

Ineos Group Holdings plc
Annual report
for the year ended 31 December 2007

Registered Number 4215862

WEDNESDAY



AUGQL0HC

A12

11/06/2008

329

COMPANIES HOUSE

Ineos Group Holdings plc
Annual report
for the year ended 31 December 2007
Contents

Directors' report for the year ended 31 December 2007	3
Independent auditors' report to the members of Ineos Group Holdings plc	8
Consolidated profit and loss account for the year ended 31 December 2007	10
Consolidated statement of total recognised gains and losses for the year ended 31 December 2007	11
Consolidated balance sheet as at 31 December 2007	12
Consolidated cash flow statement for the year ended 31 December 2007	13
Statement of accounting policies	15
Notes to the financial statements for the year ended 31 December 2007	19
Company profit and loss account for the year ended 31 December 2007	68
Company balance sheet as at 31 December 2007	69
Notes to the company financial statements for the year ended 31 December 2007	70

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2007

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

Principal activities

The principal activities of the Group are the manufacture and sale of a range of chemicals and refined products used in a variety of applications

Results for the year

The results of the Group are set out in the consolidated profit and loss account on page 10 which shows a profit on ordinary activities after taxation for the financial year of €325.2 million (2006: €115.4 million)

Dividends

An interim dividend of €25.0 million (2006: €106.0 million) was declared during the year. The directors do not recommend the payment of a final dividend.

Review of business 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. We operate a total of 67 manufacturing sites across the world.

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.

The Group's 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 Group simple and decentralised. The Group will continue to focus on this during 2008.

On 31 August 2007 the Group acquired the Borealis AS petrochemical business in Norway, which included the integrated polyolefins businesses at Bamble, together with a 50% interest in the Noretyl ethylene cracker at Rafnes, Norway. On 2 October 2007 the Group acquired a 51% majority of the Lanxess ABS plastics business, Lustran Polymers. As part of the purchase agreement, the remaining 49 percent share will be acquired by the Group at the end of September 2009. The initial acquisition excludes the Indian part of the business, which completed in March 2008. On 18 October, 2007 the Group acquired Ineos Chlor Atlantik GmbH from Ineos Enterprises, a legally separate group of companies held under common control with Ineos Group Holdings. Ineos Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany. Further details of these acquisitions are contained in note 29 of the financial statements. We are in the process of restructuring these newly acquired businesses and integrating them with the rest of the Group.

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2007 (continued)

On 2 July 2007 the Group completed its disposal of the Emulsion PVC (E-PVC) business to Vinnolit GmbH & Co KG. On 1 October, 2007 the Group entered into a further 50/50 joint venture with Nova Chemicals in North America. The Group contributed its North American styrene and polystyrene assets at its Texas City and Joliet sites, whilst Nova Chemicals contributed its Styrenix business unit and other styrenics polymer assets. Together with the existing joint venture in Europe, the enlarged joint venture will be called Ineos Nova.

The Group initiated a major restructuring programme in 2006 to bring the acquired Innovene business into line with the Ineos business strategy. After restructuring the corporate overhead cost base in 2006, the focus in 2007 has moved to the restructuring of the operations at the main sites in Grangemouth, Laverà and Cologne. In addition two of the production lines at the Sarralbe site in France are now scheduled to be closed by the end of 2009. We have conducted a detailed manpower review at the main sites of Grangemouth, Laverà and Cologne. This review has resulted in the initiation of a number of manpower reduction programs, which will see overall manpower numbers on all of the sites reduce over the period 2008 to 2010.

On 6 July 2007, Morgan Stanley Capital Group Inc ('MSCG') and the Group entered into a Refineries Agreement pursuant to which MSCG will become the Group's sole trading partner for crude oil, refined products and trading services related to the refineries at Grangemouth and Laverà. The Refineries Agreement commenced on 1 April 2008 following termination of the Group's current supply agreements with BP. The arrangement with MSCG is in line with the Group's strategy to grow its trading and back office capabilities in order to be in a position to operate independently in the market.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below.

- The petrochemical and refining industries are cyclical — changing market demands and prices may negatively affect the Group's operating margins and impair its cash flow which, in turn, could affect its ability to make payments on its debt or to make further investments in the business.
- Raw materials and suppliers — if the Group is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected.
- International operations and currency fluctuations — the Group is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability.
- Competition — significant competition in the Group's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations.
- Inability to maximize utilization of assets — the Group may be adversely affected if it is unable to implement our strategy to maximize utilization of assets.
- Synergies — the Group may not realize anticipated revenue and cost synergies, benefit from anticipated business opportunities or experience anticipated growth from any of its acquisitions.

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2007 (continued)

Key performance indicators

Given the close involvement of the shareholders in the running of the business, the directors believe that the current level of disclosures within the Directors' Report is sufficient to give an understanding of the development, performance and position of the business

Directors

The directors who served during the year were as follows

Mr J A Ratcliffe

Mr A C Currie

Mr J Reece

Mr J Dawson

Research and development

The Group's research and development team develops new applications for its higher margin and less cyclical speciality chemicals, provides support to the Group's customers and seeks to improve the efficiency of the Group's manufacturing processes. In addition, the research and development team is also investigating alternative catalyst systems in order to reduce variable costs. The research and development team also leads the Group's efforts with respect to the development and capacity expansions of the plants and maintaining and improving safety and environmental standards. The Group spent approximately €85.9 million (2006: €78.1 million) on research and development (including process technology development) during the year.

Donations

As part of its ongoing investment programme, Ineos Group Holdings plc and its subsidiaries actively support a variety of initiatives in communities in which it operates. Charitable donations made during the year amounted to €0.2 million (2006: €1.0 million) for a variety of charitable purposes. Neither the Company nor its subsidiary undertakings made any donations or subscriptions for political purposes.

Policy and practice on payment of creditors

It is Group policy with regard to its suppliers to settle the terms of payment when agreeing the terms of each transaction and to abide by the terms of payment. Creditor days for the Group during the year averaged 48 days (2006: 40 days).

Subsequent events

In March 2008, the Group completed the acquisition of the Lanxess ABS business based in India. In March 2008, the Group also agreed to purchase the acrylonitrile business based in Seal Sands, UK from BASF. The transaction is subject to the approvals of the relevant competition authorities. The Group acquired the vinyl acetate monomer (VAM) and ethyl acetate (EtAc) businesses based in Hull, UK from BP in April 2008 for an initial consideration of €55 million.

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2007 (continued)

Employee involvement

The Group 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

It is the policy of the Group to give full and fair consideration to applications made by disabled persons, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure their continued employment with the Group and to provide specialised training where appropriate

Financial risk management

The Group'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 Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group where appropriate. The Group is exposed to commodity price risk as a result of its operations and seeks to mitigate this risk through various purchasing strategies. The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. See note 36 of the financial statements for information on financial instruments, interest risk, liquidity risk and foreign currency risk

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 the Group and of the profit or loss of the Company and Group 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,
- 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

Ineos Group Holdings plc

Directors' report for the year ended 31 December 2007 (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group 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
30 April 2008

Ineos Group Holdings plc

Independent auditors' report to the members of Ineos Group Holdings plc

We have audited the group and parent company financial statements (the "financial statements") of Ineos Group Holdings plc for the year ended 31 December 2007 which comprise the consolidated and company profit and loss accounts, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, 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 Annual Report and 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 if, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and 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 Group Holdings plc

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 group's and the parent company's affairs as at 31 December 2007 and of the group's and parent company's profit and of the group's cash flows 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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' followed by a stylized 'UP' or similar mark.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

30 April 2008

Ineos Group Holdings plc

Consolidated profit and loss account for the year ended 31 December 2007

	Note	2007	2006
		€'m	€'m
Turnover	2	27,515.8	26,587.4
Cost of sales		(25,182.4)	(24,599.5)
Exceptional cost of sales	3	(45.9)	-
		(25,228.3)	(24,599.5)
Gross profit		2,287.5	1,987.9
Distribution costs		(532.4)	(424.1)
Administrative expenses before exceptional items	4	(439.0)	(498.6)
Exceptional administrative expenses	5	(105.4)	(142.9)
Administrative expenses		(544.4)	(641.5)
Operating profit	6	1,210.7	922.3
Share of operating profit/(loss) of joint ventures		12.4	(0.2)
Income from other participating interests		6.5	-
Loss on disposal of businesses	7	(12.4)	-
Profit on disposal of investments	15	6.4	-
Interest receivable and similar income	8	31.7	30.2
Interest payable and similar charges before exceptional items	8	(782.3)	(694.9)
Exceptional net interest cost	8	-	(57.8)
Interest payable and similar charges		(782.3)	(752.7)
Other finance costs	8	(2.9)	(5.2)
Profit on ordinary activities before taxation		470.1	194.4
Taxation	10	(144.9)	(79.0)
Profit on ordinary activities after taxation		325.2	115.4
Equity minority interests	25	5.6	-
Profit for the financial year	27	330.8	115.4

There is no difference between the reported profits stated above and their historical cost equivalents

Ineos Group Holdings plc

Consolidated statement of total recognised gains and losses for the year ended 31 December 2007

	Note	2007 €'m	2006 €'m
Profit for the financial year		330.8	115.4
Currency translation differences on foreign currency net investments and related borrowings	27	(209.2)	(26.4)
Actuarial surplus recognised on pension schemes	27	51.9	19.5
Deferred tax arising on surpluses in pension schemes	27	(40.9)	30.2
Total recognised gains and losses relating to the year		132.6	138.7

Ineos Group Holdings plc

Consolidated balance sheet as at 31 December 2007

	Note	2007 €'m	2007 €'m	2006 €'m	2006 €'m
Fixed assets					
Positive goodwill	12		818.1		835.6
Negative goodwill	12		(418.3)		(432.3)
			399.8		403.3
Other intangible fixed assets	12		117.0		134.9
Tangible fixed assets	13		6,072.1		6,609.1
Investments	15		207.2		108.2
			6,796.1		7,255.5
Current assets					
Stocks	16	2,609.0		2,182.7	
Debtors: amounts due within one year	17	3,313.5		3,499.3	
Debtors: amounts due after more than one year	17	160.5		173.3	
Cash at bank and in hand		951.4		659.7	
		7,034.4		6,515.0	
Creditors: amounts falling due within one year	18	(4,221.3)		(3,931.0)	
Net current assets			2,813.1		2,584.0
Total assets less current liabilities			9,609.2		9,839.5
Creditors: amounts falling due after more than one year	19		8,117.9		8,656.4
Provisions for liabilities	22		510.6		371.6
Pension liabilities	24		372.1		374.6
Other post retirement benefit liabilities	24		21.3		32.4
Minority interest	25		89.0		13.8
Capital and reserves					
Called up equity share capital	26		17.7		17.7
Share premium account	27		51.1		51.1
Profit and loss account	27		429.5		321.9
Total shareholders' funds	28		498.3		390.7
			9,609.2		9,839.5

Ineos Group Holdings plc

Consolidated cash flow statement for the year ended 31 December 2007

	Note	2007 €'m	2007 €'m	2006 €'m	2006 €'m
Net cash inflow from operating activities	33		2,187.2		1,802.6
Dividends received from associates			-		-
Returns on investment and servicing of finance					
Interest received		31.6		10.4	
Interest paid		(672.4)		(489.3)	
Issue cost of debt finance raised		(0.5)		(65.2)	
Investment income		6.5		-	
Interest element of finance lease rentals		(0.9)		(1.7)	
Net cash flow from returns on investment and servicing of finance			(635.7)		(545.8)
Taxation			(106.9)		(128.4)
Capital expenditure and financial investment					
Receipts on disposal of fixed assets		2.4		1.0	
Loans to related parties		-		(83.5)	
Payments to acquire tangible fixed assets		(639.1)		(498.4)	
Net cash flow from capital expenditure and financial investment			(636.7)		(580.9)
Acquisitions and disposals					
Investment in joint venture		-		(3.5)	
Acquisition of businesses		(297.4)		(661.9)	
Cash acquired with subsidiaries		75.0		48.1	
Proceeds from disposal of business		11.5		-	
Proceeds from disposal of investment		7.2		-	
Purchase of minority interest		(0.1)		(11.7)	
Net cash flow from acquisitions and disposals			(203.8)		(629.0)
Equity dividends paid			(25.0)		(99.8)
Net cash flow before financing			579.1		(181.3)

Ineos Group Holdings plc

Consolidated cash flow statement for the year ended 31 December 2007 (continued)

	Note	2007 €'m	2007 €'m	2006 €'m	2006 €'m
Net cash flow before financing			579.1		(181.3)
Financing					
Capital repayment of finance leases		(1.4)		(1.1)	
Securitisation facility		25.5		1,137.2	
Receipt of new loans					
Senior Facilities Agreement		-		1,101.8	
Senior Notes		-		2,370.7	
Repayment of debt					
Senior Notes		-		(149.7)	
Senior Facilities Agreement		(284.0)		(1,342.2)	
Bridge Facility		-		(3,092.2)	
Other bank loans		(0.4)		(0.2)	
Net cash flow from financing			(260.3)		24.3
Increase/(decrease) in cash in the year	34		318.8		(157.0)

Ineos Group Holdings plc

Statement of accounting policies

Basis of accounting

The financial statements are prepared on a 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 consistently applied are set out below.

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertakings (the "Group") as at the balance sheet date. All intercompany transactions are eliminated, including any intercompany profits included in the Group which were not realised at the balance sheet date. Subsidiaries acquired during the year are included in the consolidated financial statements from the effective date of acquisition. Subsidiaries disposed of during the year are included in the consolidated financial statements up to the effective date of disposal.

Associates and joint ventures

Associated undertakings are companies in which the Group has a participating interest (usually from 20% to 50%) which is held for the long term and over whose operating and financial policies it exercises a significant influence. Joint ventures are undertakings in which the Group has a long term interest and over which it exercises joint control. The consolidated profit and loss account includes the Group's share of profits less losses of associated undertakings and of joint ventures. The consolidated balance sheet includes interests in associated undertakings and joint ventures at the value of the Group's share of the net assets of those undertakings.

Turnover

Turnover represents the invoiced value of products sold or services provided to third parties net of sales discounts and value added taxes.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue is recognised when the goods are either despatched or delivered depending on the relevant delivery terms, when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer. For all other services, revenue is recognised upon completion of the service provided.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write down the cost of the relevant assets to their estimated residual values in equal annual instalments over their expected useful lives. The rates used are as follows:

Land	Nil
Freehold buildings	2.5 - 10%
Plant, machinery and equipment	2.5 - 33%
Assets in the course of construction	Nil

All tangible fixed assets held under finance leases or other similar contracts are depreciated over the shorter of the lease terms and their useful lives.

Ineos Group Holdings plc

Reviews are made annually of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear

All tangible fixed assets are reviewed for impairment when there are indications that carrying values may not be fully recoverable

Intangible fixed assets

Goodwill represents the excess of cost of acquisitions of subsidiary undertakings and businesses over the fair value attributed to their net assets. Goodwill is capitalised as an intangible fixed asset and amortised through the profit and loss account on a straight line basis over its estimated useful economic life up to a maximum of 20 years. Negative goodwill is amortised over the periods in which the non-monetary assets of acquisitions made are recovered, whether through depreciation or sale. The Group is amortising negative goodwill over periods of 5 to 15 years.

For pre-existing non-compete agreements and licences acquired in connection with an acquisition, the fair value of these separable intangible assets is capitalised and amortised over the period of the agreement.

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

All intangible fixed assets are reviewed for impairment when there are indications that carrying value may not be fully recoverable.

Investments

Fixed asset investments are stated at cost less provision for any impairment. All investments are reviewed for impairment when there are indications that the carrying value may not be fully recoverable.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of relevant production overheads and is attributed to stocks on a first in, first out ("FIFO") basis. Provision is made for obsolete, slow-moving or defective items where appropriate.

Deferred taxation

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.

Deferred finance costs

Costs associated with raising finance are deducted from the gross proceeds in the balance sheet and amortised over the term of the relevant financing at a constant rate on the carrying amount.

Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year incurred.

Ineos Group Holdings plc

Foreign currencies

The functional currency of Ineos Group Holdings plc is the local currency of its principal operating environment. The Group's primary products are sold in an international commodities market which is priced and invoiced primarily in Euros, therefore the Euro is the Group's functional currency.

Transactions are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies in the balance sheet are translated at the closing rate for the period. All translation gains or losses on the settlement of monetary assets and liabilities are included in the determination of profit for the year.

Assets and liabilities of overseas subsidiaries are translated into Euros at the rates of exchange ruling at the balance sheet date. Trading results of overseas subsidiaries and associated undertakings have been translated at the average exchange rate for the relevant accounting period. Exchange differences arising on consolidation of overseas subsidiaries and associates, and on matching foreign currency loans, are taken to reserves.

To the extent they are not accounted for as a hedge, exchange differences on long-term monetary items outstanding at the balance sheet date are dealt with in the profit and loss account. This treatment is required by SSAP 20 in order to give a true and fair view of the Group's results. Compliance with SSAP 20 overrides schedule 4 paragraph 12 of the Companies Act 1985 which states that only profits realised at the balance sheet date should be included in the profit and loss account. The effect of the currency retranslation is disclosed in Note 6.

Pension and other post retirement benefits

Employees of the Group participate in a number of funded defined benefit pension plans. The Group pays contributions to the plans on behalf of the employees. The Group operates a number of unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits and long service awards.

The Group provides health care insurance to eligible retired employees and their dependents. These benefits relate mainly to employees in the United States and Belgium.

Pension and other post retirement scheme assets are measured using market values. Pension and other post retirement scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond.

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.

Grants

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.

Environmental liabilities

The Group is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provision for these costs is made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

Restructuring provisions

Estimated costs to be incurred in connection with restructuring measures are provided for when the Group has a constructive obligation, which is generally the announcement date. The announcement date is the date at which the plan is announced in sufficient detail to enable employees to estimate the redundancy payments to which they are entitled.

Ineos Group Holdings plc

Remediation provisions

Where the Group has a legal or constructive obligation to carry out any remediation works the costs of undertaking such work is provided. A provision is only made for specific work for which a reasonable estimate can be determined.

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Financial instruments

Amounts payable or receivable in respect of interest rate cap, floor and swap agreements are recognised in the interest payable charge on an accruals basis. The interest differential amounts due to/from the counterparty on such agreements are accrued until settlement date and are recognised as an adjustment to interest expense.

Securitisation

The Group is party to a debt securitisation programme in which various 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 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. The risks and rewards of ownership of the receivables are retained by the Group and therefore Ineos Finance Ireland has been included in the consolidated financial statements as a quasi subsidiary.

Emission trading scheme

The Group is a member of the UK Government Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the government also allows the surplus to be traded in the form of emissions permits.

The incentive money due from the UK Government is recognised in the profit and loss account once the reduction targets have been met. The emissions permits allocated by the Government are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). CDM permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The company is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The company recognises the revenue from sale of CERs upon their sale to third parties.

Ineos Group Holdings plc

Notes to the consolidated 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 Segmental information

Class of business

The Company reports under the following four business segments O&P North America, O&P Europe, Refining and Chemical Intermediates. The previously reported Corporate segment was a legacy from the Innovene acquisition. During the course of 2006 we restructured the operations of Innovene and removed the corporate activities that were previously included in this segment. The remaining activities have now been fully absorbed by the business segments. The newly acquired Borealis AS and Lanxess ABS businesses form part of the O&P Europe and Chemical Intermediates segments respectively.

The turnover, operating profit and net assets attributable to each different class of business is as follows

	2007 €'m	2006 €'m
Turnover		
O&P North America	3,036.8	3,041.0
O&P Europe	9,696.9	8,214.2
Refining	9,426.5	10,097.6
Chemical Intermediates	13,053.1	11,588.0
Corporate and Eliminations	(7,697.1)	(6,353.4)
	27,515.8	26,587.4
Operating profit/(loss)		
O&P North America	98.3	101.6
O&P Europe	359.6	269.4
Refining	319.2	223.3
Chemical Intermediates	559.8	546.8
Corporate and Eliminations	(113.8)	(219.0)
Operating profit (including share of operating profit of associate)	1,223.1	922.1

Ineos Group Holdings plc

2 Segmental information (continued)

	2007	2006
	€'m	€'m
Net assets		
O&P North America	891.3	975.6
O&P Europe	2,593.0	2,569.5
Refining	972.0	981.8
Chemical Intermediates	784.9	1,354.8
Corporate and Eliminations	(4,742.9)	(5,491.0)
	498.3	390.7

Geographical analysis

The directors of the Company are of the opinion that disclosure of operating profit and net assets by geographical location would be seriously prejudicial to the interests of the Company. Accordingly, they have elected to exercise the exemption from such disclosure permitted by Statement of Standard Accounting Practice No 25 (SSAP 25) "Segmental reporting"

Turnover by geographical destination is as follows

	2007	2006
	€'m	€'m
Europe	20,375.0	19,137.0
Americas	5,614.2	5,501.0
Rest of World	1,526.6	1,949.4
	27,515.8	26,587.4

Turnover by geographical origin is as follows

	2007	2006
	€'m	€'m
Europe	20,881.2	20,597.1
Americas	6,308.9	5,510.9
Rest of World	325.8	479.4
	27,515.8	26,587.4

Ineos Group Holdings plc

3 Exceptional cost of sales

Exceptional cost of sales was €45.9 million during the year ended 31 December, 2007 (31 December, 2006 nil). This charge reflects the non cash write down of the North American tangible fixed assets at the Texas City and Joliet sites after an impairment review of these businesses was carried out during the year.

4 Administrative expenses before exceptional items

	2007 €'m	2006 €'m
Administrative expenses	460.8	483.7
Amortisation of positive goodwill	43.3	44.0
Amortisation of negative goodwill	(65.1)	(29.1)
	439.0	498.6

5 Exceptional administrative expenses

	2007 €'m	2006 €'m
Restructuring of Innovene operations	43.3	118.7
Restructuring of other acquired businesses	4.5	9.2
Closure of Films manufacturing facility	9.1	-
Restructuring of joint ventures	48.5	15.0
	105.4	142.9

The Group has continued its restructuring programme for the acquired Innovene business during 2007. The restructuring is now focused on the operations at the main sites in the business at Grangemouth, Lavera and Cologne. In addition two of the production lines at the Sarralbe site are now scheduled to be closed, which will result in a corresponding reduction in the workforce there. The restructuring costs largely relate to severance and early retirement costs.

The Group has closed its Films manufacturing facility in Monfalcone, Italy during the year. The restructuring costs of €9.1 million relate to severance costs, contract termination penalties and general site clearance costs.

The Ineos Nova joint venture restructured some of its operations in North America during the year. The restructuring related to the closure of their facilities in Montreal, Canada and Belpre, USA. In addition the joint venture acquired the exclusive production rights from Sterling Chemical's Texas City, USA styrene plant and then nominated zero production volumes, so that the Sterling plant was then permanently shut down. The restructuring charges of €48.5 million relate to the Group's share of the asset write downs and severance costs incurred by the joint venture.

Ineos Group Holdings plc

6 Operating profit

Operating profit is stated after charging/(crediting) the following

	2007 €'m	2006 €'m
Depreciation of tangible fixed assets		
Owned assets	886.7	720.4
Finance leased assets	6.7	7.1
Amortisation of goodwill	43.3	44.0
Write back of negative goodwill	(65.1)	(29.1)
Amortisation of other intangibles	14.2	8.9
Loss on disposal of fixed assets	2.9	0.8
Research and development expenditure	85.9	78.1
Operating lease rental charges		
Other	17.4	12.8
Plant, machinery and equipment	45.9	23.4
Amortisation of government grants	(3.0)	(0.6)

Services provided by the Group's auditor and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors as detailed below

	2007 €'m	2006 €'m
Audit services		
Fees payable to the Group's auditor for the audit of parent company and consolidated accounts	0.7	0.7
Non-audit services		
Fees payable to the Group's auditor and its associates for other services		
The audit of Company's subsidiaries and accounts	2.7	2.5
Tax services	2.5	2.4
Services relating to corporate finance transactions	1.5	0.7
Other services	1.3	4.4
	8.7	10.7

Ineos Group Holdings plc

7 Loss on disposal of business

	2007 €'m	2006 €'m
Loss on disposal of E-PVC business (note 30)	(9.9)	-
Loss on disposal of Styrenics business into joint venture (note 30)	(2.5)	-
	(12.4)	-

8 Interest, other income and similar charges

	2007 €'m	2006 €'m
Interest receivable and similar income		
Interest receivable on bank balances	31.7	19.5
Related parties loan interest	-	9.5
Other interest	-	1.2
	31.7	30.2
Interest payable and similar charges		
Interest payable on Senior Notes	188.4	171.3
Interest payable on bank loans and overdrafts	401.9	436.4
Interest payable on securitisation	70.2	28.7
Amortisation of debt issue costs	28.7	30.2
Interest payable on finance leases	0.9	1.7
Other interest	13.1	14.2
Exchange differences on foreign currency loan balances	79.1	12.4
	782.3	694.9
Exceptional net interest cost		
Discount on market purchases of Senior Notes	-	(9.9)
Write off of unamortised debt issue costs	-	67.7
	-	57.8
Other finance costs		
Interest on pension scheme liabilities	90.5	63.1
Expected return on pension scheme assets	(87.6)	(57.9)
	2.9	5.2

Ineos Group Holdings plc

8 Interest, other income and similar charges (continued)

During 2006 the Group repurchased €120 million and \$50 million of the Senior Notes. The Senior Notes were purchased on the open market at a discount to their principal amount.

Unamortized debt issue costs of €67.7 million in relation to the Bridge Facility and the Borrowing Base Facility were written off in 2006 as a result of the refinancing of these facilities with the proceeds of the Senior Notes and the Securitization Facility.

9 Directors' remuneration

	2007	2006
	€'m	€'m
Aggregate emoluments	0.6	1.0
Company contribution to money purchase scheme	0.1	0.1
Aggregate emoluments	0.7	1.1

Retirement benefits are accruing to two directors (2006: two directors) under a money purchase scheme. No directors (2006: no director) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year were €0.4 million (2006: €0.4 million). Pension contributions of €41,000 (2006: €40,000) were paid into a personal pension scheme in relation to the highest paid director.

Ineos Group Holdings plc

10 Taxation

Analysis of charge in the year

	2007	2006
	€'m	€'m
United Kingdom		
Corporation tax at 30% (2006 30%)	18.0	10.8
Double taxation relief	(18.0)	(10.8)
Adjustments in respect of previous periods	1.0	-
	1.0	-
Foreign tax		
Corporation taxes	95.8	128.5
Adjustments in respect of previous periods	(54.4)	(27.5)
	41.4	101.0
Total current tax	42.4	101.0
Deferred tax		
Origination and reversal of timing differences	65.3	(28.2)
Adjustments in respect of previous periods	37.2	6.2
Total deferred tax	102.5	(22.0)
Tax on profit on ordinary activities	144.9	79.0

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

	2007	2006
	€'m	€'m
Profit on ordinary activities before tax	470.1	194.4
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	141.0	58.3
Effects of		
Income not chargeable for tax purposes	(1.0)	(9.3)
Capital allowances in excess of depreciation	(81.1)	(153.0)
Other short term timing differences	15.7	66.7
Timing differences in respect of losses arising in North America	-	129.2
Adjustment in respect of foreign tax rates	7.3	36.9
Deferred tax not provided	17.1	(0.3)
Utilisation of tax losses	(3.2)	-
Adjustments in respect of previous periods	(53.4)	(27.5)
Total current tax	42.4	101.0

Ineos Group Holdings plc

10 Taxation (continued)

Factors affecting future tax charges

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future. Deferred tax has been recognised in respect of certain taxation losses of the Group as indicated in note 23. Future tax charges may be affected by the realisation of other taxation losses which have not been recognised at the balance sheet date.

11 Dividends

	2007 €'m	2006 €'m
Equity interim dividends paid of €2.17 (2006: €9.22) per ordinary share	25.0	106.0

12 Intangible fixed assets

	Non- complete €'m	License fees €'m	Intellectual property rights €'m	Total €'m	Goodwill €'m	Negative goodwill €'m
Cost						
At 1 January 2007	2.9	8.8	139.2	150.9	883.4	(612.7)
Fair value adjustment	-	-	-	-	(31.3)	(58.1)
Additions	-	-	0.3	0.3	-	-
Disposals	-	(1.6)	(0.6)	(2.2)	-	27.7
Acquisition of businesses	-	-	0.3	0.3	128.6	(31.8)
Exchange adjustments	-	(0.3)	(5.0)	(5.3)	(74.3)	28.9
At 31 December 2007	2.9	6.9	134.2	144.0	906.4	(646.0)
Accumulated amortisation						
At 1 January 2007	2.3	5.6	8.1	16.0	47.8	(180.4)
Charge for the year	-	1.7	12.5	14.2	43.3	(65.1)
Disposals	-	(1.6)	(0.6)	(2.2)	-	1.3
Exchange adjustments	-	(0.2)	(0.8)	(1.0)	(2.8)	16.5
At 31 December 2007	2.3	5.5	19.2	27.0	88.3	(227.7)
Net book amount						
At 31 December 2007	0.6	1.4	115.0	117.0	818.1	(418.3)
At 31 December 2006	0.6	3.2	131.1	134.9	835.6	(432.3)

Ineos Group Holdings plc

12 Intangible fixed assets (continued)

Goodwill arising on the Group's acquisitions is being amortized on a straight line basis over 20 years. This period is that over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Negative goodwill arising on the acquisition of Ineos Fluor, Ineos Silicas, Ineos Phenol, Ineos Vinyls and Ineos Chlor is being amortized on a straight line basis over 5 to 15 years. This period represents that over which the non monetary assets are recovered, whether through depreciation or sale. Negative goodwill arising on the acquisition of Ineos ABS was fully amortized during 2007 (see note 29). As the fixed assets of the business were fair valued to €nil million on acquisition, this period represents that over which the inventory acquired was utilized.

The intellectual property right intangible asset relates to the recognition of technology assets acquired with Innovene based upon valuations performed by independent valuation experts and the value of the licensing, catalyst and additives technologies acquired as part of the Ineos Vinyls acquisition. These intellectual property rights are being amortized on a straight line basis over 10 to 15 years. This period represents the directors' estimate of the life of the technology before it is replaced by either competing or new technology.

The license fees represent amounts paid for the process of homogeneous cleavage of cumene hydroperoxide into its products. These license fees are being amortized by equal annual instalments over 15 years, being the period of the agreement.

Ineos Group Holdings plc

13 Tangible fixed assets

	Freehold land and buildings	Plant, machinery, fixtures, fittings and motor vehicles	Assets in the course of construction	Total
	€'m	€'m	€'m	€'m
Cost				
At 1 January 2007	467.7	7,283.4	475.6	8,226.7
Additions	14.7	36.0	6.8	57.5
Acquisitions of businesses	0.9	252.6	387.8	641.3
Disposals	(52.6)	(46.3)	(2.6)	(101.5)
Transfers	55.0	460.6	(515.6)	-
Exchange adjustments	(9.7)	(409.9)	(3.7)	(423.3)
At 31 December 2007	476.0	7,576.4	348.3	8,400.7
Accumulated depreciation				
At 1 January 2007	102.0	1,515.6	-	1,617.6
Charge for the year	28.3	865.1	-	893.4
Transfers	35.7	(35.7)	-	-
Effect of disposals in the year	(52.6)	(3.0)	-	(55.6)
Exchange adjustments	-	(126.8)	-	(126.8)
At 31 December 2007	113.4	2,215.2	-	2,328.6
Net book amount				
At 31 December 2007	362.6	5,361.2	348.3	6,072.1
At 31 December 2006	365.7	5,767.8	475.6	6,609.1

Included in the above are assets held under hire purchase and finance leases with a net book value of €56.2 million (2006: €67.2 million)

Included in the charge for the year ended 31 December, 2007 is an impairment charge of €45.9 million in relation to tangible fixed assets at the Texas City and Joliet sites in the USA

Ineos Group Holdings plc

14 Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2007 by the Group amounted to approximately €209.0 million (2006: €663.6 million)

15 Investments

Group	Joint ventures €'m	Associated undertakings €'m	Other investments €'m	Total €'m
At 1 January 2007	81.0	0.7	26.5	108.2
Transfer from provisions for liabilities	(24.1)	-	-	(24.1)
Share of profits/(losses) retained	(42.9)	-	-	(42.9)
Additions	104.2	-	22.9	127.1
Acquisitions	55.9	-	-	55.9
Disposals	(7.6)	-	(1.8)	(9.4)
Exchange adjustments	(7.7)	-	0.1	(7.6)
At 31 December 2007	158.8	0.7	47.7	207.2

Other investments relate to a 19.9% investment in Geosel Manosque, a company registered in France whose principal activity is the provision of underground storage facilities for liquid hydrocarbons in Southern France and a 16.7% investment in Aethylen Rohrleitungs Gesellschaft mbH & Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe. During the year the Group disposed of a 4.1% shareholding in Indaver NV for a profit of €6.4 million. Indaver NV is a company registered in Belgium which specializes in the treatment and disposal of chemical waste and environmental cleaning.

Ineos Group Holdings plc

15 Investments (continued)

Details of investments in joint ventures is set out below

Company	Class of shares held	Country of incorporation	Percentage held	Principal activities
Appryl SNC	Ordinary	France	50%	Chemicals
Naphthachimie SNC	Ordinary	France	50%	Chemicals
Oxochimie SA	Ordinary	France	50%	Chemicals
Ineos Nova European Holding BV	Class A Ordinary	Netherlands	50%	Chemicals
Ineos Nova International SA	Class A Ordinary	Switzerland	50%	Chemicals
Ineos Nova LLC	Common	USA	50%	Chemicals
Southern Ridge Pipeline GP LLC	Partnership	USA	50%	Pipeline/Transportation
Jiangxi In-Tech Chemical Company Limited	Ordinary	China	50%	Chemicals
Noretyl AS	Ordinary	Norway	50%	Chemicals

The Group acquired the 50% interest in Noretyl AS as part of the acquisition of Borealis AS in August 2007 (see note 29). The Group contributed its North American styrene and polystyrene assets with a book value of €104.2 million into a new joint venture, Ineos Nova LLC in October 2007 (see note 30). This has created a new enlarged Ineos Nova joint venture covering both Europe and North America. This enlarged joint venture resulted in the Group's share of the net liabilities of the existing Ineos Nova European joint venture of €24.1 million being transferred from provisions for liabilities to investments.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The following information relates to the principal subsidiary undertakings of the Company. The full list of subsidiary undertakings at 31 December 2007 will be annexed to the Company's next annual return.

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Holdings Limited*	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Industrial Investment Limited	England	100%	Finance
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Partners DGP	US	100%	Holding Company
Ineos Phenol Limited	England	100%	Holding Company
Ineos Phenol Verwaltungsgesellschaft mbH	Germany	100%	Chemicals
Ineos Phenol GmbH & Co KG	Germany	100%	Chemicals
Ineos Investment Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Intermediate Holdings (Fluor & Silicas)	England	100%	Holding Company
Ineos Holdings (Fluor & Silicas) Limited	England	100%	Holding Company
Ineos Fluor Holdings Limited	England	100%	Holding Company
Ineos Fluor Limited	England	100%	Chemicals
Ineos Fluor Japan Limited	Japan	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Canada Inc	Canada	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Holding Limited	England	100%	Holding Company
Ineos Silicas Limited	England	100%	Chemicals
Ineos Silicas Netherlands BV	Holland	100%	Chemicals
Ineos Silicas Sales and Distribution BV	Holland	100%	Chemicals
Ineos Silicas South Africa Pty Limited	South Africa	100%	Chemicals
PT Ineos Silicas Indonesia	Indonesia	100%	Chemicals
Ineos Brazil Limitada	Brazil	100%	Chemicals
Ineos Healthcare Limited	England	100%	Healthcare
Ineos US Holding Company II LLC	US	100%	Holding Company

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos US Intermediate Holding Company LLC	US	100%	Holding Company
Ineos Americas LLC	US	100%	Chemicals
Ineos US Investment Holding Company LLC	US	100%	Holding Company
Ineos European Holdings Limited	England	100%	Holding Company
Ineos Belgium Holdco NV	Belgium	100%	Holding Company
Ineos Solutions NV	Belgium	100%	Chemicals
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Europe Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Manufacturing Scotland Limited	Scotland	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s r l	Italy	100%	Chemicals
Ineos Manufacturing France SAS	France	100%	Chemicals
Ineos Manufacturing Italia s p a	Italy	100%	Chemicals
Ineos Services Belgium NV	Belgium	100%	Chemicals
Ineos Melamines GmbH	Germany	100%	Chemicals
Ineos Deutschland GmbH	Germany	100%	Holding Company
Ineos LLC	US	100%	Holding Company
Ineos Holdings Company LLC	US	100%	Holding Company
Ineos USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Canada Investment Company	Canada	100%	Holding Company
Ineos Chlor Newco 3 Limited	England	100%	Holding Company
Ineos Chlor Limited	England	100%	Chemicals

Ineos Group Holdings plc

15 Investments (continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Chlor Atlantik GmbH	Germany	100%	Chemicals
Ineos Vinyls Group Limited	England	100%	Holding Company
Ineos Vinyls Limited	England	100%	Holding Company
Ineos Vinyls Finance plc	England	100%	Finance
Ineos Vinyls UK Limited	England	100%	Chemicals
Ineos Vinyls Belgium SA/NV	Belgium	100%	Chemicals
Ineos Vinyls Deutschland GmbH	Germany	100%	Chemicals
Ineos Vinyls Sales GmbH	Germany	100%	Chemicals
Ineos Compounds UK Limited	England	100%	Chemicals
Ineos Compounds Switzerland AG	Switzerland	100%	Chemicals
Ineos Compounds Italia s r l	Italy	100%	Chemicals
Ineos Films s p a	Italy	100%	Chemicals
Ineos Films Italia s r l	Italy	100%	Chemicals
Ineos Films Inc	US	100%	Chemicals
Ineos Films GmbH	Germany	100%	Chemicals
Ineos Films Staufien GmbH	Germany	100%	Chemicals
Caprihans India Limited	India	59%	Chemicals
Ineos ABS (Jersey) Limited	UK	51%	Holding Company
Ineos ABS (Deutschland) Limited	Germany	51%	Chemicals
Ineos ABS (UK) Limited	UK	51%	Chemicals
Ineos ABS Thailand Co Limited	Thailand	51%	Chemicals
Lustran Polymers SL	Spain	51%	Chemicals
Ineos Holdings (Malta) Limited	Malta	100%	Holding Company
Ineos Financing (Malta) Limited	Malta	100%	Holding Company
Ineos Holdings Norge AS	Norway	100%	Holding Company
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Sales Norge AS	Norway	100%	Chemicals

* Held directly by the Company

Ineos Group Holdings plc

16 Stocks

	Group	
	2007	2006
	€'m	€'m
Raw materials and consumables	1,071.7	596.1
Work in progress	62.8	43.6
Finished products	1,474.5	1,543.0
	2,609.0	2,182.7

17 Debtors

	Group	
	2007	2006
	€'m	€'m
Amounts due within one year		
Trade debtors	2,888.3	3,263.2
Amounts owed by related parties (note 37)	51.4	46.5
Other debtors	288.7	161.4
Prepayments and accrued income	85.1	28.2
	3,313.5	3,499.3
Amounts due after more than one year		
Amounts owed by related parties (note 37)	44.2	44.2
Amounts owed by group undertakings	94.0	94.0
Other debtors	1.7	0.8
Prepayments and accrued income	20.6	34.3
	160.5	173.3

Ineos Group Holdings plc

18 Creditors – amounts falling due within one year

	Group	
	2007	2006
	€'m	€'m
Senior Facilities Agreement	194.8	190.8
Other bank loans	0.4	0.4
Obligations under finance leases	1.5	2.5
Trade creditors	2,429.0	1,743.7
Amounts due to related parties (note 37)	34.9	85.9
Amounts owed to group undertakings	21.2	20.8
Other creditors	514.5	774.9
Deferred consideration	30.4	32.8
Corporation tax	45.9	108.8
Accruals and deferred income	948.7	970.4
	4,221.3	3,931.0

19 Creditors – amounts falling due after more than one year

	Group	
	2007	2006
	€'m	€'m
Senior Notes	2,062.6	2,108.6
Ineos Vinyls Senior Notes	160.4	159.7
Senior Facilities Agreement	4,702.0	5,106.3
Securitisation Facility	1,084.6	1,110.3
Other bank loans	1.1	1.1
Obligations under finance leases	12.2	13.4
Other loans	0.7	1.3
Amounts owed to related parties	4.9	78.7
Other creditors	50.7	41.2
Accruals and deferred income	38.7	35.8
	8,117.9	8,656.4

Ineos Group Holdings plc

20 Obligations under finance leases

Group	2007 €'m	2006 €'m
Obligations under finance leases comprise		
Rentals due within one year	2.3	3.6
Rentals due between one to two years	2.1	2.6
Rentals due between two to five years	6.3	5.8
Rentals due after more than five years	9.7	10.1
	20.4	22.1
Less amounts representing interest relating to future periods	(6.7)	(6.2)
Present value of minimum lease payments	13.7	15.9
Less amounts due within one year	(1.5)	(2.5)
Amounts due after more than one year	12.2	13.4

21 Borrowings

	Group	
	2007 €'m	2006 €'m
Gross borrowings	8,385.1	8,885.2
Less issue costs	(178.5)	(206.7)
Net borrowings	8,206.6	8,678.5
Gross borrowings are repayable as follows		
Due within one year	225.1	218.9
Due between one and two years	240.0	234.3
Due between two and five years	2,104.4	2,104.7
Due after more than five years	5,815.6	6,327.3
	8,385.1	8,885.2

21 Borrowings (continued)

Senior Facilities Agreement

The Company has outstanding borrowings under a facilities agreement (the "Senior Facilities Agreement") which consists of Term Loans ("Term Loan A", "Term Loan B", "Term Loan C" and "Term Loan D"), and a revolving credit facility (the "Revolving Credit Facility"). The Term Loans outstanding at 31 December, 2007 were €5,020.2 million (31 December, 2006 €5,440.4 million), of which €224.7 million (31 December, 2006 €218.5 million) is due within one year. The total amounts outstanding on Term Loan A were €1,151.8 million (31 December, 2006 €1,381.0 million), Term Loan B were €1,609.2 million (31 December, 2006 €1,704.7 million), Term Loan C were €1,609.2 million (31 December, 2006 €1,704.7 million), Term Loan D were €650.0 million (31 December, 2006 €650.0 million) and Revolving Credit Facility were €nil million (31 December, 2006 €nil million).

Term Loan A is repayable in 14 semi-annual instalments beginning on 31 December 2006 ranging from 6.0% to 10.0% of the principal amount of the loan up until the final repayment on 16 December 2012. Term Loan B is repayable in 9 instalments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2013. Term Loan C is repayable in 10 instalments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2014. Term Loan D is repayable in full on 16 December 2015.

Under the Senior Facilities Agreement the Company had a receivables borrowing base facility ("Borrowing Base Facilities"). All outstanding amounts under these facilities were repaid on 11 July, 2006, with the proceeds of receivables securitization facility entered into by the Company. Unamortized debt issue costs of €37.3 million in relation to the Borrowings Base Facilities were written off during the year ended 31 December, 2006.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum margins as at 31 December 2006 are 2.25% per annum for the Term Loan A facility, 2.50% per annum for loans denominated in euro and 2.25% per annum for loans denominated in dollars under the Term Loan B facility, 3.00% per annum for loans denominated in euro and 2.75% per annum for loans denominated in dollars under the Term Loan C facility, 2.25% per annum for Revolving Credit Facility, and 3.75% per annum for the Term D Loan Facility.

The margins on Term Loans A and B are subject to a reduction based on certain financial tests.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends.

The Term Loans are stated net of unamortised debt issue costs of €123.4 million (31 December 2006 €143.3 million). These costs are allocated to the profit and loss account in accordance with FRS4 Capital Instruments.

Ineos Group Holdings plc

21 Borrowings (continued)

Senior Notes

On 7 February 2006, the Company issued €1,750 million 7.875% Senior Notes due 2016 (the 'Euro Notes') and \$750 million 8.5% Senior Notes due 2016 (the 'Dollar Notes') pursuant to a private offering. The Senior Notes were subsequently listed on the Luxembourg Stock Exchange on 13 April 2006.

On 21 July 2006 the Company completed the repurchase of €120 million of the €1,750 million 7.875% Senior Notes Due 2016 and \$50 million of the \$750 million 8.5% Senior Notes Due 2016. The repurchased Senior Notes have now been cancelled. The repurchase was funded by the €250 million increase in the Term Loan D tranche of the Company's senior bank facilities. The remainder of the Tranche D increase was used to refinance the Ineos Vinyls senior debt on acquisition.

The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Company at their principal amount on 15 February 2016.

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Company, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

Year	Euro Notes	Dollar Notes
	Redemption Price	Redemption Price
2011	103.938%	104.250%
2012	102.625%	102.833%
2013	101.313%	101.417%
2014 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Notes are secured by junior pledges of all of the shares of Ineos Holdings Limited. The Senior Notes are guaranteed by Ineos Holdings Limited and its material operating subsidiaries on an unsecured senior subordinated basis (excluding any Ineos Vinyls operating subsidiaries). Such guarantees only become due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Notes are stated net of debt issue costs of €48.0 million (31 December 2006: €54.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with FRS 4 Capital Instruments.

Ineos Group Holdings plc

21 Borrowings (continued)

Ineos Vinyls Senior Notes

The Company acquired Ineos Vinyls on 26 July 2006. Ineos Vinyls has outstanding senior notes of €160 million ("Ineos Vinyls Senior Notes"). As a result of the acquisition the Ineos Vinyls Senior Notes were fair valued to their market price at that date. The Ineos Vinyls Senior Notes are listed on the Luxembourg Stock Exchange.

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on 1 June and 1 December of each year. Unless previously redeemed, the Ineos Vinyls Senior Notes will be redeemed by the Company at their principal amount on 1 December 2011.

The payments due under the Ineos Vinyls Senior Notes are unconditionally guaranteed by the Company. The guarantee is a senior, unsubordinated obligation of the Company, ranking pari passu with its obligations under the Senior Notes, except that it will not be secured by the shares of Ineos Holdings Limited and the Funding Loans from the Company to Ineos Holdings Limited. The Ineos Vinyls Senior Notes are not guaranteed by the guarantors of the Senior Notes.

The Ineos Vinyls Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Ineos Vinyls Senior Notes are stated net of debt issue costs of €2.0 million (31 December, 2006: €3.4 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with FRS 4 Capital Instruments.

Receivables Securitisation Facility

The Company entered into a €1,500 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") on 11 July 2006. The proceeds of the securitisation were used to repay the Borrowing Base Facilities, which were originally put in place in December 2005 as a bridge facility until the planned implementation of the securitisation. The term of the facility is five years. The total amount outstanding at 31 December 2006 was €1,089.7 million (31 December, 2006: €1,116.3 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €5.1 million (31 December, 2006: €6.0 million).

Bridge Facility

The Bridge Facility was fully repaid on 7 February, 2006 with the proceeds of a high yield bond offering (the Senior Notes) by the Company, together with additional facilities drawn under the Senior Facilities Agreement.

The Bridge Facility incurred interest at a rate equal to a margin plus either EURIBOR or LIBOR. The interest rates were subject to a cap of the higher of EURIBOR plus 9.10% and 12.75%. Unamortized debt issue costs of €30.4 million in relation to the Bridge Facility were written off during the year ended 31 December, 2006.

Ineos Group Holdings plc

22 Provisions for liabilities

	Severance and restructuring costs	Remediation	Joint ventures	Other	Deferred Tax	Total
	€'m	€'m	€'m	€'m	€'m	€'m
At 1 January 2007	37.4	113.6	24.1	19.0	177.5	371.6
Reclassifications	3.0	-	-	0.2	-	3.2
Acquisitions	-	0.8	-	44.5	-	45.3
Disposals	(0.5)	-	-	-	-	(0.5)
Charged to the profit and loss account	50.0	14.3	-	9.5	102.5	176.3
Utilised in the year	(22.5)	(20.2)	-	(1.7)	-	(44.4)
Released in the year	(0.1)	-	-	(6.2)	-	(6.3)
Transfer to investments	-	-	(24.1)	-	-	(24.1)
Exchange adjustments	(2.6)	(7.7)	-	(0.4)	0.2	(10.5)
At 31 December 2007	64.7	100.8	-	64.9	280.2	510.6

Severance and restructuring costs

The Group initiated a major restructuring programme in 2006 to bring the acquired Innovene business into line with the Ineos business strategy. After restructuring the corporate overhead cost base in 2006, the focus in 2007 has moved to the restructuring of the operations at the main sites in Grangemouth, Lavéra and Cologne. In addition two of the production lines at the Sarralbe site are now scheduled to be closed. The Group has incurred costs as part of this restructuring which primarily relate to the reorganization of operations and severance and early retirement costs of former employees. The utilisation of this provision is expected to be within the next two years.

Remediation costs

The Group 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 clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next two to five year period.

Other provisions

The Group has provided for the expected losses on an onerous loss making raw material supply contract with its ABS business in Germany. Other provisions also include a number of provisions for other loss making contracts and commercial disputes.

Ineos Group Holdings plc

23 Deferred taxation

Deferred tax asset/(liability) provided for

	Group	
	2007	2006
	€'m	€'m
Accelerated capital allowances	(366.2)	(334 0)
Losses	41.4	158 9
Short term timing differences	44 6	(2 4)
	(280.2)	(177 5)
Pension and other post retirement benefit schemes	147.9	183 8
	(132.3)	6 3

Deferred tax asset not provided for

	Group	
	2007	2006
	€'m	€'m
Accelerated capital allowances	(62.8)	(24 0)
Losses	(89 2)	(50 1)
	(152 0)	(74 1)

The unprovided deferred tax asset has not been recognised as it is not considered more likely than not that the losses and accelerated capital allowances will be utilised in the foreseeable future

Analysis of movement in the year

	Group
	€'m
At 1 January 2007	6 3
Charged to profit and loss account	(102 5)
Credited to statement of total recognised gains and losses	(40 9)
Acquisitions	5 0
Exchange	(0 2)
At 31 December 2007	132 3

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and France.

The Group also operates a number of unfunded pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows: United Kingdom on 31 December 2007 for EVC, 30 June 2006 for Ex-Innovene otherwise 31 December 2004, United States on 1 January 2007, Belgium and Norway on 31 December 2007, France on 31 December 2006 for all plans except for the RSI plan which was as of 31 December 2007, and Germany on 31 December 2007 except in the case of Films, which was as of 31 December 2006. These valuations have been updated where appropriate to 31 December 2007 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium and France.

The major assumptions used in this valuation were:

	United Kingdom			North America			Other European		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
	%	%	%	%	%	%	%	%	%
Major assumptions									
Rate of general increase in salaries	4.80	4.40	4.30	4.00	3.75-4.00	3.50-4.50	2.75-4.50	2.75	2.50-4.25
Rate of increase to pension in payment	3.30	2.90	2.70	0.00	0.00	0.00-2.50	1.50-4.25	1.50-2.00	0.00-2.00
Discount rate for scheme liabilities	5.80	5.10	4.85	6.25	4.75-6.00	4.75-5.50	5.50	4.75	4.25
Inflation	3.30	2.90	2.70	0.00	2.25	2.50-3.00	2.00-2.25	2.00	1.75-2.00

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

The expected long term rate of returns and market value of the assets of the Company's principal defined benefit plans were as follows

As at 31 December 2007

	United Kingdom		North America		Other European		Total	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	8.0%	767.0	7.0%	104.5	7.0%	55.5	-	927.0
Bonds	5.1%	177.6	4.5%	60.7	4.8%	32.9	-	271.2
Other	5.6%	26.4	-	-	4.8%	13.2	-	39.6
		971.0		165.2		101.6		1,237.8
Present value of liabilities		(1,166.9)		(163.1)		(416.4)		(1,746.4)
Deficit in the plans		(195.9)		2.1		(314.8)		(508.6)
Related deferred tax asset		54.8		(0.7)		82.4		136.5
Net pension liability		(141.1)		1.4		(232.4)		(372.1)

As at 31 December 2006

	United Kingdom		North America		Other European		Total	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	7.8%	742.6	9.5%	116.2	7.4%	52.0	-	910.8
Bonds	4.7%	201.6	7.0%	56.7	4.5%	23.5	-	281.8
Other	5.6%	32.8	8.4%	2.4	6.3%	3.2	-	38.4
		977.0		175.3		78.7		1,231.0
Present value of liabilities		(1,218.9)		(187.4)		(365.7)		(1,772.0)
Deficit in the plans		(241.9)		(12.1)		(287.0)		(541.0)
Related deferred tax asset		72.6		4.6		89.2		166.4
Net pension liability		(169.3)		(7.5)		(197.8)		(374.6)

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

As at 31 December 2005

	United Kingdom		North America		Other European		Total	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	7.80%	107.7	8.50%	121.8	7.75%	42.1	-	271.6
Bonds	4.40%	7.3	5.50%	82.8	4.00%	16.8	-	106.9
Other	4.00%	6.5	4.00%	4.0	4.25%	3.8	-	14.3
		121.5		208.6		62.7		392.8
Present value of liabilities		(178.1)		(256.9)		(346.5)		(781.5)
Deficit in the plans		(56.6)		(48.3)		(283.8)		(388.7)
Related deferred tax asset		17.1		3.3		89.8		110.2
Net pension liability		(39.5)		(45.0)		(194.0)		(278.5)

Deferred tax assets and liabilities 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

The costs of the pension plans for the years ended 31 December 2007 and 2006 are as follows

Analysis of amount charged to operating profit

Year ended 31 December 2007	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Current service cost	47.7	7.7	19.1	74.5
Past service cost	0.5	0.5	6.4	7.1
Gains/losses on settlements and curtailments	(3.8)	4.1	-	0.3
Total operating charge	44.4	12.3	25.5	81.9

24 Pension schemes and other post retirement benefits (continued)

Year ended 31 December 2006	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Current service cost	28.9	14.5	29.4	72.8
Past service cost	0.3	-	-	0.3
Gains/losses on settlements and curtailments	-	(18.3)	0.1	(18.2)
Total operating charge	29.2	(3.8)	29.5	54.9

Analysis of amount credited/(charged) to other finance costs

Year ended 31 December 2007	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Interest on pension scheme liabilities	60.6	10.3	17.2	88.1
Expected return on pension scheme assets	(69.1)	(13.3)	(5.2)	(87.6)
Net return	(8.5)	(3.0)	12.0	0.5

Year ended 31 December 2006	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Interest on pension scheme liabilities	31.4	12.2	14.7	58.3
Expected return on pension scheme assets	(36.3)	(15.3)	(4.2)	(55.8)
Net return	(4.9)	(3.1)	10.5	2.5

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

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

Year ended 31 December 2007	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Actual return less expected return on pension scheme assets	(23.3)	6.8	(3.0)	(19.5)
Experience gains and losses arising on scheme liabilities	(10.3)	5.5	(10.7)	(15.5)
Changes in assumptions	55.7	7.9	15.8	79.4
Actuarial (loss)/ gain recognised in statement of total recognised gains and losses	22.1	20.3	2.1	44.4

Year ended 31 December 2006	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Actual return less expected return on pension scheme assets	9.8	4.2	8.5	22.5
Experience gains and losses arising on scheme liabilities	(46.4)	4.5	20.3	(21.6)
Changes in assumptions	(23.4)	13.1	28.9	18.6
Actuarial (loss) recognised in statement of total recognised gains and losses	(60.0)	21.8	57.7	19.5

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

Movement in surplus/(deficit) during the year

	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Deficit in schemes at 1 January 2006	(56 6)	(48 3)	(283 8)	(388 7)
Reclassifications	-	-	(7 6)	(7 6)
Current service cost	(28 9)	(14 5)	(29 4)	(72 8)
Past service cost	(0 3)	-	-	(0 3)
Curtailment/settlement	-	18 3	(0 1)	18 2
Contributions	22 6	3 1	18 2	43 9
Other finance costs	4 9	3 1	(10 5)	(2 5)
Actuarial (loss)/gain	(60 0)	21 8	57 7	19 5
Acquisitions	(119 2)	-	(31 5)	(150 7)
Exchange adjustments	(4 4)	4 4	-	-
Deficit in schemes at 31 December 2006	(241 9)	(12 1)	(287 0)	(541 0)
Reclassifications	-	5 3	7 4	12 7
Current service cost	(47 7)	(7 7)	(19 1)	(74 5)
Past service cost	(0 5)	(0 2)	(6 4)	(7 1)
Curtailment/settlement	3 8	(4 1)	-	(0 3)
Contributions	41 2	1 5	24 9	67 6
Other finance costs	8 5	3 0	(12 0)	(0 5)
Actuarial (loss)/gain	22 1	20 2	2 1	44 4
Acquisitions	-	(4 0)	(24 6)	(28 6)
Exchange adjustments	18 6	0 2	(0 1)	18 7
Surplus/(deficit) in schemes at 31 December 2007	(195.9)	2.1	(314 8)	(508.6)

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

History of experience gains and losses

Year ended 31 December 2007	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Difference between the actual and expected return on scheme assets	(23.3)	6.8	(3.0)	(19.5)
Percentage of scheme assets	2.6%	4.1%	2.9%	1.6%
Experience gains and losses on scheme liabilities	(10.3)	5.5	(10.7)	(15.5)
Percentage of present value of scheme liabilities	0.9%	3.4%	2.6%	0.9%
Total amount recognised in statement of total recognised gains and losses	22.1	20.2	2.1	44.4
Percentage of present value of scheme liabilities	1.9%	12.4%	0.5%	2.5%
Year ended 31 December 2006	United Kingdom	North America	Other European	Total
	€'m	€'m	€'m	€'m
Difference between the actual and expected return on scheme assets	9.8	4.2	8.5	22.5
Percentage of scheme assets	1.0%	2.4%	10.7%	1.8%
Experience gains and losses on scheme liabilities	(46.4)	4.5	20.3	(21.6)
Percentage of present value of scheme liabilities	3.9%	2.4%	5.6%	1.1%
Total amount recognised in statement of total recognised gains and losses	(60.0)	21.8	57.7	19.5
Percentage of present value of scheme liabilities	5.0%	11.7%	15.9%	1.1%

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

Year ended 31 December 2005	United Kingdom €'m	North America €'m	Other European €'m	Total €'m
Difference between the actual and expected return on scheme assets	15.2	(0.1)	6.4	21.5
Percentage of scheme assets	12.5%	-	10.2%	5.5%
Experience gains and losses on scheme liabilities	4.0	(1.1)	(0.3)	2.6
Percentage of present value of scheme liabilities	2.2%	0.4%	-	0.3%
Total amount recognised in statement of total recognised gains and losses	(10.5)	(2.2)	(5.7)	(18.4)
Percentage of present value of scheme liabilities	5.9%	0.9%	1.6%	2.4%
Year ended 31 December 2004	United Kingdom €'m	North America €'m	Other European €'m	Total €'m
Differences between the actual and expected return on scheme assets	1.2	0.1	(0.5)	0.8
Percentage of scheme assets	1.3%	1.5%	1.3%	0.6%
Experience gains and losses on scheme liabilities	0.2	(0.7)	0.6	0.1
Percentage of present value of scheme liabilities	0.1%	4.7%	0.7%	-
Total amount recognised in statement of total recognised gains and losses	(9.2)	(1.6)	(5.5)	(16.3)
Percentage of present value of scheme liabilities	6.8%	10.8%	6.7%	7.1%

24 Pension schemes and other post retirement benefits (continued)

Year ended 31 December 2003	United Kingdom €'m	North America €'m	Other European €'m	Total €'m
Differences between the actual and expected return on scheme assets	9.2	0.5	0.5	10.2
Percentage of scheme assets	11.3%	8.6%	1.4%	8.3%
Experience gains and losses on scheme liabilities	(0.6)	0.5	(5.2)	(5.3)
Percentage of present value of scheme liabilities	0.5%	3.9%	7.0%	2.6%
Total amount recognised in statement of total recognised gains and losses	(1.2)	0.6	(10.3)	(10.9)
Percentage of present value of scheme liabilities	1.1%	4.7%	13.9%	5.4%

Post-retirement health care plans

The group also operates a number of plans, primarily in the United States and Europe, which provide employees with other post-employment benefits in respect of health care. The plans are generally unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming a liability discount rate of 6.25% (2006 6.00%) in the US and 5.50% (2006 4.75%) in Europe, and a long-term health care trend rate of 4.50% (2006 4.50%).

	Post-retirement health care plans	
	2006 €'m	2007 €'m
Market value of assets	-	-
Present value of liabilities	(49.8)	(32.7)
Deficit in the plans	(49.8)	(32.7)
Related deferred tax asset	17.4	11.4
Net liability	(32.4)	(21.3)

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

Movement in surplus/(deficit) during the year

	Total
	€'m
Deficit in schemes at 1 January 2006	(49.3)
Reclassifications	3.3
Current service cost	(3.5)
Past service cost	-
Contributions	0.5
Other finance costs	(2.5)
Actuarial (loss)/gain	1.3
Acquisitions	-
Exchange adjustments	0.4
Deficit in schemes at 31 December 2006	(49.8)
Reclassifications	3.8
Current service cost	(2.6)
Past service cost	13.6
Contributions	0.1
Other finance costs	(2.4)
Actuarial (loss)/gain	7.5
Acquisitions	(6.5)
Exchange adjustments	3.6
Deficit in schemes at 31 December 2007	(32.7)

Ineos Group Holdings plc

24 Pension schemes and other post retirement benefits (continued)

	2007 €'m	2006 €'m
Reserves		
Group profit and loss reserves excluding net pension liability	822.9	728.9
Net pension liability under FRS 17	(393.4)	(407.0)
Group profit and loss reserve including net pension liability under FRS 17	429.5	321.9

	2007 €'m	2006 €'m
Net assets		
Group net assets excluding net pension liability	891.7	797.7
Net pension liability under FRS 17	(393.4)	(407.0)
Group net assets including net pension liability	498.3	390.7

25 Minority interests

	2007 €'m	2006 €'m
At 1 January	(13.8)	-
Acquisitions (note 29)	(83.5)	(25.5)
Purchase of minority interest	-	11.7
Loss on ordinary activities after taxation	5.6	-
Exchange adjustments	2.7	-
At 31 December	(89.0)	(13.8)

Ineos Group Holdings plc

26 Called up equity share capital

	2007	2006
	€'m	€'m
Authorised, allotted, issued and fully paid		
Equity		
11,499,950 ordinary shares of £1 each	17.7	17.7

As the reporting currency of the Company is the Euro, share capital has been converted to Euros at the effective rate of exchange ruling at the date of issuance

27 Reserves

Group	Share premium	Profit and loss account
	€'m	€'m
At 1 January 2007	51.1	321.9
Profit for the financial year	-	330.8
Dividends (note 11)	-	(25.0)
Exchange adjustments	-	(209.2)
Actuarial surplus recognised on pension schemes	-	51.9
Deferred tax arising on gains in pension schemes	-	(40.9)
At 31 December 2007	51.1	429.5

28 Reconciliation of movement in total shareholders' funds

	Group	Group
	2007	2006
	€'m	€'m
Profit for the year	330.8	115.4
Equity dividends paid (note 11)	(25.0)	(106.0)
Retained profit for the year	305.8	9.4
Other recognised gains relating to the year (net)	(198.2)	23.3
Increase in total shareholders' funds	107.6	32.7
Opening total shareholders' funds	390.7	358.0
Closing total shareholders' funds	498.3	390.7

Ineos Group Holdings plc

29 Acquisitions

Borealis AS

On 31 August, 2007 the Group acquired the Borealis AS petrochemical business in Norway, which included the integrated polyolefins businesses at Bamble, together with a 50% interest in the Noretyl ethylene cracker at Rafnes, Norway. The total consideration, including acquisition expenses and after working capital adjustments, was €237.7 million (NOK 1,891.8 million). The business was acquired debt free with cash balances of €48.6 million (NOK 386.8 million). The purchase has been accounted for as an acquisition in these consolidated financial statements. The newly acquired business now forms part of the O&P Europe business segment.

The consolidated financial statements presented include management's allocation of purchase price which includes certain preliminary allocations. The final allocations of the purchase price may change after completion of the valuations performed at the acquisition date.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below.

	Book value	Revaluation	Accounting policy alignment	Provisional fair value
	€'m	€'m	€'m	€'m
Intangible fixed assets	0.9	-	(0.9)	-
Tangible fixed assets	48.6	-	0.9	49.5
Investments	55.9	-	-	55.9
Stock	30.1	(0.2)	-	29.9
Debtors	11.7	(0.1)	-	11.6
Cash	48.6	-	-	48.6
Creditors	(56.1)	(2.7)	-	(58.8)
Pensions	(22.5)	5.9	-	(16.6)
Deferred taxation on pensions	4.5	(4.5)	-	-
Net assets acquired	121.7	(1.6)	-	120.1
Goodwill				117.6
Consideration (including acquisition expenses)				237.7

An independent actuarial valuation of the pension plans was performed as at the date of the acquisition, which resulted in a decrease in the pension deficit of €5.9 million.

In its last financial year to 31 December, 2006, Borealis AS made a profit after taxation of €6.4 million (NOK 52.3 million). For the period from 1 January, 2007 until the date of acquisition, Borealis AS made a profit after taxation of €18.0 million (NOK 142.6m).

Ineos Group Holdings plc

29 Acquisitions (continued)

Lanxess ABS

On 2 October, 2007 the Group acquired a 51% majority of the Lanxess ABS plastics business, Lustran Polymers. As part of the purchase agreement, the remaining 49 percent share will be acquired by the Group at the end of September 2009. The initial acquisition excludes the Indian part of the business which completed in March 2008. The total consideration, including acquisition expenses but before the finalisation of working capital adjustments, was €55.2 million. The business is the world's third largest and Europe's leading supplier of ABS plastics and has sites in Dormagen (Germany), Tarragona (Spain), Map Ta Phut (Thailand), Vadodara (India) and Addyston (USA). The purchase has been accounted for as an acquisition in these consolidated financial statements. The newly acquired business has been renamed Ineos ABS and now forms part of the Chemical Intermediates business segment.

The consolidated financial statements presented include management's allocation of purchase price which includes certain preliminary allocations. The final allocations of the purchase price may change after completion of the valuations performed at the acquisition date.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below.

	Book value	Revaluation	Provisional fair value
	€'m	€'m	€'m
Intangible fixed assets	0.4	(0.4)	-
Tangible fixed assets	42.5	(42.5)	-
Stock	139.2	-	139.2
Debtors	159.0	1.2	160.2
Cash	21.0	-	21.0
Provisions	-	(44.4)	(44.4)
Creditors	(96.4)	-	(96.4)
Pensions	(8.6)	(6.0)	(14.6)
Deferred taxation on pensions	-	5.5	5.5
Net assets	257.1	(86.6)	170.5
Minority interest			(83.5)
Net assets acquired			87.0
Negative goodwill			(31.8)
Consideration (including acquisition expenses)			55.2

Ineos Group Holdings plc

29 Acquisitions (continued)

The revaluation of tangible fixed assets by €42.5 million represents an adjustment to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the individual asset groupings. An independent actuarial valuation of the pension plans was performed as at the date of the acquisition, which resulted in an increase in the pension deficit of €6.0 million. The business in Germany was acquired with an onerous raw material supply contract and a provision for €44.4 million has been recognized for the expected losses on this contract.

In its last financial year to 31 December, 2006, Lanxess ABS made a profit before interest and taxation of €4.6 million. For the period from 1 January, 2007 until the date of acquisition, Lanxess ABS made a profit before interest and taxation of €11.5 million. A profit after taxation figure is not available as the business acquired was carved out from various divisions, so no allocation of interest or taxation was made.

Other acquisitions

On 18 October, 2007 the Group acquired Ineos Chlor Atlantik GmbH from Ineos Enterprises, a legally separate group of companies held under common control with Ineos Group Holdings. Ineos Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany. On November 16, 2007 the Group acquired Glebe Mines Limited. Glebe Mines Limited is the UK's only indigenous fluorspar mining company, based in the Peak District.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below.

	Total
	€'m
Book value	2.6
Revaluation/ accounting policy alignments	4.3
Net assets acquired	6.9
Goodwill	11.0
Consideration (including acquisition expenses)	17.9

Ineos Group Holdings plc

29 Acquisitions (continued)

Updates to prior years acquisitions

The consolidated financial statements for the year ended December 31, 2006 included management's allocation of the purchase price which included certain provisional fair values for the acquisitions of the Ineos Chlor and Dormagen EO/EG businesses. In 2007 these provisional fair values were reviewed and finalized as set out below

	Dormagen EO/EG business €'m	Ineos Chlor €'m	Innovene €'m	Total €'m
Provisional goodwill	45.1	17.4	872.1	934.6
Revaluations	(0.9)	(75.5)	(13.0)	(89.4)
Final goodwill	44.2	(58.1)	859.1	845.2

A loan note owed by Ineos Chlor to Ineos Enterprises, a related company, for €75.5 million has been written down to a fair value of nil, as it will not be repayable. In addition the Group received an additional €13.0 million in 2007 in settlement of working capital balances relating to the acquisition of Innovene from BP.

30 Disposals

	E-PVC €'m	Styrenics €'m	Total €'m
Tangible fixed assets	45.0	-	45.0
Stock	7.6	85.8	93.4
Debtors	1.8	92.1	93.9
Creditors	(1.5)	(71.2)	(72.7)
Negative goodwill	(26.4)	-	(26.4)
Net assets disposed	26.5	106.7	133.2
Loss on sale (note 7)	(9.9)	(2.5)	(12.4)
Sales proceeds satisfied by			
Cash	11.5	-	11.5
Deferred consideration	5.1	-	5.1
Share of joint venture (note 15)	-	104.2	104.2
	16.6	104.2	120.8

On 2 July, 2007 the Group completed its disposal of the Emulsion PVC (E-PVC) business to Vinnolit GmbH & Co KG, for a total consideration of €16.6 million. The sale consisted of the commercial goodwill of the Ineos ChlorVinyls E-PVC business along with its E-PVC production facilities at Hillhouse (UK) and Schkopau (Germany). The deal also included an agreement for Vinnolit to off take the entire E-PVC output at Porto Torres (Italy).

Ineos Group Holdings plc

30 Disposals (continued)

On 1 October, 2007 the Group entered into a further 50:50 joint venture with Nova Chemicals in North America (see note 13). The Group contributed its North American styrene and polystyrene assets at its Texas City and Joliet sites, whilst Nova Chemicals contributed its Styrenix business unit and other styrenics polymer assets. Together with the existing joint venture in Europe, the enlarged joint venture will be called Ineos Nova.

31 Employees

The average monthly number of employees in the Group for the year by function were

	2007	2006
Operations	11,221	10,138
Administration	1,859	1,277
Research and development	602	572
	13,682	11,987

The year end number of employees in the Group by function were

	2007	2006
Operations	11,905	12,111
Administration	2,266	1,446
Research and development	640	603
	14,811	14,160

Staff costs for the above employees (including executive directors) were

	2007	2006
	€'m	€'m
Wages and salaries	959.5	628.7
Social security costs	147.2	57.4
Pension costs	83.8	68.9
	1,190.5	755.0

Ineos Group Holdings plc

32 Operating lease commitments

Annual commitments under non-cancellable operating leases comprise

	2007 €'m	2006 €'m
Plant and equipment		
Expiring within one year	24.4	17.0
Expiring between 1 to 2 years	19.0	4.3
Expiring between 2 to 5 years	33.1	10.5
Expiring in more than 5 years	160.4	15.7
	236.9	47.5
Land and buildings		
Expiring within one year	3.1	1.1
Expiring between 1 to 2 years	1.4	1.5
Expiring between 2 to 5 years	7.9	2.6
Expiring in more than 5 years	73.2	5.5
	85.7	10.7

33 Reconciliation of operating profit to net cash flow from operating activities

	2007 €'m	2006 €'m
Operating profit	1,210.7	922.3
Depreciation of tangible fixed assets	893.4	727.5
Amortisation of intangible fixed assets	(7.6)	23.8
Loss on disposal of fixed assets	2.9	0.8
(Increase)/decrease in stocks	(500.8)	28.5
(Increase)/decrease in debtors	(813.4)	145.1
Increase/(decrease) in creditors and provisions	1,402.0	(45.4)
Net cash flow from operating activities	2,187.2	1,802.6

Ineos Group Holdings plc

34 Reconciliation of net cash flow to movement in net debt

	2007 €'m	2006 €'m
Increase/(decrease) in cash in the year	318.8	(157.0)
Cash outflow from change in debt financing	260.3	(24.3)
Change in net debt resulting from cashflows	579.1	(181.3)
Loans and finance leases acquired with subsidiary	-	(170.0)
Other net non-cash transactions	214.9	255.5
Movement in net debt in year	794.0	(95.8)

35 Analysis of net debt

	At 1 January 2007 €'m	Cash flow €'m	Acquisition (excluding cash) €'m	Other non-cash changes €'m	At 31 December 2007 €'m
Cash at bank and in hand	659.7	318.8	-	(27.1)	951.4
Cash overdrafts	-	-	-	-	-
	659.7	318.8	-	(27.1)	951.4
Debt due within one year	(218.9)	-	-	(6.2)	(225.1)
Debt due after more than one year	(8,666.3)	258.9	-	247.4	(8,160.0)
Finance leases	(15.9)	1.4	-	0.8	(13.7)
	(8,901.1)	260.3	-	242.0	(8,398.8)
Net debt	(8,241.4)	579.1	-	214.9	(7,447.4)

Non cash changes relate primarily to exchange movements, reclassifications between debt due after more than one year and debt due within one year and new finance leases

36 Derivatives and other financial instruments

Set out below are the narrative and numerical disclosures required by Financial Reporting Standard 13 “Derivatives and other financial instruments” (FRS 13). The Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short term debtors and creditors, other than for foreign currency risk disclosures.

(a) Financial instruments

The Group’s financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors etc, that arise from its operations. The main purpose of these financial instruments is to manage the Group’s operations. It is, and has been throughout the period under review, the policy of the Group that no trading in financial instruments shall be undertaken.

The main risks from the Group’s financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Interest risk

The Group finances its operations through a mixture of retained profits, borrowings under the Senior Facilities Agreement and the Senior Notes. The Group’s exposure to market risk for changes in interest rates relates primarily to its borrowings under the Senior Facilities Agreement upon which interest is paid at variable rates and to its cash resources which are invested at variable rates.

The Group has entered into a number of derivative financial instruments during the year to manage its interest rate risk under the Senior Facilities Agreement. The derivatives consist of interest rate caps and floors with a number of counterparties. These interest rate collars have a total initial notional principal of €2,572.8 million, amortising to €2,205.8 million, with a cap rate of 4.49% and a floor rate of 2.71%. All of the derivatives mature in February 2009. Our interest rate collars entitle us to receive from counterparties the amounts, if any, by which our interest payments on certain of our floating rate borrowings exceed the cap rate, or pay to counterparties the amounts, if any, by which our interest payments fall below the floor rate.

(c) Liquidity risk

The Group’s exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group’s lenders.

(d) Foreign currency risk

The currencies most important to the Group’s financial position and results of operations are the Euro as well as U.S. Dollars, Sterling and Yen.

To mitigate the effect of the currency exposure arising from its overseas operations, the Group borrows in the local currencies of its main operating units.

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

(e) Interest rate and current profile of financial assets and liabilities

The interest rate and currency profile of the Group's gross financial liabilities at 31 December 2007 and 2006 were:

At 31 December 2007:

Fixed rate financial liabilities					
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	€'m	€'m	€'m	%	Years
Euros	6,289.0	4,483.0	1,806.0	8.0	7.7
US Dollars	2,039.1	1,558.6	480.5	8.5	8.1
GBP	68.3	68.3	-	-	-
Yen	2.4	1.1	1.3	4.6	7.9
	8,398.8	6,111.0	2,287.8	8.1	7.8

The floating rate liabilities comprise the Euro and US Dollar portions of the Senior Facilities Agreement and the Securitisation Facility

At 31 December 2006:

Fixed rate financial liabilities					
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	€'m	€'m	€'m	%	Years
Euros	6,434.7	4,625.7	1,809.0	8.0	8.5
US Dollars	2,381.6	1,849.0	532.6	8.5	9.1
GBP	82.0	82.0	-	-	-
Yen	2.8	1.3	1.5	4.3	8.9
	8,901.1	6,558.0	2,343.1	8.1	9.6

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

The floating rate liabilities comprise the Euro and US Dollar portions of the Senior Facilities Agreement and the Bridge Facility

The Group has cash balances of €951.4 million (2006: €659.7 million) which earn interest at prevailing market rates. €270.5 million (2006: €356.2 million) were denominated in Euro, €546.5 million (2006: €184.3 million) were denominated in US Dollars, €71.4 million (2006: €86.0 million) were denominated in Sterling, and other currencies total €63.0 million (2006: €33.2 million)

(f) Maturity of financial liabilities and undrawn committed facilities

The maturity profile of the Group's financial liabilities and undrawn committed facilities at 31 December 2007 and 2006 was as follows

	2007	2006	2007	2006
	Financial Liabilities	Financial Liabilities	Undrawn Facilities	Undrawn Facilities
	€'m	€'m	€'m	€'m
In one year or less, or on demand	197.1	193.1	2.5	2.5
In more than one year, but not more than two years	212.0	207.7	-	-
In more than two years, but not more than five years	2,025.0	2,024.1	-	-
In more than five years	5,786.2	6,269.5	425.0	413.5
	8,220.3	8,694.4	427.5	416.0

The Group has committed overdraft facilities of €2.5 million (2006: €2.5 million) and unused committed Revolving Credit Facilities of €425.0 million (2006: €413.5 million)

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

(g) Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2006 and as of 31 December 2007

	2007		2006	
	Book value €'m	Fair value €'m	Book value €'m	Fair value €'m
Primary financial instruments held to finance the Group's operations:				
Cash at bank and in hand	951.4	951.4	659.7	659.7
Amounts owed by related parties	44.2	44.2	44.2	44.2
Amounts owed by group undertakings	94.0	94.0	94.0	94.0
Bank and other loans repayable within one year	225.1	225.1	218.9	218.9
Bank and other loans repayable after more than one year	5,877.0	5,887.0	6,340.6	6,340.6
Senior Notes	2,273.0	1,943.1	2,325.7	2,230.1
Derivative financial instruments held to manage the Group's currency profile:				
Interest rate, floors and caps	-	5.6	-	2.2

The fair value of cash, bank overdrafts, amounts owed by group undertakings and bank loans approximate their respective book values as they have floating interest rates

The fair value of the Senior Notes and interest rate collars have been calculated by reference to available market prices

Ineos Group Holdings plc

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedge position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains €'m	Losses €'m	Total net gains/(losses) €'m
Unrecognised gains and losses on hedges at 1 January 2007	2.2	-	2.2
Gains and losses arising in previous years that were recognised in 2007	-	-	-
Gains and losses arising before 1 January 2007 that were not recognised in 2007	-	-	-
Gains and losses arising in 2007 that were not recognised in 2007	3.4	-	3.4
Unrecognised gains and losses on hedges at 31 December 2007	5.6	-	5.6
Of which			
Gains/losses expected to be recognised in 2008	-	-	-
Gains/losses expected to be recognised in 2009 or later	5.6	-	5.6

(h) Currency exposure of the Group's net monetary assets/(liabilities)

The principal currency exposure of the Group's net monetary assets/(liabilities) is shown below for the years ended 31 December 2007 and 31 December 2006. Such exposures comprise the monetary assets and monetary liabilities that are not denominated in the operating currency of the operating unit involved. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the companies and the Group.

Net foreign currency monetary assets/(liabilities)						
	€'m					
	Euros	US Dollars	Sterling	Yen	Other	Total
2007						
Euros	-	(27.9)	15.0	0.3	(2.8)	(15.4)
US dollars	33.7	-	(236.9)	-	0.2	(203.0)
Sterling	27.8	22.4	-	0.3	0.4	50.9
Yen	-	0.9	-	-	-	0.9
Other	(1.4)	20.0	(0.9)	(0.1)	-	17.6
Total	60.1	15.4	(222.8)	0.5	(2.2)	149.0

Ineos Group Holdings plc

36 Derivatives and other financial instruments (continued)

Net foreign currency monetary assets/(liabilities)						
€'m						
	Euros	US Dollars	Sterling	Yen	Other	Total
2006						
Euros	-	196.7	900.2	0.1	1.0	1,098.0
US dollars	127.7	-	(200.6)	-	0.3	(72.6)
Sterling	34.5	22.4	-	-	0.8	57.7
Yen	-	(0.1)	-	-	-	(0.1)
Other	1.7	24.0	-	-	-	25.7
Total	163.9	243.0	699.6	0.1	2.1	1,108.7

37 Related party transactions

The Group has a management services agreement with Ineos Capital Partners ("Ineos Capital"). The partners of Ineos Capital own a controlling interest in the share capital of Ineos Group Limited, the ultimate parent company of Ineos Group Holdings plc. Ineos Capital management fees of €71.2 million (2006: €63.6 million) and deal advisory fees of €4.0 million (2006: €nil million) were charged in the year. At 31 December, 2007 amounts owed to Ineos Capital were €27.8 million (2006: €23.6 million). Amounts due from Ineos Capital Limited, a company controlled by the partners of Ineos Capital, were €44.2 million (2006: €44.2 million).

The partners of Ineos Capital owned a controlling interest in Ineos Enterprises Group Limited until it was acquired by Ineos Group Limited, the ultimate parent in October 2007. The Group made sales to this company and its subsidiaries of €4.9 million (2006: €3.6 million), recovered costs of €4.1 million (2006: €27.9 million) and made purchases of €53.4 million (2006: 28.0 million). In addition at 31 December, 2007 €4.5 million (31 December, 2006: €7.8 million) was owed by and €5.4 million (31 December, 2006: €20.7 million) was owed to Enterprises Group Limited and its subsidiaries. At 31 December, 2007 loans totaling €nil million (31 December, 2006: €78.7 million) were owed by the Group to Ineos Enterprises Group Limited. These loans were originally acquired as a result of the acquisition of Ineos Chlor by the Group.

The partners of Ineos Capital own a controlling interest in Vinyls Italia SpA. The Group made sales to this company of €21.7 million (2006: €7.6 million), recovered costs of €0.7 million (2006: €0.1 million) and made purchases of €56.8 million (2006: €38.8 million). At 31 December, 2007 €9.5 million (31 December, 2006: €8.4 million) was owed by and €6.9 million (31 December, 2006: €13.0 million) was owed to Vinyls Italia SpA.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €501.7 million (2006: €375.4 million), recovered costs of €50.8 million (2006: €nil million) and made purchases of €25.7 million (2006: €104.6 million). At 31 December, 2007 €37.0 million (2006: €24.6 million) was owed by joint ventures and €nil million (2006: €27.3 million) was owed to joint ventures.

Ineos Group Holdings plc

38 Ultimate controlling party

The immediate parent undertaking is Ineos Intermediate Holdings Limited

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

Ineos Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2007. The consolidated financial statements of Ineos Group Limited are available from the Company Secretary, Ineos Group Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG

Ineos Group Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The financial statements of Ineos Group Holdings plc are available from the Company Secretary, Ineos Group Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG

39 Subsequent events

In March 2008, the Group completed the acquisition of the Lanxess ABS business based in India. In March 2008, the Group also agreed to purchase the acrylonitrile business based in Seal Sands, UK from BASF. The transaction is subject to the approvals of the relevant competition authorities. The Group acquired the vinyl acetate monomer (VAM) and ethyl acetate (EtAc) businesses based in Hull, UK from BP in April 2008 for an initial consideration of €55 million.

Ineos Group Holdings plc

Company profit and loss account for the year ended 31 December 2007

		2007	2006
	Note	€'m	€'m
Income from group undertakings		25.0	125 0
Interest receivable and similar income	1	187.1	170 9
Interest payable and similar charges	2	(176.8)	(155 4)
Profit on ordinary activities before taxation		35.3	140 5
Tax on profit on ordinary activities	3	(3.9)	(4 7)
Profit on ordinary activities after taxation	8	31.4	135 8

All activities of the company relate to continuing operations

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the reported profits stated above and their historical cost equivalents

Ineos Group Holdings plc

Company balance sheet as at 31 December 2007

	Note	2007 €'m	2006 €'m
Tangible fixed assets			
Investments	4	17.6	17.6
Current assets			
Debtors amounts due within one year	5	86.9	71.8
Debtors amounts due after more than one year	5	2,343.8	2,399.6
Cash at bank and in hand		-	-
		2,430.7	2,471.4
Creditors: amounts falling due within one year	6	(98.2)	(93.2)
Net current assets		2,332.5	2,378.2
Total assets less current liabilities		2,350.1	2,395.8
Creditors amounts falling due after more than one year	7	(2,260.5)	(2,312.6)
Net assets		89.6	83.2
Capital and reserves			
Called up equity share capital		17.7	17.7
Share premium account		51.1	51.1
Profit and loss account	8	20.8	14.4
Total shareholders' funds	9	89.6	83.2

The financial statements on pages 10 to 73 were approved by the board of directors on 30 April 2008 and were signed on its behalf by


J Reece
Director

Ineos Group Holdings plc

Notes to the company financial statements for the year ended 31 December 2007

The company financial statements should be read in conjunction with the statement of accounting policies and notes to the consolidated financial statements on pages 15 to 67

1 Interest receivable and similar income

	2007 €'m	2006 €'m
Interest receivable from group undertakings	187.1	170.9

2 Interest payable and similar charges

	2007 €'m	2006 €'m
Interest payable on Senior Notes	174.4	165.5
Discount on market purchases of Senior Notes	-	(10.2)
Exchange differences on foreign currency loan balances	2.4	0.1
	176.8	155.4

Ineos Group Holdings plc

3 Taxation

Analysis of tax charge

	2007 €'m	2006 €'m
Group relief payable to/(receivable from) other group companies at 30%	3.1	4.7
Adjustments in respect of previous periods	0.8	-
	3.9	4.7

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

	2007 €'m	2006 €'m
Profit/(loss) on ordinary activities before tax	35.3	140.5
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2006 30%)	10.6	42.2
Effects of		
Non-taxable credits	(7.5)	(37.5)
Adjustments in respect of previous periods	0.8	-
Tax charge/(credit) for the year	3.9	4.7

There are no factors which are expected to affect the future tax charge materially

4 Fixed asset investments

	2007 €'m	2006 €'m
Investment in subsidiary undertakings	17.6	17.6

Ineos Group Holdings plc

5 Debtors

	2007 €'m	2006 €'m
Amounts falling due within one year		
Amounts due from group undertakings	86.9	71.8
Amounts falling due after more than one year		
Amounts due from group undertakings	2,343.8	2,399.6

6 Creditors – Amounts falling due within one year

	2007 €'m	2006 €'m
Amounts due to group undertakings	30.5	26.2
Accruals and deferred income	67.7	67.0
	98.2	93.2

7 Creditors – Amounts falling due after more than one year

	2007 €'m	2006 €'m
Senior Notes	2,110.5	2,162.6
Amounts due to group undertakings	150.0	150.0
	2,260.5	2,312.6

8 Profit and loss account

	€'m
At 1 January 2007	14.4
Profit for the financial year	31.4
Dividends	(25.0)
At 31 December 2007	20.8

Ineos Group Holdings plc

9 Reconciliation of movements in total shareholders' funds

	2007	2006
	€'m	€'m
Opening total shareholder's funds	83.2	53.4
Profit for the year	31.4	135.8
Equity dividends paid	(25.0)	(106.0)
Closing total shareholders' funds	89.6	83.2