expenses of €127.5 million. These exceptional costs related to restructuring costs of €34.1 million incurred following the company's acquisition by Ineos, a non cash impairment charge of €86.9 million against a contractual prepayment and charges of €6.5 million in relation to costs incurred with an aborted pipeline partnership.

## 4 Interest receivable and similar income

	2007 €m	2006 €m Restated
Interest income from parent undertaking	127.4	37.0

# Ineos Europe Limited

## 5 Interest payable and similar charges

	2007 €m	2006 €m Restated
Interest payable on loans from parent undertaking	196.0	135.0
Other finance charges	0.1	0.1
	196.1	135.1

## 6 Taxation

### (a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows

	2007 €m	2006 €m
<b>Current tax for the year</b>		
Group relief payable/(receivable) to group companies at 30%		
- Current year	58.8	(47.3)
- Adjustment in respect of previous years	(9.5)	(1.3)
<b>Total current tax</b>	49.3	(48.6)
<b>Deferred tax for the year</b>		
Origination and reversal of timing differences (note 16)	13.0	(18.5)
<b>Total deferred tax (note 16)</b>	13.0	(18.5)
<b>Tax on profit/(loss) on ordinary activities</b>	<b>62.3</b>	<b>(67.1)</b>

# Ineos Europe Limited

## 6 Taxation (continued)

### (b) Tax reconciliation

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation

The tax for the year is lower (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 €m	2006 €m Restated
Profit/(loss) before taxation	173.8	(338.5)
Current tax at 30% (2006 30%)	52.1	(101.6)
Expenses not deductible for tax	4.6	8.6
Accelerated capital allowances and other timing differences	2.1	15.2
Deferred tax not provided	-	30.5
Adjustments in respect of previous year	(9.5)	(1.3)
<b>Tax charge/(credit) for current year</b>	<b>49.3</b>	<b>(48.6)</b>

There are no factors expected to significantly affect the tax charge in future periods

## 7 Directors and employees

### (a) Remuneration of directors

	2007 €m	2006 €m
<b>Directors' emoluments</b>		
Aggregate emoluments	0.2	0.6

In addition to the emoluments listed above, no directors (2006 one) received an ex-gratia payment (2006 €327,000)



# Ineos Europe Limited

## 7 Directors and employees (continued)

	2007 €m	2006 €m
<b>Highest paid director</b>		
Aggregate emoluments	0.2	0.6

In addition to the emoluments listed above, the highest director received no ex-gratia payment in 2007 (2006 €327,000)

No director had benefits accruing under a defined benefit pension scheme (2006: one)

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

	2007 €m	2006 €m
<b>By activity</b>		
Wages and salaries	23.9	47.3
Social security costs	2.5	4.9
Pension costs (note 23)	3.7	8.3
	<b>30.1</b>	<b>60.5</b>

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

	2007 Number	2006 Number
Distribution	25	38
Sales & marketing	11	142
Administration	133	193
Technology	11	9
	<b>180</b>	<b>382</b>

# Ineos Europe Limited

## 8 Intangible assets

	Goodwill €m
<b>Cost</b>	
At 1 January 2007	279.7
Disposals	-
<b>At 31 December 2007</b>	<b>279.7</b>
<b>Accumulated amortisation</b>	
At 1 January 2007	(34.3)
Charge for the year	(13.4)
<b>At 31 December 2007</b>	<b>(47.7)</b>
<b>Net book amount</b>	
<b>At 31 December 2007</b>	<b>232.0</b>
At 31 December 2006	245.4

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
<b>Costs</b>			
At 1 January 2007	16.7	11.2	27.9
Additions	1.6	0.7	2.3
Disposals	-	(0.9)	(0.9)
<b>At 31 December 2007</b>	<b>18.3</b>	<b>11.0</b>	<b>29.3</b>
<b>Accumulated depreciation</b>			
At 1 January 2007	-	(3.5)	(3.5)
Charge for the year	(3.1)	(2.9)	(6.0)
Disposals	-	0.8	0.8
<b>At 31 December 2007</b>	<b>(3.1)</b>	<b>(5.6)</b>	<b>(8.7)</b>
<b>Net book amount</b>			
<b>At 31 December 2007</b>	<b>15.2</b>	<b>5.4</b>	<b>20.6</b>
At 31 December 2006	16.7	7.7	24.4

# Ineos Europe Limited

## 10 Investments

	Shares €m	Loans €m	Total €m
<b>Cost</b>			
At 1 January 2007	-	550.0	550.0
Additions	-	44.4	44.4
<b>At 31 December 2007</b>	<b>-</b>	<b>594.4</b>	<b>594.4</b>
<b>Net book amount</b>			
At 31 December 2007	-	594.4	594.4
At 31 December 2006	-	550.0	550.0

The loan is 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 2007 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	0.01	Belgium	Research & Technology

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

# Ineos Europe Limited

## 11 Stocks

	2007 €m	2006 €m
Raw materials and consumables	641.3	420.7
Work in progress	9.7	11.9
Finished goods and goods for resale	706.4	599.7
Plant spares and stores	16.8	3.8
	<b>1,374.2</b>	<b>1,036.1</b>

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

## 12 Debtors – amounts falling due within one year

	2007 €m	2006 €m
Trade debtors	667.0	400.3
Amounts owed by group undertakings	559.0	68.5
Amounts owed by joint ventures	6.8	5.6
Prepayments and accrued income	11.0	9.4
Other taxes recoverable	-	365.4
Deferred tax (note 16)	7.3	20.3
Other debtors	77.7	69.6
	<b>1,328.8</b>	<b>939.1</b>

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

	2007 €m	2006 €m
Trade debtors	0.7	1.7
Amounts owed by group undertakings	444.9	434.2
	<b>445.6</b>	<b>435.9</b>

## Ineos Europe Limited

### 14 Creditors – amounts falling due within one year

	2007 €m	2006 €m
Trade creditors	1,430.5	886.6
Amounts owed to group undertakings	2,268.2	1,854.0
Amounts owed to joint ventures	11.8	14.4
Other taxes payable	162.7	494.1
Accruals and deferred income	47.3	89.6
Other creditors	172.1	50.0
	<b>4,092.6</b>	<b>3,388.7</b>

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

	2007 €m	2006 €m
Accruals and deferred income	7.5	7.0

### 16 Deferred tax

	Total €m
At 1 January 2007	20.3
Charged to the profit and loss account (note 6)	(13.0)
At 31 December 2007	7.3

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		Amount unprovided	
	2007 €m	2006 €m	2007 €m	2006 €m
Accelerated capital allowances	5.2	16.2	-	-
Short term timing differences	2.1	4.1	30.5	30.5
	<b>7.3</b>	<b>20.3</b>	<b>30.5</b>	<b>30.5</b>

# Ineos Europe Limited

## 17 Called up share capital

	2007 €m	2006 €m
<b>Authorised</b>		
5,000,000,000 ordinary shares of £1 each	7,237.3	7,237.3
<b>Allotted, and fully paid</b>		
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

## 18 Profit and loss account

	€m
At 1 January 2007	(155.6)
Profit for the financial year	111.5
At 31 December 2007	(44.1)

## 19 Reconciliation of the movement in shareholders' (deficit)/funds

	2007 €m	2006 €m
Profit/(loss) for the financial year	111.5	(271.4)
Opening shareholders (deficit)/funds	(155.6)	115.8
Closing shareholders' deficit	(44.1)	(155.6)

## Ineos Europe Limited

### 20 Operating lease commitments

At 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below

	2007	2006
	€m	€m
<b>Plant and equipment</b>		
<b>Expiring</b>		
Within 1 year	2.9	0.5
Between 2 to 5 years	7.7	-
	<b>10.6</b>	<b>0.5</b>
 <b>Land and buildings</b>		
<b>Expiring</b>		
More than 5 years	2.8	3.0

### 21 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 2007 was €5,020.2 million (2006: €5,440.4 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 a 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 2007 was €2,110.6 million (2006: €2,162.6 million). The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.



## Ineos Europe Limited

### 22 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

During the year the company has made payments to several related joint ventures to aid and support the manufacture of goods at manufacturing locations in France. A summary of the payments in the year, and the related balances outstanding at 31 December 2007 is shown in the table below

	Total payments in the year		Balances outstanding in creditors at 31 December	
	2007	2006	2007	2006
	€m	€m	€m	€m
Oxochimie SAS	4.7	6.7	1.4	2.2
Naphtachimie SA	65.5	33.1	5.9	7.7
Appryl SNC	23.5	11.8	4.1	1.1

### 23 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.

### 24 Ultimate parent undertaking

The directors regard Ineos European Holdings Limited, a company incorporated in the United Kingdom, to be the immediate parent undertaking of the company.

As at 31 December 2007, the ultimate parent undertaking was Ineos Group Limited, a company registered in England and Wales. On 14 May 2008 as part of a corporate restructuring, a new holding company, Ineos Limited was incorporated at the top of the group structure and became the ultimate parent undertaking as of that date. Copies of the accounts of Ineos Group Limited can be obtained from the Company Secretary, Ineos Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The ultimate controlling party is Mr J A Ratchiffe, director and majority shareholder in the ultimate parent undertakings Ineos Group Limited and Ineos Limited.