

INNOVENE MANUFACTURING SCOTLAND LIMITED
(formerly BP Oil Grangemouth Refinery Limited)

(Registered No. SC 010612)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

Board of Directors:	U Braun	G D Grant
	W B Reid	H-L R Niederberger
	T P Crotty	C G Maclean

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

The company is engaged in the toll refining of petroleum products and the toll manufacture of petrochemical products.

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

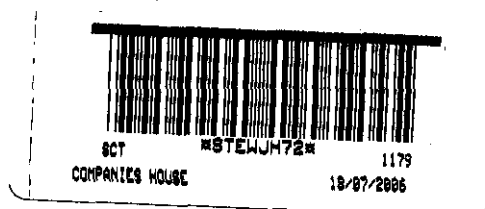
Review of activities and future developments

As part of BP plc's reorganisation of its Olefins and Derivatives business the Company engaged in the following transactions on 1st April 2005:

- The parent company BP Oil UK Limited (BPOUK):-
sold its 100% shareholding in the Company to Innovene European Holdings Limited for £3,012,815,
repaid its loan of £4M to the Company,
the Management Agency Agreement between BPOUK and the Company was terminated.
- The Company completed the following asset purchases:-
the purchase of the Grangemouth and Finnart refinery manufacturing assets from BP Oil UK Limited for £312m,
the purchase of the Grangemouth chemicals assets from the following:-
BP Exploration Operating Company Limited for £3m
BP International Limited for £510m
the Appryl Partnership for £35m
the purchase of plant stores and spares from BP International Limited for £28m.
- The Company entered into a UK tolling arrangement with Innovene Europe Limited, a subsidiary of Innovene European Holdings Limited.

Financing for the transaction was by way of cash settlement by Innovene European Holdings Limited on behalf of the Company.

On 1st April 2005 the Company commenced its principal activity, the toll refining of petroleum products and manufacture of petrochemical products.



INNOVENE MANUFACTURING SCOTLAND LIMITED

REPORT OF THE DIRECTORS

On 1 June 2005 the Company changed its name to Innovene Manufacturing Scotland Limited.

On 16th December BP sold its Olefins and Derivatives business to the Ineos Group Limited, including its shareholding in the Company.

The company has had a satisfactory year and the directors believe that the trend will continue.

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The profit for the year after taxation was £4,397,000, which when added to the retained profit brought forward at 1 January 2005 of £10,000 gives a total retained profit carried forward at 31 December 2005 of £4,407,000. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above.

Changes since 1 January 2005 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R McGill	1 April 2004	16 December 2005
A C Little	15 December 2005	16 December 2005
J G Mumford	1 August 1999	31 March 2005
R J A Duggan	25 April 2005	12 December 2005
N J Wright	25 April 2005	4 May 2006
W B Reid	16 December 2005	-
U Braun	4 May 2006	-
T P Crotty	4 May 2006	-
G D Grant	4 May 2006	-
H-L R Niederberger	4 May 2006	-
C G Maclean	4 May 2006	-

Directors' interests

No director has any interest in the shares of the Company. 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.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was 30 days.

INNOVENE MANUFACTURING SCOTLAND LIMITED

REPORT OF THE DIRECTORS

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 contributions

During the year the company made various charitable contributions totaling £164,000.

By order of the Board



Secretary

24 May 2006

Registered Office:

Bo'ness Road
Grangemouth
Stirlingshire
Scotland
FK3 9XQ

INNOVENE MANUFACTURING SCOTLAND LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare financial statements for each financial year that 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also 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 to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements, and having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

INNOVENE MANUFACTURING SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INNOVENE MANUFACTURING SCOTLAND LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, accounting policies and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company 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.

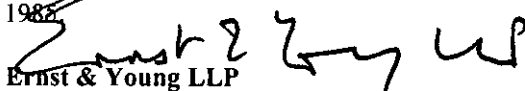
Basis of audit opinion

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 judgements 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 affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP

Registered auditor
London

24 May 2006

INNOVENE MANUFACTURING SCOTLAND LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £'000	2004 £'000
Turnover	1	324,645	-
Cost of sales		(262,613)	-
Gross profit		62,032	-
Distribution expenses		(8)	-
Administration expenses		(358)	-
Profit on ordinary activities before interest and tax	2	61,666	-
Interest payable and similar charges	3	(45,608)	-
Profit before taxation		16,058	-
Taxation	4	(11,661)	-
Retained profit for the year		4,397	-

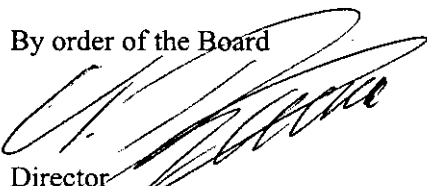
There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £4,397,000 for the year ended 31 December 2005. (2004 profit of £nil).

INNOVENE MANUFACTURING SCOTLAND LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	6	<u>952,073</u>	<u>-</u>
Current assets			
Stock	7	25,520	-
Debtors	8	202,799	4,010
Cash at bank and in hand		<u>139</u>	<u>-</u>
		228,458	4,010
Creditors: amounts falling due within one year	9	(176,670)	-
Provisions for liabilities and charges	10	<u>(22,378)</u>	<u>-</u>
Net current assets		<u>29,410</u>	<u>4,010</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		981,483	4,010
Creditors: amounts falling due after more than one year	9	<u>(973,076)</u>	<u>-</u>
NET ASSETS		<u>8,407</u>	<u>4,010</u>
Represented by			
Capital and reserves			
Called up share capital	11	4,000	4,000
Reserves	12	<u>4,407</u>	<u>10</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>8,407</u>	<u>4,010</u>

By order of the Board



Director

24 May 2006

INNOVENE MANUFACTURING SCOTLAND LIMITED

ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The directors consider it appropriate to prepare the financial statements on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries to enable the company to meet its liabilities as they fall due for the foreseeable future.

Statement of cash flows

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

Stock valuation

Stock is valued at cost to the company mainly using the average method or net realisable value, whichever is the lower.

Revenue recognition

Toll fees for conversion of raw materials are charged on monthly basis and are recognised as revenue when invoiced.

Foreign currency transactions

Foreign currency transactions in currencies other than GBP are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than GBP are translated into GBP 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.

Depreciation

Tangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The company undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset or goodwill is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Maintenance Expenditure

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

INNOVENE MANUFACTURING SCOTLAND LIMITED

ACCOUNTING POLICIES

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required.

Where the liability will not be settled immediately, the amount recognised is the present value of the estimated future expenditure.

Leases

Assets held under leases which result in the company receiving substantially all risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments. The corresponding finance lease obligation is included with borrowings. Rentals under operating leases are charged against income as incurred.

Research

Expenditure on research is written off in the year in which it is incurred.

Pensions

For the whole of 2005 the company was a participating employer in the BP plc's principal UK pension plan (The BP Pension Fund).

The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund on a consistent and reasonable basis. 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 made in these financial statements.

Particulars of the most recent actuarial valuation of the BP Pension Fund and the disclosures required by FRS 17 for the year ended 31 December 2005, are included within the financial statements of BP p.l.c.

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be

INNOVENE MANUFACTURING SCOTLAND LIMITED

ACCOUNTING POLICIES

rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover

Turnover, which is stated net of value added tax, represents the recovery of costs from Innovene Europe Limited under the terms of the tolling contract between the two companies. Under the tolling contract Innovene Europe Limited provides raw materials to be converted into specified products, for which the Company charges a toll fee.

2. Profit on ordinary activities

This is stated after charging / (crediting):	2005 £'000	2004 £'000
Hire charges under operating leases for:		-
land and buildings	630	
plant and machinery	174	
Exchange loss on foreign currency borrowings less deposits	358	-
Depreciation of owned fixed assets	55,405	-
Depreciation of assets held under finance leases	256	-
Sales of process chemicals and utilities to third parties	(7,263)	
Auditors' remuneration:		
UK Audit fees – current year	18	-

3. Interest payable and similar charges

	2005 £'000	2004 £'000
Interest payable on loans from parent	45,608	-

4. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £'000	2004 £'000
<u>Current tax for the period</u>		
UK corporation tax at 30% (2004: 30%)	-	-
Group relief	10,717	-
Total current tax	10,717	-
<u>Deferred tax</u>	(22,378)	-
Tax on profit on ordinary activities	(11,661)	-

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(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.

	<u>2005</u> £'000	<u>2004</u> £'000
Profit before taxation	16,058	-
Current taxation at 30% (2004: 30%)	(4,818)	-
Timing differences arising from capital allowances and depreciation	22,378	-
Tax losses surrendered as group relief for no consideration	<u>(6,843)</u>	<u>-</u>
Tax (charge)/credit for current year	<u>10,717</u>	<u>-</u>

The company has surrendered the benefit of tax losses to another Ineos group company for consideration of £10,717,000. The company has also surrendered the benefit of tax losses of £6,843,000 to companies within the BP plc tax group for no consideration. Accordingly, there are no tax losses available to carry forward.

5. 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 (2004 £Nil).

(b) Employee costs

	<u>2005</u> £'000	<u>2004</u> £'000
Wages and salaries	41,358	29,956
Social security costs	3,446	2,676
Pension costs	<u>11,821</u>	<u>111</u>
	<u>56,625</u>	<u>32,743</u>

In 2004 employee costs were recharged in full to BP Oil UK Limited.

(c) Average number of employees during the year

	<u>2005</u> No.	<u>2004</u> No.
Operations	684	341
Maintenance	324	125
Other	<u>253</u>	<u>232</u>
	<u>1,261</u>	<u>698</u>

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible assets

	Land & Buildings £'000	Plant & Mach- -inery £'000	Assets under Construc- tion £'000	Total £'000
Cost				
At 1 January 2005	-	-	-	-
Additions	1,582	949,669	56,483	1,007,734
At 31 December 2005	<u>1,582</u>	<u>949,669</u>	<u>56,483</u>	<u>1,007,734</u>
Depreciation				
At 1 January 2005	-	-	-	-
Charge for the year	(165)	(55,496)	-	(55,661)
At 31 December 2005	<u>(165)</u>	<u>(55,496)</u>	<u>-</u>	<u>(55,661)</u>
Net book amount				
At 31 December 2005	<u>1,417</u>	<u>894,173</u>	<u>56,483</u>	<u>952,073</u>
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Principal rates of depreciation	 5%	 5%		

Included in freehold land and buildings is land which is not depreciated of £365,000 at 31 December 2005 (2004: £nil).

Assets held under finance leases included above:

	Cost £'000	Deprecia- -tion £'000	Net book amount £'000
Leased assets			
At 31 December 2005	6,833	256	6,577
At 31 December 2004	-	-	-

7. Stocks

	<u>2005</u> £'000	<u>2004</u> £'000
Process chemicals	8,493	-
Plant stores	17,027	-
	<u>25,520</u>	<u>-</u>

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

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Debtors

	<u>2005</u>	<u>2004</u>
	Within 1 year	Within 1 year
	£'000	£'000
Trade debtors	10,249	-
Amount owed by group undertakings	180,466	4,010
Prepayments and accrued income	5,639	-
Other debtors	6,445	-
	<u>202,799</u>	<u>4,010</u>

9. Creditors

	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	Within 1 year	After 1 year	Within 1 year	After 1 year
	£'000	£'000	£'000	£'000
Trade creditors	(18,290)	-	-	-
Amount owed to group undertakings	(49,802)	(973,076)	-	-
Accruals and deferred income	(47,787)	-	-	-
Capital expenditure	(60,791)	-	-	-
	<u>(176,670)</u>	<u>(973,076)</u>	<u>-</u>	<u>-</u>

10. Provisions for liabilities and charges

	<u>2005</u>	<u>2004</u>
	Deferred Tax	Deferred Tax
	£'000	£'000
At 1 January 2005	-	-
New Provisions	(22,378)	-
At 31 December 2005	<u>(22,378)</u>	<u>-</u>

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Called up share capital

	2005	2004
	£'000	£'000
Authorised, allotted, called up and fully paid: 4,000,000 Ordinary shares of £1 each	4,000	4,000

12. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital £'000	Profit & loss account £'000	Total £'000
At 1 January 2004	4,000	10	4,010
Profit for the year	-	4,397	4,397
At 31 December 2005	4,000	4,407	8,407

13. Operating lease commitments

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

	2005	2004
	£'000	£'000
Expiring:		
Within 1 year	693	-
Between 2 to 5 years	2,772	-
Thereafter	4,452	-

14. Contingent liabilities

In February 2006 the company became a 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), a bridge loan (the BBF facility) and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2005 was €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.

In March 2006 the company also became a party to a Senior Notes Indenture dated 7 February 2006 (as amended on 16 March 2006). The Senior Notes comprise the €1,750 million 7.875% Senior Notes due 2016 and the \$750 million 8.5% Senior Notes due 2016. The company is a guarantor under the Senior Notes Indenture.

INNOVENE MANUFACTURING SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

16. Pensions

For the whole of 2005 the Company was a participating employer in the BP plc's principal UK pension plan (The BP Pension Fund).

The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund on a consistent and reasonable basis. 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 made in these financial statements.

Particulars of the most recent actuarial valuation of the BP Pension Fund and the disclosures required by FRS 17 for the year ended 31 December 2005, are included within the financial statements of BP p.l.c.

17. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Ineos Group Limited, a company registered in England and Wales. Copies of financial statements for Ineos Group Limited can be obtained from Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG.