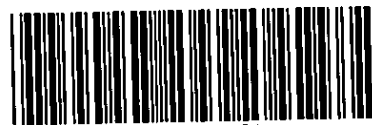


Ineos European Holdings Limited
(formerly Innovene European Holdings Limited)
Annual report
for the year ended 31 December 2006

Registered Number 5310700

TUESDAY



AVZTBTNO

A01

09/10/2007

564

COMPANIES HOUSE

Ineos European Holdings Limited
(formerly Innovene European Holdings Limited)
Annual report
for the year ended 31 December 2006
Contents

Directors' report for the year ended 31 December 2006	1
Independent auditors' report to the members of Ineos European Holdings Limited (formerly Innovene European Holdings Limited)	5
Profit and loss account for the year ended 31 December 2006	7
Balance sheet at 31 December 2006	8
Statement of accounting policies	9
Notes to the financial statements for the year ended 31 December 2006	10

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

Directors' report for the year ended 31 December 2006

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

Principal activity

The company provides treasury services to a number of other undertakings within the Ineos Group and holds investments in subsidiary and joint venture undertakings engaged in the refining and sale of petroleum products, and production and sale of petrochemical products

It is the intention of the directors that the above business of the company will continue for the foreseeable future

Review of activities and future developments

On 16 June 2006 the Company changed its name to Ineos European Holdings Limited

On the 20 December 2006 the company transferred its entire share holding in Ineos France SAS and Ineos Manufacturing France SAS to Ineos Holdings (Fluor & Silicas) Limited

Following a period of substantial losses incurred by the Nova Innovene joint venture, in which the company holds a 50% share, the directors took the decision to record an impairment provision against the entire carrying amount of the investment in this joint venture, see note 7 to the financial statements

Results and dividends

The profit for the year after taxation was €3,969,000 (2005 loss of €49,179,000), which has been transferred to retained reserves at 31 December 2006. The directors do not propose any dividend payments (2005 nil)

Directors

The directors who served during the year were as follows

N J Wright (Resigned 31 October 2006)

J Reece

A C Currie

G Leask (Appointed 8 May 2006)

Directors' interests

No director has any interest in the shares of the company during the year. The interests of the directors in the share capital of other group undertakings are disclosed in the financial statements of Ineos Group Limited, the ultimate parent

Charitable and political donations

No donations were made by the company for charitable or political purposes in the year (2005 nil)

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

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 Group 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 Group 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

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.

Ineos European Holdings Limited (formerly Innovene European Holdings 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.

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

Independent auditors

During the year Ernst & Young LLP resigned as auditors to the company, and the directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting

By order of the Board



Martin Stokes
Secretary
28 September 2007

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

Independent auditors' report to the members of Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

We have audited the financial statements of Ineos European Holdings Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the 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 European Holdings Limited (formerly Innovene European Holdings 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 2006 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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

28 September 2007

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

Profit and loss account for the year ended 31 December 2006

	Note	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Exceptional administrative expenses	2	(116,081)	-
Other administrative expenses		(831)	(676)
Total administrative expenses		(116,912)	(676)
Operating loss on ordinary activities	2	(116,912)	(676)
Dividend income from shares in group undertakings		5,105	880
Dividend income from joint ventures		-	1,909
Interest receivable and similar income	3	387,151	107,182
Interest payable and similar charges	4	(221,913)	(179,550)
Profit/(loss) on ordinary activities before taxation		53,431	(70,255)
Taxation on profit/(loss) on ordinary activities	5	(49,462)	21,076
Retained profit/(loss) for the year	12	3,969	(49,179)

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

All activities of the company relate to continuing operations

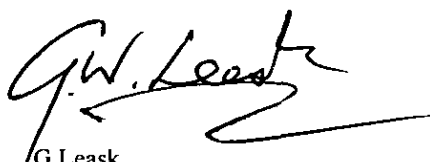
There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

Balance sheet at 31 December 2006

	Note	2006 €'000	2005 €'000
Fixed assets			
Investments	7	1,587,224	2,159,708
Current assets			
Debtors	8	4,222,954	2,649,584
Cash at bank and in hand		263,142	134,806
		4,486,096	2,784,390
Creditors' amounts falling due within one year	9	(1,750,317)	(886,882)
Net current assets		2,735,779	1,897,508
Total assets less current liabilities		4,323,003	4,057,216
Creditors' amounts falling due after more than one year	10	(1,241,873)	(980,055)
Net assets		3,081,130	3,077,161
Capital and reserves			
Called up equity share capital	11	3,126,340	3,126,340
Profit and loss account	12	(45,210)	(49,179)
Equity shareholders' funds	13	3,081,130	3,077,161

The financial statements on pages 7 to 17 were approved by the board of directors on 28 September 2007 and were signed on its behalf by


G Leask
Director

Ineos European Holdings Limited (formerly Innovene European Holdings 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, 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 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).

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.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Consolidated financial statements

Consolidated financial statements are not submitted as the company is exempt from the obligation to prepare consolidated financial statements under Section 228 of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated financial statements of the ultimate parent undertaking, Ineos Group Ltd, a company registered in England and Wales. The financial statements present information about the company as an individual undertaking only.

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 European Holdings Limited (formerly Innovene European Holdings Limited)

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

1 Reporting currency

The financial statements are expressed in Euros as the Company 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 2006 was €1 49098/£1 (2005 €1 45710/£1)

2 Operating loss

This is stated after charging/(crediting)

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Auditors' remuneration	16	24

The exceptional administrative expense of €116,081,000 relates to the impairment of the Nova Innovene joint venture (Nova Innovene European Holdings BV and Nova Innovene International SA) This joint venture was formed on 1 October 2005 as a 50/50 joint venture between Nova and Innovene to manufacture and sell polystyrene and expanded polystyrene in Europe The contribution by Innovene included assets at Marl and Trelleborg and the stocks and debtors of the polystyrene and expanded polystyrene businesses for which we received a €70m loan In the first three months of the joint venture, substantial losses were made and following the acquisition by Ineos in December 2005, the decision was taken to provide against the whole investment The exceptional item relates to the impairment of the investment €111.3m and the current account €4.7m

3 Interest receivable and similar income

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Interest income from fellow subsidiary undertakings	298,716	107,182
Interest income from joint ventures	4,044	-
Bank interest received	3,799	-
Exchange gains	80,592	-
	387,151	107,182

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

4 Interest payable and similar charges

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Loans from fellow subsidiary undertakings	220,645	54,908
Loans from associated companies	1,268	182
Exchange loss	-	124,460
	221,913	179,550

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

5 Taxation on profit/(loss) on ordinary activities

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

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

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Current tax for the period		
Group relief payable to group company at 30%		
- Current year	49,702	(21,076)
- Adjustment in respect of previous periods	(240)	-
Tax on profit/(loss) on ordinary activities	49,462	(21,076)

(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 higher (2005 equal to) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	Year ended 31 December 2006 €'000	Period ended 31 December 2005 €'000
Profit/(loss) before taxation	53,431	(70,255)
Current taxation at 30% (2005 30%)	16,029	(21,076)
Effects of		
Expenses not deductible for tax purposes	34,824	-
Accelerated capital allowances / other timing differences	(1,151)	-
Adjustments to tax charge in respect of previous period	(240)	-
Tax charge/(credit) for current period	49,462	(21,076)

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

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

6 Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year

(b) Employee costs

There were no employees with contracts of employment in the name of the company

7 Investments

	Subsidiary Shares	Subsidiary Loans	JV Shares	JV Loans	Other	Total
Cost and net book amount	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2006	683,363	1,327,252	79,091	70,000	2	2,159,708
Additions	1,893	-	1,125	-	-	3,018
Impairments	-	-	(41,341)	(70,000)	-	(111,341)
Disposals	(463,030)	-	(1,131)	-	-	(464,161)
At 31 December 2006	222,226	1,327,252	37,744	-	2	1,587,224
At 31 December 2005	683,363	1,327,252	79,091	70,000	2	2,159,708

Additions in the year included an investment in subsidiary shares of Ineos Investissements SARL of €0.1m, investment in Ineos Management (Shanghai) Company Limited of €1.8m plus costs relating to share transfers of €1.1m. Disposals in the year of subsidiary shares related to the transfer shareholdings in Ineos France SAS and Ineos Manufacturing France SAS of €463.0m to Ineos Holdings (Fluor & Silicas) Limited. The impairments relate to the Nova Innovene joint venture (investments in Nova Innovene European Holdings BV and Nova Innovene International SA) with the impairment of the entire shareholding and loan receivable in relation to stocks and debtors of the polystyrene and expanded polystyrene businesses.

The subsidiary loan relates to the loan with Ineos Manufacturing Scotland Limited for the purchase of the manufacturing assets from BP on 1 April 2005. There is currently no fixed repayment term for this loan. Interest is applied at the rate of LIBOR +2.25%.

The subsidiary and joint ventures of the company at 31 December 2006 and the percentage of equity share 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.

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

7 Investments (continued)

Subsidiary Undertakings	%	Country of Incorporation	Principal Activity
Ineos Europe Ltd	100	England and Wales	Refining and chemicals
Ineos Manufacturing Scotland Ltd	100	Scotland	Toll manufacturer
Ineos Marketing Support Ltd	100	England and Wales	Marketing services
Ineos Manufacturing Italia SpA	100	Italy	Toll manufacturer
Ineos Italia s r l	100	Italy	Distribution
Ineos Sales Belgium NV	99	Belgium	Distribution
Ineos Manufacturing Belgium NV	99.9	Belgium	Toll manufacturer
Ineos Services Belgium NV	99	Belgium	Research & technology
Ineos Investissements SARL	100	France	Investment
Ineos Nominee Limited	100	England and Wales	Investment
Ineos Management (Shanghai) Company Limited	100	China	Marketing and corporate services
Joint Ventures	%	Country of Incorporation	Principal Activity
Oxochimie SAS	50	France	Toll manufacturer
Naphtachimie SAS	50	France	Toll manufacturer
Appryl SNC	50	France	Toll manufacturer
Nova Innovene European Holdings BV	50	Netherlands	Holding company
Nova Innovene International SA	50	Switzerland	Chemicals

All investments are held directly by the company

8 Debtors

	2006	2005
Amounts falling due within one year	€'000	€'000
Amount owed by group undertakings	4,203,631	2,612,663
Amount owed by joint ventures	18,106	31,223
Other debtors	1,217	5,698
	4,222,954	2,649,584

Amounts owed by group undertakings have no fixed repayment terms. Interest is applied at the rate of LIBOR + 2.25%

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

9 Creditors – amounts falling due within one year

	2006 €'000	2005 €'000
Trade creditors	-	16
Amount owed to group undertakings	1,711,916	591,805
Amount owed to joint ventures	10,273	18,002
Accruals and deferred income	382	563
Other creditors	27,746	276,496
	1,750,317	886,882

Amounts owed to group undertakings have no fixed repayment terms Interest is applied at the rate of LIBOR - 0.5%

10 Creditors – amounts falling due after more than one year

	2006 €'000	2005 €'000
Amount owed to group undertakings	1,241,873	980,055

This loan is payable to Ineos Holdings Limited There is no fixed repayment term and interest is applied at rate of LIBOR +2.25%

11 Called up equity share capital

	2006 €'000	2005 €'000
Authorised		
5,000,000,000 ordinary shares of £1 each	7,290,500	7,290,500
Allotted, and fully paid		
2,144,111,032 ordinary shares of £1 each	3,126,340	3,126,340

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

12 Reserves

	Profit and loss account €'000
At 1 January 2006	(49,179)
Retained profit for the financial year	3,969
At 31 December 2006	(45,210)

13 Reconciliation of equity shareholders' funds and movements on reserves

	2006 €'000	2005 €'000
Equity shares issued	-	3,126,340
Profit/(loss) for the year	3,969	(49,179)
Net addition to shareholders' funds	3,969	3,077,161
Opening equity shareholders' funds	3,077,161	-
Closing equity shareholders' funds	3,081,130	3,077,161

14 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 2006 was €5,440.5 million (2005: €5,860.9 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 2006 was €2,162.4 million. The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.

Ineos European Holdings Limited (formerly Innovene European Holdings Limited)

15 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 no other related party transactions in the year.

16 Ultimate parent undertaking

The directors regard Ineos Jersey Limited, a company incorporated in Jersey, to be the immediate parent undertaking of the company.

The directors regard Ineos Group Limited, a company incorporated in the United Kingdom, to be the ultimate parent undertaking of the company.

Ineos Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2006. The consolidated financial statements of Ineos Group Limited can be obtained from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The ultimate controlling party is Mr J A Ratcliffe, director and majority shareholder of the ultimate parent company.