

Ineos Manufacturing Scotland Limited
Annual report
for the year ended 31 December 2009

Registered number SC 010612

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Ineos Manufacturing Scotland Limited

Annual report

for the year ended 31 December 2009

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Ineos Manufacturing Scotland Limited

Directors' report for the year ended 31 December 2009

The directors present their report and audited financial statements of the company for the year ended 31 December 2009.

Principal activities

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 business and future developments

We operate a large refinery and a number of petrochemical plants at our site in Grangemouth. Our principal refining products are transport fuels, naphtha and heating and fuel oils. The refinery is physically integrated with our petrochemical plants located at the same site. Our chemicals businesses produce olefins and related products, together with a broad range of polymers.

During 2009 both the refining and petrochemical markets continued to experience difficult trading conditions which have prevailed since the 4th quarter of 2008. The petrochemical market has shown some improvement in 4th quarter of 2009.

The action initiated by the company, reacting strongly to the economic downturn with the introduction of substantial cost cutting programmes, which included a pay freeze and the removal of the staff bonus scheme, at the end of 2008 and reductions in working capital and capital investment programmes, have proved successful in mitigating the down turn, ensuring a positive cash flow and secure liquidity.

In line with the rest of the industry the company has continued to cut back production on one of the crackers at its Grangemouth site. It should be noted that the company has continued to operate the remainder of its production units on site normally.

Results and dividends

The profit for the financial year before taxation was £6,584,000 (2008: £22,119,000). The directors do not propose the payment of a dividend (2008: £nil).

Directors

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

T P Crotty	(Resigned 26 April 2010)
P J de Klerk	
G D Grant	
L H Heemskerk	(Appointed 26 April 2010)
S B Laker	(Appointed 26 April 2010)
C G Maclean	
H-L R Niederberger	
W B Reid	
A Traynor	(Resigned 26 April 2010)

Ineos Manufacturing Scotland Limited

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 Group.

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.

Charitable and political donations

The company actively supports local charities and voluntary organisations, and during the year made various charitable contributions totalling £29,116 (2008: £49,621). The company made no political donations in the year (2008: £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. 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 Ineos Limited 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 (KPIs)

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, are discussed in the group's annual report which does not form part of this report.

Ineos Manufacturing Scotland Limited

Statement of directors' responsibilities

The directors are responsible for preparing the director's 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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;
- 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors confirm that as far as they are aware, there is no relevant audit information of which the company'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 company'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
1st November 2010

Ineos Manufacturing Scotland Limited

Independent auditors' report to the members of Ineos Manufacturing Scotland Limited

We have audited the financial statements of Ineos Manufacturing Scotland Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, 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

As explained more fully in the Directors' Responsibilities Statement (set out on page 3) the directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Ineos Manufacturing Scotland Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Steve Denison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

1st November 2010

Ineos Manufacturing Scotland Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	1	389,055	476,688
Cost of sales		(349,703)	(380,991)
Gross profit		39,352	95,697
Distribution costs		(3,253)	(6,498)
Administrative expenses		(1,554)	(4,966)
Operating profit	2	34,545	84,233
Interest payable and similar charges	3	(25,391)	(65,610)
Other finance (costs)/ income	4	(2,570)	3,496
Profit on ordinary activities before taxation		6,584	22,119
Taxation on profit on ordinary activities	5	(1,485)	(6,176)
Profit for the financial year	16	5,099	15,943

All activities of the company relate to continuing operations.

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

Statement of total recognised gains and losses for the year ended 31 December 2009

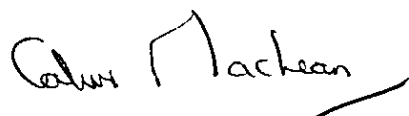
	Note	2009 £'000	2008 £'000
Profit for the financial year		5,099	15,943
Actuarial (loss)/gain recognised in the pension scheme	14	(21,521)	(54,699)
Deferred tax arising on losses/(gains) in the pension scheme	13	6,026	15,316
Total recognised gains and losses relating to the year		(10,396)	(23,440)

Ineos Manufacturing Scotland Limited

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	7	899,553	937,972
Current assets			
Stocks	8	22,991	23,814
Debtors	9	378,165	294,625
Cash at bank and in hand		24	62
		401,180	318,501
Creditors: amounts falling due within one year	10	(230,938)	(181,845)
Net current assets		170,242	136,656
Total assets less current liabilities		1,069,795	1,074,628
Creditors: amounts falling due after more than one year	11	(973,076)	(973,076)
Provisions for liabilities	12	(32,423)	(44,949)
Net assets excluding pension liabilities		64,296	56,603
Pension liabilities	14	(79,307)	(61,218)
Net liabilities including pension liabilities		(15,011)	(4,615)
Capital and reserves			
Called up share capital	15	4,000	4,000
Profit and loss account	16	(19,011)	(8,615)
Total shareholders' deficit	17	(15,011)	(4,615)

The financial statements on pages 6 to 22 were approved by the board of directors on 1st November 2010 and were signed on its behalf by:



C Maclean
Director

Ineos Manufacturing Scotland 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 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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 Holdings Limited. The directors have received confirmation that Ineos Holdings Limited intends to support the company for at least one year after these financial statements are signed.

Cash flow statement

The company is a wholly owned subsidiary of Ineos European Holdings Limited and 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 No. 1 'Cash Flow Statements (revised 1996)'.

Stock valuation

Stock is valued at cost to the company mainly using the weight average method or net realisable value, whichever is lower. Where necessary provision is made for obsolete, slow-moving and defective stocks.

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original cost of the asset and the cost attributable to bringing the asset to its working condition for its intended use. Assets are capitalised in recognition of future economic benefit or for Health and Safety Executive compliance.

Capital work in progress is held as assets under construction until fully commissioned and transferred into active use.

Depreciation is calculated so as to write off the cost of a fixed asset on a straight line basis over its estimated useful economic life, taking into account expected residual values, using the following rates:

Freehold buildings -	20 years
Plant and machinery -	20 years

Assets under construction and freehold land are not depreciated.

Ineos Manufacturing Scotland Limited

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a “finance lease”. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter.

Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

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

Turnover

Turnover, which is stated net of value added tax, represents the recovery of costs from Ineos Europe Limited under the terms of the tolling contract between the two companies. Under the tolling contract, Ineos Europe Limited provides raw materials to be converted into specified products, for which the company charges a toll fee. These are charged on monthly basis and are recognised on an accruals basis, as the service is delivered.

Pensions

The company participates in a defined benefit pension scheme providing benefits based on final pensionable pay for all employees. 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.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The operating costs of providing retirement benefits are recognised in the period in which they are earned, together with any related finance costs and charges in the value of related assets and liabilities.

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 Manufacturing Scotland Limited

Notes to the financial statements for the year ended 31 December 2009

1 Turnover

Turnover represents the recovery of costs from Ineos Europe Limited under the terms of the tolling contract between the two companies. Under the tolling contract, Ineos Europe Limited provides raw materials to be converted into specified products, for which the company charges a toll fee. All turnover relates to activities in the UK.

2 Operating profit

This is stated after charging/(crediting):

	2009 £'000	2008 £'000
Hire charges under operating leases for land and buildings	617	593
Exchange (gain) / loss on foreign currency	(1,370)	3,311
Depreciation of owned assets	95,521	90,180
Depreciation of assets held under finance leases	342	342
Amortisation of government grants	(458)	(450)

The audit fee of £70,000 has been included in the overall audit fee for Ineos Europe Limited in the current financial year and is not separately recharged to the company.

3 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable on loans from group undertakings	25,391	65,610

4 Other finance (costs)/income

	2009 £'000	2008 £'000
Interest on pension scheme liabilities	(18,934)	(18,192)
Expected return on pension scheme assets (Note 14)	16,364	21,688
	(2,570)	3,496

Ineos Manufacturing Scotland Limited

5 Tax on profit on ordinary activities

(a) Analysis of charge in the year

The tax charge is made up as follows:

	2009 £'000	2008 £'000
Current tax for the year		
Group relief payable on profits for the year	29,834	34,436
Adjustment in respect of previous years	29,593	(5,485)
Total current tax	59,427	28,951
Deferred tax		
Origination and reversal of timing difference	(26,841)	(25,346)
Adjustment in respect of prior years	(30,092)	4,068
	(56,933)	(21,278)
Pension cost relief in excess of pension cost charge	(1,009)	(1,497)
Total deferred tax (see note 13)	(57,942)	(22,775)
Tax on profit on ordinary activities	1,485	6,176

(b) Factors affecting tax charge for period

The tax for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 28%). The differences are explained below.

	2009 £'000	2008 £'000
Profit before taxation	6,584	22,119
Current taxation at 28%	1,844	6,193
Expenses not deductible for tax purposes	140	1,400
Accelerated capital allowances and other timing differences	26,841	25,346
Adjustments to tax charge in respect of previous year	29,593	(5,485)
Pension timing differences	1,009	1,497
Total current tax	59,427	28,951

(c) Factors that may affect future tax charges

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

Ineos Manufacturing Scotland Limited

6 Directors and employees

(a) Remuneration of directors

	2009	2008
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	213	309

	2009	2008
	£'000	£'000
Highest paid director		
Aggregate emoluments	213	309

One director had benefits accruing under a defined benefit pension scheme (2008: 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:	2009	2008
	£'000	£'000
Wages and salaries	62,776	64,702
Social security costs	5,584	5,824
Other pension costs (see note 14)	17,295	23,984
	85,655	

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

	2009	2008
By activity:	Number	Number
Operations	816	813
Maintenance	228	244
Other – support services	166	188
	1,210	1,245

Ineos Manufacturing Scotland Limited

7 Tangible assets

	Freehold land & Buildings £'000	Plant & Machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2009	1,510	1,139,999	110,300	1,251,809
Additions	-	-	57,444	57,444
Disposals	-	(249)	-	(249)
Transfers	-	60,346	(60,346)	-
At 31 December 2009	1,510	1,200,096	107,398	1,309,004
Accumulated depreciation				
At 1 January 2009	(585)	(313,252)	-	(313,837)
Disposals	-	249	-	249
Charge for the year	(192)	(95,671)	-	(95,863)
At 31 December 2009	(777)	(408,674)	-	(409,451)
Net book amount				
At 31 December 2009	733	791,422	107,398	899,553
At 31 December 2008	925	826,747	110,300	937,972

Included above is plant & machinery assets held under finance leases with a net book value of £5,209,000 (2008: £5,551,000). Depreciation for the year on these assets was £342,000 (2008: £342,000). The assets are owned by BP Exploration with no lease charge payable.

Included in freehold land and buildings is land of £365,000 (2008: £365,000) which is not depreciated.

8 Stocks

	2009 £'000	2008 £'000
Process chemicals	8,260	8,840
Plant spares	14,731	14,974
	22,991	23,814

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

Ineos Manufacturing Scotland Limited

9 Debtors

	2009	2008
	£'000	£'000
Trade debtors	2,464	4,898
Amounts owed by group undertakings	299,818	267,081
Amounts owed by related parties	20	-
Prepayments and accrued income	6,628	5,278
Other taxes recoverable	6,434	-
Other debtors	343	11,843
Deferred tax (note 13)	62,458	5,525
	378,165	294,625

10 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	31,290	38,791
Amounts owed to group undertakings	148,207	78,299
Other creditors	12,713	-
Accruals and deferred income	38,728	64,755
	230,938	181,845

11 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Amounts owed to group undertakings	973,076	973,076

Ineos Manufacturing Scotland Limited

12 Provisions for liabilities

	Remediation	Severance & Restructuring	Total
	£'000	£'000	£'000
At 1 January 2009	44,949	-	44,949
Reclassification	-	4,796	4,796
Utilised in the year	(14,262)	(3,060)	(17,322)
At 31 December 2009	30,687	1,736	32,423

Remediation Provision

The company has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the costs of rectification work required at the Grangemouth site to ensure compliance with licence to operate obligations. The required work is expected to be completed in the next two to three year period.

Severance & Restructuring Provision

This provision is in relation to commitments made for local community project support costs and severance costs.

13 Deferred tax

Deferred tax asset/(liability) provided for as follows:

	2009	2008
	£'000	£'000
Accelerated capital allowances	62,458	5,525
Deferred tax relating to pension deficit	30,842	23,807
	93,300	29,332

Analysis of movement in the year:

	Accelerated Capital Allowances	Deferred Tax Related to Pension Deficit	Total
	£'000	£'000	£'000
At 1 January 2009	5,525	23,807	29,332
Credited to profit and loss account (note 5)	56,933	1,009	57,942
Charged to statement of recognised gains and losses	-	6,026	6,026
At 31 December 2009	62,458	30,842	93,300

Ineos Manufacturing Scotland Limited

13 Deferred tax (continued)

The deferred tax asset of £30,842,000 (2008: £23,807,000) has been deducted in arriving at the net pension deficit on the balance sheet.

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.

14 Pension scheme

On 1 July 2006, a defined benefit pension scheme was set up for UK former Innovene employees. This 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 assets and liabilities have been included in the accounts of Ineos Manufacturing Scotland Limited as we are unable to split the assets and liabilities of the scheme between the respective companies.

In accordance with UK GAAP, pension charges in relation to the UK former Innovene Pension Fund have been accounted for under FRS 17 "retirement benefits" in these financial statements. The scheme is of a defined benefit type under which benefits are based on employees' years of service and final remuneration.

The most recent actuarial valuation of the scheme was carried out at 30 June 2006 and this has been updated to 31 December 2008 for the purposes of inclusion within these financial statements.

The major financial assumptions used by the actuary to calculate scheme liabilities under FRS 17 are:

	2009	2008	2007
Discount rate	5.70%	6.10%	5.80%
Inflation assumption	3.60%	3.10%	3.30%
Rate of increase in salaries	4.60%	4.60%	4.80%
Rate of increase in pensions in payment	3.50%	3.10%	3.30%
Rate of increase in deferred benefits during deferment	3.50%	3.10%	3.30%

Ineos Manufacturing Scotland Limited

14 Pension scheme (continued)

The mortality assumptions used in the valuation of the defined benefit pension liabilities are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of those plans. This has been done by adjusting standard mortality tables which reflect recent research into mortality experience in the UK (PMA92 tables with the medium cohort effect).

	2009	2008
	Years	years
Longevity at age 65 for current pensioners		
- Men	20.98	20.9

The assets and the liabilities for the members of the scheme, and the expected rates of return were:

	Long term rate of return expected at 31 December 2009	Value at 31 December 2009	Long term rate of return expected at 31 December 2008	Value at 31 December 2008
	%	£'000	%	£'000
Equities (fund manager portfolios)	8.10%	206,261	8.20%	152,144
Bonds	5.10%	78,777	5.20%	69,109
Other assets	4.30%	1,546	4.00%	5,185
Total market value of assets		286,584		226,438
Present value of scheme liabilities		(396,733)		(311,463)
Deficit in the scheme		(110,149)		(85,025)
Related deferred tax asset		30,842		23,807
Net pension liability		(79,307)		(61,218)

Deferred tax asset in relation to pension liabilities have only been recognised where it is more likely than not that they will be recoverable in the foreseeable future.

Ineos Manufacturing Scotland Limited

14 Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	2009	2008
	£'000	£'000
1 January	311,463	313,920
Current service cost	17,295	23,984
Past service cost	437	-
Member contributions	1,065	1,038
Interest cost	18,934	18,192
Benefits paid	(4,064)	(2,063)
Acquisitions	2,427	-
Actuarial gain/(loss)	49,176	(43,608)
Closing present value of assets at 31 December	396,733	311,463

Reconciliation of fair value of scheme assets

	2009	2008
	£'000	£'000
1 January	226,438	288,940
Expected return on scheme assets	16,364	21,688
Actuarial gain/(loss)	27,655	(98,307)
Acquisitions	2,427	-
Member contributions	1,065	1,038
Benefits paid	(4,064)	(2,063)
Company contributions	16,699	15,142
Closing fair value of assets at 31 December	286,584	226,438

Scheme assets do not include any of Ineos Manufacturing Scotland Ltd own financial instruments, or any property occupied by, or any other asset used by Ineos Manufacturing Scotland Ltd.

The company expects to contribute £17,467,000 to its defined benefit pension scheme in 2010.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in respective markets.

Ineos Manufacturing Scotland Limited

14 Pension scheme (continued)

The actual return on scheme assets in the year was a gain of £44,019,000 (2008: loss of £76,619,000).

Cash contributions of £3,196,373 (2008: £2,617,372) were received from other group companies.

The amounts recognised in the profit and loss are as follows:

Analysis of the amount charged to operating profit

	2009	2008
	£'000	£'000
Current service cost	17,295	23,984

Analysis of the amount charged to other finance costs

	2009	2008
	£'000	£'000
Expected return on pension scheme assets	(16,364)	(21,688)
Interest on pension scheme liabilities	18,934	18,192
Net charge/(credit) to other finance costs	2,570	(3,496)

Analysis of amount recognised in statement of total recognised gains and losses

	2009	2008
	£'000	£'000
Actual return less expected return on pension scheme assets	27,655	(98,307)
Experience (losses)/gains arising on the scheme liabilities	(9,674)	2,392
Changes in assumptions underlying the present value of the scheme liabilities	(39,502)	41,216
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(21,521)	(54,699)

Actuarial gains and losses

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £77,020,000 (2008: loss of £55,499,000)

Ineos Manufacturing Scotland Limited

14 Pension scheme (continued)

History of experience gains and losses

	2009	2008	2007	2006
	£'000	£'000	£'000	£'000
Defined benefit obligation	(396,733)	(311,463)	(313,920)	(290,200)
Plan assets	286,584	226,438	288,940	267,100
Deficit	(110,149)	(85,025)	(24,980)	(23,100)
Experience adjustments on plan assets	27,655	(98,307)	(15,060)	(549)
Experience adjustments on plan liabilities	9,674	(2,392)	-	31,551
Total actuarial gains and losses recognised in the statement of total recognised gains and losses:	(21,521)	(54,699)	360	(23,800)

15 Called up share capital

	2009	2008
	£'000	£'000
Authorised		
4,000,000 ordinary shares of £1 each	4,000	4,000
Allotted and fully paid		
4,000,000 ordinary shares of £1 each	4,000	4,000

16 Profit and loss account

	£'000
At 1 January 2009	(8,615)
Profit for the financial year	5,099
Actuarial loss recognised in the pension scheme	(21,521)
Deferred tax arising on actuarial gain in the pension scheme	6,026
At 31 December 2009	(19,011)

Ineos Manufacturing Scotland Limited

17 Reconciliation of the movement in shareholders' (deficit)

	2009	2008
	£'000	£'000
Profit for the financial year	5,099	15,943
Actuarial loss recognised in the pension scheme	(21,521)	(54,699)
Deferred tax credit arising on actuarial losses in the pension scheme	6,026	15,316
Net reduction in shareholders' deficit	(10,396)	(23,440)
Opening shareholders' funds/(deficit)	(4,615)	18,825
Closing shareholders' deficit	(15,011)	(4,615)

18 Operating lease commitments

At 31 December 2009, the company had annual commitments under non-cancellable operating leases as set out below:

	2009	2008
	£'000	£'000
Land and Buildings		
Expiring:		
More than 5 years	617	593

19 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 2009 was €5,003.7 million (2008: €5,079.8 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 €1,532.1 million 7.875% Senior Notes Due 2016 and the \$677.5 million 8.5% Senior Notes Due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2009 was €2,005.9 million (2008: €2,125.0 million). The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinated basis.

Ineos Manufacturing Scotland Limited

20 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.

Included within other debtors is a loan to G D Grant, a director of the company. The loan bears interest at 3% and is repayable upon demand although as at the date of these accounts the amount remains unpaid. The maximum amount outstanding during the year was the balance at 31 December 2009 of £10,000 (2008: £10,000).

21 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 2009. The consolidated financial statements of Ineos Limited are available from the Company Secretary, Ineos Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.

As of 26 March 2010, Ineos AG, a Swiss corporation, became the ultimate parent company