
Ineos Group Holdings plc

Directors' report and financial statements

Registered number 04215862

Year ended - 31 December 2009



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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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

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 income statement on page 11 which shows a loss on ordinary activities after taxation for the financial year of €615.1 million (2008: loss of €572.6 million)

Dividends

No interim dividend (2008: €nil 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 37 manufacturing sites across the world.

The severe economic downturn experienced during the second half of 2008 continued into the first quarter of 2009 with the Group experiencing reduced volume levels and compressed margins. For the remainder of the year the Group saw a slow but steady improvement in the performance of its petrochemical businesses. Refining performance remained weak as product margins continued to be depressed from the low levels of demand as a result of the global economic recession during 2009.

The Group implemented a number of short term actions to enable the business to cope with the economic downturn in 2009. Fixed cost reductions remained a key focus for the Group with further significant reductions made in 2009. The Group also implemented a working capital improvement programme to generate cash inflows. A key area of focus for the programme was a reduction in physical inventory levels compared to historical norms. Capital expenditure was significantly reduced in 2009 through the cancellation or deferment of growth projects as well as by delaying certain planned maintenance shutdowns. Manufacturing plants were also reviewed, leading to the closure of underperforming units such as the two polypropylene line at Battleground, Texas and the per / trichloroethylene plant in Runcorn, England.

During 2009 the Group made a number of disposals to a related party, Ineos Industries Limited, an entity held under common control by the Group's ultimate shareholders. The businesses disposed of included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses.

The petrochemical market expects to see improving volumes and margins during 2010, as demand begins to return with the global economy moving out of the recessionary environment experienced in 2009. The refining market expects to see a gradual recovery in the sector over the next few years.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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
- Substantial leverage — the Group's substantial debt could adversely affect our financial position and prevent us from fulfilling our debt obligations

Key performance indicators

The main KPI of the business is earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Management closely monitors EBITDA compared to budget and prior year. This is further discussed in the business review section of this report and details of actual and comparative EBITDA results are provided in note 2.

Directors

The directors who served during the year were as follows:

Mr J A Ratcliffe (Resigned 31 March 2010)

Mr A C Currie (Resigned 31 March 2010)

Mr J Reece (Resigned 31 March 2010)

Mr J Dawson

Mr C MacLean

Mr T Crotty

In addition Mr G Leask and Mr M Mitchell were appointed on 7 April 2010.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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 €59.0 million (2008: €66.6 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 €0.1 million (2008: €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 45 days (2008: 24 days).

Subsequent events

On 29 January 2010 the ChlorVinyls business was disposed of to Kerling plc, a new holding company formed to combine together Ineos Enterprises, ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65 million cash consideration from the disposal of the ChlorVinyls business. The ChlorVinyls business was part of the Chemical Intermediates segment.

In connection with the reorganization of our parent's headquarters and tax residence, as of 26 March, 2010, INEOS AG, a Swiss corporation, became our ultimate parent holding company.

On 31 March 2010 the Group disposed of Ineos Fluor Holdings Ltd to Mexichem SAB de CV for \$350 million. Ineos Fluor was part of the Chemical Intermediates segment.

On 16 April 2010 the Group obtained senior lender consent for a number of amendments to the Senior Facilities Agreement which included an increase in the level of headroom on the financial covenants and the ability to refinance some of the senior secured debt with senior secured notes.

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 ultimate parent company has also been encouraged and an Employee Share Benefit Trust has been established under which part of the share capital of the ultimate parent 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.

Impact on the environment

The nature of the group's operations means that there is potentially a large impact on the environment through energy usage, production emissions and waste products. The group places great importance on employee health and safety through its SHE policies and the group is continually looking for innovative ways to reduce its energy consumption. The group ensures it minimises the impact of emissions and waste products on the local environment through continual review and improvement of its chemical production processes and careful supply chain management. The group strives for

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

stringent compliance with local environment agency regulations and participates in the EU Emissions Trading Scheme

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 26 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 group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company financial statements and of their profit or loss for that period.

In preparing each of the group and parent company 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,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards 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 group and parent company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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

A handwritten signature in black ink, appearing to read 'M Stokes', is written over the printed name.

M Stokes

Company Secretary

28 April 2010

Section 2 - Consolidated Financial Statements

AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS GROUP HOLDINGS PLC

We have audited the group financial statements of Ineos Group Holdings plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Ineos Group Holdings plc for the year ended 31 December 2009

A handwritten signature in black ink, appearing to read 'S. Denison', with a stylized flourish at the end.

Steve Denison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

28 April, 2010

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008	2007
		€m		
Revenue	2	18,077.3	29,073.3	27,515.8
Cost of sales before exceptional items		(16,707.9)	(28,140.8)	(25,182.7)
Exceptional cost of sales	5	-	(130.3)	(45.9)
Total cost of sales		(16,707.9)	(28,271.1)	(25,228.6)
Gross profit		1,369.4	802.2	2,287.2
Distribution costs		(425.5)	(543.7)	(532.4)
Administrative expenses before exceptional items		(361.5)	(403.9)	(462.6)
Exceptional administrative expenses	5	(41.9)	(80.7)	(56.9)
Exceptional administrative gain	5	-	29.0	106.6
Total administrative expenses		(403.4)	(455.6)	(412.9)
Total expenses		(828.9)	(999.3)	(945.3)
Operating profit/(loss)	6	540.5	(197.1)	1,341.9
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method, before exceptional items		23.7	(53.3)	0.9
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method	5	-	(4.5)	(48.5)
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method		23.7	(57.8)	(47.6)
(Loss)/profit on disposal of businesses	3	(276.5)	143.0	(29.6)
Profit/(loss) before net finance costs		287.7	(111.9)	1,264.7
Finance income before exceptional items	9	95.1	173.9	129.9
Exceptional finance income	5	89.0	-	-
Total finance income	9	184.1	173.9	129.9
Finance costs before exceptional item	9	(863.8)	(946.2)	(870.9)
Exceptional finance cost	5	(209.2)	-	-
Total finance costs	9	(1,073.0)	(946.2)	(870.9)
Net finance costs	9	(888.9)	(772.3)	(741.0)
(Loss)/profit before tax		(601.2)	(884.2)	523.7
Tax (charge)/credit	10	(13.9)	311.6	(121.2)
(Loss)/profit for the year		(615.1)	(572.6)	402.5
Attributable to:				
Owners of the parent		(617.3)	(572.3)	402.6
Minority interest		2.2	(0.3)	(0.1)
(Loss)/profit for the year		(615.1)	(572.6)	402.5

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

All amounts relate to continuing operations

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			€m	
(Loss)/profit for the year		<u>(615 1)</u>	<u>(572 6)</u>	<u>402 5</u>
Other comprehensive income				
Foreign exchange translation differences net of tax		56 8	(184 1)	(472 3)
Foreign exchange differences recycled on disposal of subsidiaries net of tax	3	(25 0)	13 5	2 8
Changes in the fair value of assets classified as available for sale net of tax		22 9	-	-
Net gain/(loss) on hedge of net investment in foreign operations net of tax	26 e	13 9	(40 0)	240 5
Net change in fair value of cash flow hedges net of tax		-	76 3	-
Cash flow hedge recycled from hedging reserve net of tax		(76 3)	-	-
Actuarial gains and losses on defined benefit pension schemes net of tax	22	<u>(2 1)</u>	<u>(241 5)</u>	<u>9 4</u>
Other comprehensive income for the year net of tax		<u>(9 8)</u>	<u>(375 8)</u>	<u>(219 6)</u>
Total comprehensive income for the year		<u>(624 9)</u>	<u>(948 4)</u>	<u>182 9</u>
Total comprehensive income for the year is attributable to:				
Owners of the parent		(624 2)	(946 0)	183 0
Minority interest		<u>(0 7)</u>	<u>(2 4)</u>	<u>(0 1)</u>
		<u>(624 9)</u>	<u>(948.4)</u>	<u>182 9</u>

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			€m	
Non-current assets				
Property plant and equipment	11	5,093 2	5,440 6	6,073 2
Intangible assets	12	949 6	1,046 6	1,001 3
Investments in equity-accounted investees	13 a	109 6	115 5	159 5
Other investments	14	129 7	123 5	-
Other financial assets	15	82 2	49 0	53 3
Other receivables	19	168 9	168 2	160 5
Deferred tax assets	17	458 9	437 8	126 6
		<u>6,992 1</u>	<u>7,381 2</u>	<u>7,574 4</u>
Current assets				
Inventories	18	1 544 7	1 593 6	2,608 3
Trade and other receivables	19	1,918 0	1,991 9	3 313 3
Other financial assets	15	2 9	159 4	29 8
Cash and cash equivalents	29	662 1	651 8	951 4
		<u>4,127 7</u>	<u>4,396 7</u>	<u>6,902 8</u>
Total assets.		<u>11,119 8</u>	<u>11,777 9</u>	<u>14,477 2</u>
Equity attributable to owners of the parent				
Share capital	24	17 7	17 7	17 7
Share premium		51 1	51 1	51 1
Other reserves		(600 2)	(593 3)	(219 6)
Retained earnings		(38 7)	578 6	1,150 9
Total shareholders' (deficit)/funds.		<u>(570 1)</u>	<u>54 1</u>	<u>1,000.1</u>
Minority interest		12 9	17 7	13 7
Total equity		<u>(557 2)</u>	<u>71 8</u>	<u>1,013 8</u>
Non-current liabilities				
Interest-bearing loans and borrowings	20	6,910 0	7,333 8	8 034 0
Trade and other payables	21	78 2	102 6	97 0
Employee benefits	22	824 1	782 1	553 2
Provisions	23	55 4	163 4	182 0
Deferred tax liabilities	17	161 1	195 1	296 6
		<u>8,028 8</u>	<u>8,577 0</u>	<u>9,162 8</u>
Current liabilities				
Interest-bearing loans and borrowings	20	839 3	615 6	196 7
Trade and other payables	21	2 731 5	2,451 6	3,979 2
Tax payable		38 4	8 4	45 9
Other financial liabilities	16	6 5	0 5	0 6
Provisions	23	32 5	53 0	78 2
		<u>3,648 2</u>	<u>3 129 1</u>	<u>4,300 6</u>
Total liabilities		<u>11,677 0</u>	<u>11,706.1</u>	<u>13,463 4</u>
Total equity and liabilities		<u>11,119.8</u>	<u>11,777 9</u>	<u>14,477 2</u>

These financial statements were approved by the board of directors on 28 April, 2010 and were signed on its behalf by



Graeme Leask

Director

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
DECEMBER 2009**

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Sharehold- ers' funds</u>	<u>Minority interest</u>	<u>Total equity</u>
	€m						
Balance at 1 January 2007	17.7	51.1	-	773.3	842.1	13.8	855.9
Profit for the year	-	-	-	402.6	402.6	(0.1)	402.5
Other comprehensive income							
Foreign exchange translation differences	-	-	(472.3)	-	(472.3)	-	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries	-	-	2.8	-	2.8	-	2.8
Net gain on hedge of net investment in foreign operations	-	-	240.5	-	240.5	-	240.5
Actuarial gains on defined benefit plan schemes net of tax	-	-	9.4	-	9.4	-	9.4
Transactions with owners, recorded directly in equity:							
Dividends	-	-	-	(25.0)	(25.0)	-	(25.0)
Balance at 31 December 2007	17.7	51.1	(219.6)	1,150.9	1,000.1	13.7	1,013.8
Loss for the year	-	-	-	(572.3)	(572.3)	(0.3)	(572.6)
Other comprehensive income							
Foreign exchange translation differences	-	-	(182.0)	-	(182.0)	(2.1)	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries	-	-	13.5	-	13.5	-	13.5
Net loss on hedge of net investment in foreign operations	-	-	(40.0)	-	(40.0)	-	(40.0)
Net change in fair value of cash flow hedges, net of tax	-	-	76.3	-	76.3	-	76.3
Actuarial losses on defined benefit plan schemes net of tax	-	-	(241.5)	-	(241.5)	-	(241.5)
Transactions with owners, recorded directly in equity							
Acquisitions (see Note 4)	-	-	-	-	-	6.4	6.4
Balance at 31 December 2008	17.7	51.1	(593.3)	578.6	54.1	17.7	71.8
Loss for the year	-	-	-	(617.3)	(617.3)	2.2	(615.1)
Other comprehensive income:							
Foreign exchange translation differences	-	-	59.7	-	59.7	(2.9)	56.8
Foreign exchange differences recycled on disposal of subsidiaries	-	-	(25.0)	-	(25.0)	-	(25.0)
Changes in the fair value of assets classified as available for sale	-	-	22.9	-	22.9	-	22.9
Net gain on hedge of net investment in foreign operations	-	-	13.9	-	13.9	-	13.9
Cash flow hedge recycled from hedging reserve net of tax	-	-	(76.3)	-	(76.3)	-	(76.3)
Actuarial losses on defined benefit plan schemes net of tax	-	-	(2.1)	-	(2.1)	-	(2.1)
Transactions with owners, recorded directly in equity:							
Disposals (see Note 3)	-	-	-	-	-	(4.1)	(4.1)
Balance at 31 December 2009	17.7	51.1	(600.2)	(38.7)	(570.1)	12.9	(557.2)

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31
DECEMBER 2009 (CONTINUED)**

Analysis of other reserves

	<u>Translation reserve</u>	<u>Fair value reserve</u>	<u>Hedging reserve</u>	<u>Actuarial gains/losses</u>	<u>Total other reserves</u>
			€m		
Balance at 1 January 2007.....	-	-	-	-	-
Foreign exchange translation differences	(472.3)	-	-	-	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries	2.8	-	-	-	2.8
Net gain on hedge of net investment in foreign operation	240.5	-	-	-	240.5
Actuarial gains and losses on defined benefit plan schemes net of tax	-	-	-	9.4	9.4
Balance at 31 December 2007 ...	(229.0)	-	-	9.4	(219.6)
Foreign exchange translation differences	(182.0)	-	-	-	(182.0)
Foreign exchange differences recycled on disposal of subsidiaries	13.5	-	-	-	13.5
Net loss on hedge of net investment in foreign operations	(40.0)	-	-	-	(40.0)
Net change in fair value of cash flow hedges, net of tax	-	-	76.3	-	76.3
Actuarial gains and losses on defined benefit plan schemes net of tax	-	-	-	(241.5)	(241.5)
Balance at 31 December 2008	(437.5)	-	76.3	(232.1)	(593.3)
Foreign exchange translation differences	59.7	-	-	-	59.7
Foreign exchange differences recycled on disposal of subsidiaries	(25.0)	-	-	-	(25.0)
Changes in the fair value of assets classified as available for sale	-	22.9	-	-	22.9
Net gain on hedge of net investment in foreign operations	13.9	-	-	-	13.9
Cash flow hedge recycled from hedging reserve net of tax	-	-	(76.3)	-	(76.3)
Actuarial losses on defined benefit plan schemes net of tax	-	-	-	(2.1)	(2.1)
Balance at 31 December 2009 ..	(388.9)	22.9	-	(234.2)	(600.2)

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31
DECEMBER 2009**

	Note	2009	2008	2007
		€m		
Cash flows from operating activities				
(Loss)/profit for the year		(615 1)	(572 6)	402 5
Adjustments for				
Depreciation and impairment	11	595 7	755 5	893 5
Amortisation	12	20 4	21 5	16 0
Negative goodwill	5	-	(29 0)	(106 6)
Net finance costs	9	888 9	772 3	741 0
Share of (profits)/losses of equity-accounted investees		(23 7)	57 8	47 6
Loss on sale of property, plant and equipment	6	10 5	21 2	2 9
Loss/(profit) on disposal of businesses	3	276 5	(143 0)	29 6
Tax charge/(credit)	10	13 9	(311 6)	121 2
(Increase)/decrease in trade and other receivables		(105 9)	1,306 6	(813 4)
(Increase)/decrease in inventories		(44 4)	1,164 1	(500 8)
Increase/(decrease) in trade and other payables		222 0	(1,673 9)	1 353 6
(Decrease)/increase in provisions and employee benefits		(23 4)	(1 8)	0 1
Tax (received)/paid		11 1	(121 7)	(106 9)
Net cash from operating activities		1,226.5	1,245 4	2,080 3
Cash flows from investing activities				
Proceeds from sale of property plant and equipment		24 6	-	2 4
Proceeds from sales of investments		-	-	7 2
Interest and other finance income received		6 0	36 3	31 6
Dividends received		7 3	3 7	6 5
Disposal of businesses, net of cash disposed of	3	(31 5)	190 3	11 5
Acquisition of subsidiaries, net of cash acquired	4	(1 0)	(106 7)	(222 4)
Acquisition of intangible assets		-	(25 3)	-
Acquisition of property, plant and equipment		(264 0)	(624 0)	(639 1)
Acquisition of other investments		(3 3)	(3 4)	(0 1)
Net cash used in investing activities		(261 9)	(529.1)	(802 4)
Cash flows from financing activities				
Securitisation		(148 4)	(348 2)	25 5
Proceeds from new loans		167 9	410 0	-
Issue costs		(2 3)	(40 2)	-
Interest paid		(729 5)	(646 6)	(673 8)
Repayment of loans		(230 5)	(384 0)	(284 4)
Dividends paid	25	-	-	(25 0)
Dividends paid to minority interests		-	(0 3)	-
Capital element of finance lease payment		(1 6)	(2 8)	(1 4)
Net cash used in financing activities		(944.4)	(1,012 1)	(959 1)
Net increase/(decrease) in cash and cash equivalents	29	20 2	(295 8)	318 8
Cash and cash equivalents at 1 January	29	651 8	951 4	659 7
Effect of exchange rate fluctuations on cash held		(9 9)	(3 8)	(27 1)
Cash and cash equivalents at 31 December	29	662.1	651 8	951 4

The notes on pages 17 to 90 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES

Overview

Ineos Group Holdings plc (the “Company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

Basis of accounting

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

The Group financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective as of 31 December 2009.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Functional and presentation currency

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group’s primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

Changes in accounting policies

The Group has applied the following accounting standards for the first time in 2009 with effect from 1 January 2009 (with prior period comparative information restated, to the extent required and as explained below):

- IAS 23 Revised 2007 - Borrowing costs (“IAS23”),
- IAS1 Revised 2007 - Presentation of financial statements (“IAS1 (Revised)”),
- Amendments to IFRS 7 – Financial Instruments Disclosures,
- IFRS3 Revised 2008 – Business Combinations and IAS 27 Revised 2008 - Consolidated and Separate Financial Statements, and
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

IAS23 requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, in respect of qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Previously the Group expensed all borrowing costs immediately. IAS 23 does not require prior periods to be restated. During the year ended 31 December 2009 the Group capitalised €nil of borrowing costs.

IAS 1 (Revised) introduces changes to the presentation of the primary financial statements but does not impact on the underlying measurement of transactions, assets or liabilities and accordingly net income, total assets, total liabilities, total equity and cash flows are not affected. Comparative information has been re-presented on a consistent basis.

The amendment to IFRS7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the consolidated statements of income, comprehensive income, financial position or cash flows.

The revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements introduce a variety of changes to the accounting for acquisitions, including requirements to charge transaction costs to the income statement and in relation to contingent consideration. However, adoption of the revisions had no material impact on the net income for the year ended 31 December 2009 given that no significant acquisitions occurred during that year. The revisions have been applied for all business combinations occurring after 1 January 2009. The change in accounting policy is applied prospectively and accordingly comparative information has not been restated.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" applies to an entity that hedges the foreign exchange risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The main expected change in practice is to eliminate the possibility of an entity qualifying for hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The IFRIC recognises the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance. This interpretation has had no material impact on the financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Special purpose entities ("SPE")

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, Ineos Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. Ineos Finance Ireland Limited is controlled by the Group as it was established under terms that impose strict limitations on the decision-making powers of the SPE's management that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks arising from the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. Ineos Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Foreign exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRSs (1 January 2007).

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Trade and other receivables

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Trade and other payables

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Investments in debt and equity securities

Investments in loans and receivables are stated at amortised cost less impairment

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 15)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Debt restructuring

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

Hedge of net investment in foreign operation

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Buildings 10 - 40 years
- Plant and equipment and fixtures and fittings 3 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

Business combinations, goodwill and intangible assets

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

IFRS 1 grants certain transition exemptions from the full requirements of IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2007. In respect of acquisitions prior to 1 January 2007, goodwill is included at 1 January 2007 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable to IFRS save that only separable intangible assets were recognised and goodwill was amortised. On transition to IFRS amortisation of goodwill has ceased and negative goodwill recognised under UK GAAP is included within retained earnings.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- | | |
|--------------------------------|-----------------------|
| • Customer relationships | 3 years |
| • Intellectual property rights | 10 – 15 years |
| • Non-compete agreements | life of the agreement |
| • Licenses | up to 15 years |

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 January 2007, the date of transition to IFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Commodities

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts

Employee benefits

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States and Belgium

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan

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

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

1. ACCOUNTING POLICIES (Continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Incentive plan

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by Ineos Limited, the ultimate parent of Ineos Group Holdings plc in the United Kingdom. Ineos Limited issues "Business Tracker Shares" in relation to each of the businesses operated by Ineos Limited and its subsidiaries, including those businesses within the Ineos Group Holdings plc group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of Ineos Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The Ineos Group Holdings plc group neither receives nor makes any payments and incurs no liabilities in respect of its employees' participation in the Plan. Under IFRS 2 (as amended in June 2009 for "Group Cash-settled Share-based Payment Transactions" which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in these financial statements.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Revenue

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

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 arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer 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 as

Notes to the consolidated financial statements for the year ended 31 December 2009
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1. ACCOUNTING POLICIES (Continued)

this is the point at which risks and rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

Government grants

Government grants are shown in the consolidated 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.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprises interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Segmental analysis

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Notes to the consolidated financial statements for the year ended 31 December 2009
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1 ACCOUNTING POLICIES (Continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

Emission trading scheme

The Group participates in the EU 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 surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme 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"). This 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 Group 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 Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

Exceptional items

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

Accounting standards not applied

The following IFRSs relevant to the Group were available for early application but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

Notes to the consolidated financial statements for the year ended 31 December 2009
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1. ACCOUNTING POLICIES (Continued)

- Improvement to IAS 36 “Impairment of Assets” (effective prospectively for periods beginning on or after 1 January 2010) This improvement clarified that each unit or group of units to which goodwill is allocated should not be larger than an operating unit as defined by paragraph 5 of IFRS 8 ‘Operating Segments’ before aggregation. The standard is only applicable prospectively. The Group is assessing the impact of this improvement.
- IFRIC 17 “Distribution of non-cash assets to owners (effective on or after 1 July 2009) The interpretation is part of the IASB’s annual improvement project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. The Group is assessing the impact of this interpretation.

2. OPERATING SEGMENTS

The determination of the Group’s operating segments is based on the business units for which information is reported to the Group’s Chief Operating Decision Maker. The Group has four reportable segments, as described below:

- The Group’s Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group’s olefins businesses are focused on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group’s polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.
O&P North America segment – In North America, the group’s Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.
O&P Europe segment – In Europe, the Group owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units.
- Refining – Oil refining is the process of separating, converting and treating hydrocarbon molecules present in crude oil to produce marketable finished petroleum products, such as gasoline, diesel, liquefied petroleum gas (‘LPG’), naphtha, heating and fuel oils and bitumen. Refining is primarily a margin based business where both the feedstocks and refined petroleum products are commodities. The Group owns and operates two refineries which are both fully integrated with petrochemical plants located at the same sites. The Group’s principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils.
- Chemical Intermediates – This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group’s chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals, chlorine, PVC, hydrofluorocarbons, specialty fluorochemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies.

Notes to the consolidated financial statements for the year ended 31 December 2009
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2. OPERATING SEGMENTS (Continued)

The accounting policies of all of the reportable segments are as described in Note 1

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP ("Segment EBITDA") except that share of associate's revenue is not allocated to segments as would be the case under UK GAAP. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding segments reviewed by management includes management accounts comprising the balance sheet, profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items

- Corporate assets and liabilities such as the Group headquarters, investments in associates and joint ventures and the major group borrowings,
- Elimination of inter-segmental transactions and balances, and
- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions and accounting for joint ventures

Notes to the consolidated financial statements for the year ended 31 December 2009
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2 OPERATING SEGMENTS (Continued)

Segment information - 2009

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
				€m			
Reportable segment revenue	2,166.3	4,634.3	6,941.7	7,354.4	21,096.7	(3,019.4)	18,077.3
Reportable segment EBITDA	276.5	170.8	228.7	546.2	1,222.2	-	1,222.2
Depreciation and impairment of property, plant and equipment and intangible assets	(103.4)	(148.6)	(92.1)	(266.3)	(610.4)	(5.7)	(616.1)
Exceptional items (excluding items relating to impairment and financing)	(19.0)	(7.9)	-	(15.0)	(41.9)	-	(41.9)
Loss on disposal of businesses	-	-	-	(220.1)	(220.1)	(56.4)	(276.5)
Net finance costs							(888.9)
Loss before tax							(601.2)
Share of profit of associates and jointly controlled entities	0.9	6.6	-	13.8	21.3	2.4	23.7
Reportable segment assets	964.0	2,559.4	1,564.2	3,835.2	8,922.8	2,197.0	11,119.8
Payments for capital expenditure	31.4	48.0	70.7	113.9	264.0	-	264.0
Reportable segment liabilities	489.6	694.8	1,012.3	2,018.2	4,214.9	7,462.1	11,677.0

Major items in the adjustments column include

- Reportable segment revenues: the elimination of inter-segmental revenues 2009 €3,019 million (2008 €8,424 million, 2007 €7,698 million)
- Reportable segment assets: assets not allocated to segments, including goodwill 2009 €852 million (2008 €902 million, 2007 €865 million), cash 2009 €544 million (2008 €470 million, 2007 €663 million) and deferred tax 2009 €459 million (2008 €438 million, 2007 €127 million)
- Reportable segment liabilities: liabilities not allocated to segments including corporate borrowings under the Senior Facilities Agreement €5,004 million (2008 €4,929 million, 2007 €4,897 million), Senior Notes €1,970 million (2008 €2,089 million, 2007 €2,063 million), accrued interest of €186 million (2008 €157 million, 2007 €146 million) and deferred tax €161 million (2008 €195 million, 2007 €297 million)

Notes to the consolidated financial statements for the year ended 31 December 2009
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2. OPERATING SEGMENTS (Continued)

Segment information - 2008

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Inter-mediate			
				€m			
Reportable segment revenue	2,950.9	9,946.6	11,757.7	12,842.3	37,497.5	(8,424.2)	29,073.3
Reportable segment EBITDA	26.2	101.4	43.4	422.5	593.5	(15.2)	578.3
Depreciation and impairment of property, plant and equipment and intangible assets	(114.7)	(190.6)	(93.2)	(398.6)	(797.1)	20.1	(777.0)
Exceptional items (excluding items relating to impairment and financing)	(3.5)	(12.8)	-	(35.4)	(51.7)	(4.5)	(56.2)
Profit on disposal of businesses	-	-	-	143.0	143.0	-	143.0
Net finance costs							(772.3)
Loss before tax							(884.2)
Share of (loss) / profit of associates and jointly controlled entities	0.4	8.6	-	(49.2)	(40.2)	(17.6)	(57.8)
Reportable segment assets	1,133.6	2,945.8	1,510.2	4,061.3	9,650.9	2,127.0	11,777.9
Payments for capital expenditure	57.8	152.0	90.5	323.7	624.0	-	624.0
Reportable segment liabilities	573.9	741.7	951.9	1,902.9	4,170.4	7,535.7	11,706.1

Notes to the consolidated financial statements for the year ended 31 December 2009
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2. OPERATING SEGMENTS (Continued)

Segment information - 2007

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Inter-mediate			
				€m			
Reportable segment revenue	3,036 8	9,696 9	9,426 5	13,053 1	35,213 3	(7,697 5)	27,515 8
Reportable segment EBITDA	242 0	526 2	427 4	1,025 2	2 220 8	(18 2)	2,202 6
Depreciation and impairment of property, plant and equipment and intangible assets	(189 8)	(156 0)	(115 6)	(424 4)	(885 8)	(23 7)	(909 5)
Exceptional items (excluding items relating to impairment and financing)	-	(28 3)	(4 6)	82 6	49 7	(48 5)	1 2
Loss on disposal of businesses	-	-	-	-	-	(29 6)	(29 6)
Net finance costs							(741 0)
Loss before tax							523 7
Share of profit/(loss) of associates and jointly controlled entities	0 1	1 1	-	11 2	12 4	(60 0)	(47 6)
Reportable segment assets	1,287 6	4,125 0	2,249 2	4,877 6	12 539 4	1,937 8	14,477 2
Payments for capital expenditure	39 7	170 3	87 7	341 4	639 1	-	639 1
Reportable segment liabilities	396 3	1 532 0	1 277 2	2,783 5	5 989 0	7,474 4	13,463 4

For analysis of impairment by segment, see Note 5

Geographic segments

	Revenues		
	2009	2008	2007
		€m	
Geographical information by location of customers:			
Europe	13,215 2	22,002 5	20,375 0
Americas	3,255 3	5,429 3	5,614 2
Rest of World	1 606 8	1 641 5	1,526 6
Total	18,077 3	29,073 3	27,515 8
Geographical information by location from which the Group derives revenue			
Europe	14 229 6	23 217 1	20,881 2
Americas	3 420 0	5,365 8	6,308 8
Rest of World	427 7	490 4	325 8
Total	18,077 3	29,073 3	27,515 8

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are also not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive

Notes to the consolidated financial statements for the year ended 31 December 2009
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2 OPERATING SEGMENTS (Continued)

Major customer

Revenues from one customer of the Group's Refining segment represent €2,918.5 million (2008 €7,614.5 million, 2007 €6,563.8 million) of the Group's total revenues

3. DISPOSALS

2009 disposals

Summary

	2009
	€m
Disposals to Ineos Industries	(169.6)
Additional commitment to entities sold to Ineos Industries	(75.0)
Disposal of Compounds Italia	(43.5)
Further consideration from the disposal of the Silicas business in 2008	11.6
Net loss on disposal of businesses	(276.5)

Ineos Industries

During 2009, the Group made a number of disposals to a related party, Ineos Industries Limited, an entity held under common control by the Group's ultimate shareholders. The Group received no consideration for the disposals which included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses. The remaining 20% of Bio and Healthcare businesses, which the Group still owns at 31 December 2009, are accounted for as associated undertakings (see Note 13 a). Of the total loss on these disposals €5.0 million is attributable to the recognition of the retained interests at their estimated fair value of €nil.

Effect of the aggregated disposals on individual assets and liabilities

	2009
	€m
Goodwill	45.7
Property, plant and equipment	76.4
Intangible assets	29.2
Provisions against joint ventures	(20.2)
Inventories	81.2
Cash	29.8
Trade and other receivables	252.2
Employee benefits	(29.4)
Trade and other payables	(215.6)
Provisions including net deferred tax liability	(52.1)
Minority interests	(4.1)
Net assets disposed of	193.1
Costs of disposal	1.5
Proceeds	-
Deficit of net assets over proceeds received	194.6
Exchange differences recycled on disposal	(25.0)
Loss on disposals of businesses	169.6

As part of the disposal agreement the Group has committed to provide further support to the businesses disposed of for the purpose of working capital management of €75 million and has therefore included this amount within the loss on disposal. Management believe it is likely that this amount will be called upon by the businesses within one year and have therefore provided for it on disposal as a current liability. If any amount is not called upon within five years the Group must remit the remaining balance at that point. The amount has been included in the loss on disposal in the income statement but is not included within the net assets above.

Notes to the consolidated financial statements for the year ended 31 December 2009
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3. DISPOSALS (Continued)

Compounds Italia

On 22 January 2009, the Group completed the sale of the Compounds Italia business to a third party. The Group disposed of its entire investment for nominal consideration.

Effect of the disposal on individual assets and liabilities

	<u>2009</u>
	<u>€m</u>
Property, plant and equipment	26.6
Inventories	9.9
Cash	1.7
Trade and other receivables	24.3
Trade and other payables	(15.2)
Provisions	(4.7)
Net assets disposed	<u>42.6</u>
Costs of disposal	0.9
Proceeds	<u>-</u>
Loss on disposal	<u>43.5</u>

Other

During 2009, the Group received further consideration from the disposal of the Silicas business which occurred in the prior year. The additional consideration received from PQ Corporation, the entity which acquired the Silicas business during 2008, was €11.6 million and was settled by PQ Corporation waving a liability owed to the Group. This amount has been offset against the loss on disposal of businesses presented in the income statement.

2008 disposals

Ineos Silicas

On 2 July 2008 the Group completed the sale of the Ineos Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group and Ineos Investments LLP (see Note 14), for a total consideration of €304.0 million, of which €198.5 million was received in cash. A pre-tax gain of €143.0 million was recorded.

Notes to the consolidated financial statements for the year ended 31 December 2009
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3. DISPOSALS (Continued)

Effect of the disposal on individual assets and liabilities

	2008
	€m
Goodwill	2.6
Property, plant and equipment	103.7
Investments	0.5
Inventories	22.9
Cash	13.1
Trade and other receivables	109.5
Employee benefits	(0.7)
Trade and other payables	(70.0)
Provisions	(7.1)
Net assets disposed	174.5
Excess of sale proceeds over net assets	129.5
Total sales proceeds	304.0
Sales proceeds satisfied by	
Cash	198.5
Preferred partnership investment in Ineos Investments LLP	105.5
Total sales proceeds	304.0
Profit recognised in the consolidated income statement	
Excess of sale proceeds over net assets	129.5
Exchange differences recycled on disposal	13.5
Profit on disposal of businesses	143.0

Other disposals

During 2008 the Group received cash of €4.9 million being deferred consideration on the disposal of the Emulsion PVC (E-PVC) business which took place on 2 July 2007

2007 disposals

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 take off the entire E-PVC output at Porto Torres (Italy).

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

Notes to the consolidated financial statements for the year ended 31 December 2009
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3. DISPOSALS (Continued)

Effect of the disposal on individual assets and liabilities

	<u>E-PVC</u>	<u>Styrenics</u>	<u>Total</u>
		€m	
Property, plant and equipment	45 0	-	45 0
Inventories	7 6	85 8	93 4
Trade and other receivables	1 8	92 1	93 9
Trade and other payables	(1 5)	(71 2)	(72 7)
Net assets disposed	52 9	106 7	159 6
Deficit of sale proceeds over net assets	(36 3)	(2 5)	(38 8)
Total sales proceeds...	16 6	104 2	120.8
Sales proceeds satisfied by			
Cash	11 5	-	11 5
Deferred consideration	5 1	-	5 1
Share of joint venture (Note 13 a)	-	104 2	104 2
Total sales proceeds ..	16 6	104 2	120 8
(Loss)/profit recognised in the income statement			
Deficit of sale proceeds over net assets	(36 3)	(2 5)	(38 8)
Exchange differences recycled on disposal	-	2 8	2 8
(Loss)/profit on disposal of businesses	(36 3)	0 3	(36 0)

The net loss on disposal of businesses in the consolidated income statement includes a gain of €6 4 million in relation to other investments

4. ACQUISITIONS OF SUBSIDIARIES

2009 Acquisitions

No acquisitions were made in 2009. A further €1 0 million was paid with regard to acquisitions made in prior years.

2008 Acquisitions

Acquisitions were made in 2008 for a total consideration of €120 2 million including acquisition expenses. These acquisitions gave rise to positive goodwill of €19 1 million and negative goodwill of €29 0 million. Negative goodwill has been recognised in administrative expenses in the consolidated income statement. All acquisitions have been accounted for using the purchase method, as required by IFRS 3.

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

VAM/EtAc

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment	21 6	-	21 6
Inventory	24 4	1 8	26 2
Trade and other receivables	6 8	-	6 8
Net assets acquired	52 8	1 8	54 6
Goodwill			0 6
Consideration (including acquisition expenses)			55 2

On 31 March 2008 the Group acquired the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. The newly acquired business now forms part of the Chemical Intermediates segment.

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4. ACQUISITION OF SUBSIDIARIES (Continued)

A revaluation of inventories by €1.8 million was made to reflect the fair value of catalyst inventories acquired at acquisition

In the period from acquisition date to 31 December 2008 the European VAM and EtAc businesses, together with the TSEP pipeline contributed revenue of €206.1 million and profit before tax of €8.4 million. It is not practicable to provide information regarding revenue and profit before tax since 1 January 2008 as this information was not provided by the vendor

Goodwill arising on the acquisition relates to expected future business improvement, expected synergies of the acquisition and the quality of the workforce in the business

Seal Sands

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment	40.7	(6.8)	33.9
Inventory	24.7	-	24.7
Provisions	(3.3)	-	(3.3)
Deferred tax liability	-	(10.7)	(10.7)
Net assets acquired	<u>62.1</u>	<u>(17.5)</u>	44.6
Negative goodwill recognised as an administrative gain			(29.0)
Consideration (including acquisition expenses)			<u>15.6</u>

On 18 August 2008 the Group acquired the Seal Sands business on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN) and hexamethylenediamine (HMD), along with by-product plants. The total consideration, including acquisition expenses was €15.6 million. The newly acquired business now forms part of the Nitriles business within the Chemical Intermediates segment.

A revaluation of tangible fixed assets by €6.8 million was made to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets. A deferred tax liability is recognised regarding negative goodwill arising on the acquisition and is included as a fair value adjustment.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets prior to acquisition. In the period from acquisition date to 31 December 2008 the Seal Sands business contributed revenue of €85.5 million and a loss before tax of €23.0 million. Had the Seal Sands business been acquired at the beginning of the period it would have contributed revenue of €294.3 million. The contribution to profit or loss from 1 January 2008 cannot be presented as no separate profit information for this business was prepared by the vendor prior to the acquisition date.

This acquisition, on which negative goodwill arose, was a bargain purchase due to its poor trading performance and future earnings expectations which would continue until a change plan could be implemented by the Group.

ABS India

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment	5.9	17.4	23.3
Inventory	10.4	-	10.4
Trade and other receivables	16.4	-	16.4
Cash	13.5	-	13.5
Trade and other payables	<u>(26.3)</u>	-	<u>(26.3)</u>
Net assets acquired	<u>19.9</u>	<u>17.4</u>	37.3
Minority interest			<u>(6.4)</u>
Net assets acquired (net of minority interest)			30.9
Goodwill			<u>18.5</u>
Consideration (including acquisition expenses)			<u>49.4</u>

Notes to the consolidated financial statements for the year ended 31 December 2009
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4. ACQUISITION OF SUBSIDIARIES (Continued)

On 2 October 2007 the Group acquired 100% of the Lanxess ABS plastic business, Lustran Polymers (see 2007 below). At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the Group acquired an 83.33% shareholding in the Indian part of the business.

A revaluation of tangible fixed assets by €17.4 million was made to reflect the carrying value of the assets based on the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

In its last financial year to 31 December 2007, ABS India made a profit after taxation of €6.2 million (INR 349.5 million). For the period from 1 January 2008 until the date of acquisition, ABS India made a profit after taxation of €0.7 million (INR 43.6 million).

Goodwill on acquisition relates to the expected synergies on acquisition and the strong market position of the business in Asia.

2007 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 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 forms part of the O&P Europe business segment.

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	Fair value
	€m	€m	€m
Intangible fixed assets	0.9	-	0.9
Property, plant and equipment	48.6	-	48.6
Investments	55.9	-	55.9
Inventory	30.1	(0.2)	29.9
Trade and other receivables	11.7	(0.1)	11.6
Cash	48.6	-	48.6
Trade and other payables	(56.1)	(2.7)	(58.8)
Pensions	(22.5)	2.5	(20.0)
Deferred taxation on pensions	4.5	(4.5)	-
Net assets acquired	<u>121.7</u>	<u>(5.0)</u>	116.7
Goodwill			121.0
Consideration (including acquisition expenses)			<u>237.7</u>

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 €2.5 million.

In its past 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 142.6 million).

Goodwill relates to the expected synergies on acquisition and the forecast potential acquired business.

Notes to the consolidated financial statements for the year ended 31 December 2009
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4. ACQUISITION OF SUBSIDIARIES (Continued)

Lanxess ABS

The Group acquired 100% of the Lanxess ABS plastics business, Lustran Polymers on 2 October 2007

The initial acquisition excludes the Indian part of the business which completed in March 2008. 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), Ualodara (India) and Addyston (USA). The business was renamed Ineos ABS and forms part of the Chemical Intermediates business segment.

The total adjustments required to the book values of the assets and liabilities of the business in order to present the net assets of the business at fair values are set out below

	Book value	Fair value adjustments	Final fair value
		€m	
Property, plant and equipment	42.5	(42.5)	-
Intangible fixed assets	0.4	(0.4)	-
Customer relationships	-	20.2	20.2
Inventory	139.2	(0.7)	138.5
Trade and other receivables	159.0	1.0	160.0
Cash	21.0	-	21.0
Provisions	-	(88.1)	(88.1)
Trade and other payables	(96.4)	(10.9)	(107.3)
Pensions	(8.6)	(12.7)	(21.3)
Deferred taxation	-	10.9	10.9
Net assets	<u>257.1</u>	<u>(123.2)</u>	133.9
Negative goodwill			<u>(106.6)</u>
Consideration (including acquisition expenses and contingent consideration)			<u>27.3</u>

The business in Germany was acquired with an onerous raw material supply contract and provision of €88.1 million was recognised for the expected losses on this contract. Following a detailed review of acquired contracts, a finance lease for storage facilities of €10.4 million was recognised within trade and other payables. The independent actuarial valuation of the pension plan liabilities on acquisition was finalised, which resulted in an increase in the pension deficit of €12.7 million. Customer relationships were also identified on the acquisition of €20.2 million. These relationships are being amortised over three years.

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.

At the acquisition date contingent consideration of €43.4 million was included within the provisional consideration. Contingent consideration is linked to the future profitability of the business and adjustments to the provisional fair value of net assets acquired. By 31 December, 2007 contingent consideration was reassessed as a receivable of €27.9 million.

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 or taxation was made.

The significant negative goodwill arising in the acquisition was due to the business being in a distressed state at acquisition and requiring significant investment by any purchaser.

Acquisition of Nova Joint Venture

On 1 October 2007 the group acquired a 50% interest in Ineos Nova, a joint venture operated with

Notes to the consolidated financial statements for the year ended 31 December 2009
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4. ACQUISITION OF SUBSIDIARIES (Continued)

Nova Chemicals In return for its interest in the joint venture the Group contributed its North American styrene and polystyrene assets (Styrenics) The Group contributed working capital balances into Ineos Nova of €104.2m which the Group estimates to be the initial fair value of its interest in the joint venture For further details of this transaction please see Note 3 and Note 13

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 plc Ineos Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany On 16 November, 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 of 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)	<u>17.9</u>

Updates to prior year acquisitions

The Group received an additional €13.0m in 2007 in settlement of working capital balances relating to the acquisition of Innovene from BP This is recognised as a reduction in the consideration paid for Innovene with a consequent reduction in the goodwill recognised on acquisition

5. EXCEPTIONAL ITEMS

	2009	2008	2007
		€m	
Exceptional cost of sales	-	(130.3)	(45.9)
Exceptional administrative expenses			
Restructuring of Innovene operations	(29.9)	(20.4)	(43.3)
Restructuring of other acquired businesses	(12.0)	(26.5)	(13.6)
Settlement of legal claim	-	(33.8)	-
Total exceptional administrative expenses	<u>(41.9)</u>	<u>(80.7)</u>	<u>(56.9)</u>
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method	-	(4.5)	(48.5)
Exceptional finance cost loss on extinguishment of debt	(209.2)	-	-
Total exceptional expenses	<u>(251.1)</u>	<u>(215.5)</u>	<u>(151.3)</u>
Exceptional administrative gain negative goodwill	-	29.0	106.6
Exceptional finance income	89.0	-	-
Total exceptional gains	<u>89.0</u>	<u>29.0</u>	<u>106.6</u>

Exceptional cost of sales

The charge to cost of sales for the year ended 31 December 2008 reflects the non cash write-down of certain tangible fixed assets The charge reflects the closure of the polypropylene assets in Bamble, Norway (O&P Europe segment) during the year together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England (Chemical Intermediates segment) and the polypropylene assets in Battleground, Texas (O&P North America segment) in early 2009 Costs incurred on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium (O&P Europe segment) have also been written off as these projects were suspended An impairment charge

Notes to the consolidated financial statements for the year ended 31 December 2009
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5. EXCEPTIONAL ITEMS (Continued)

has also been taken against the HFC 125 assets in Runcorn (Chemical Intermediates segment) after a review of the business was carried out during the year ended 31 December 2008

The charge to cost of sales for the year ended 31 December 2007 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. This impairment charge relates entirely to the O&P North America segment

Exceptional administrative expenses

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. In addition two of the production lines at the Sarralbe site were closed in 2009 which has resulted in a corresponding reduction in the workforce there. The restructuring costs of €29.9 million (2008: €20.4 million, 2007: €43.3 million) largely relate to severance and early retirement costs.

Other restructuring costs of €12.0 million charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses. In 2008, other restructuring costs of €26.5 million were charged in relation to other acquired businesses in 2008 and primarily relate to severance costs, early retirement costs and contract termination penalties at Bamble, Norway.

In the year ended 2008 the Group agreed to an out of court settlement of €33.8 million (including costs) to settle the case involving damages awarded to Dr Mannsfeld in Alabama, USA for allegedly patenting his ideas. The Group denied the accusation. The Group acquired Phenolchemie in 2001. Dr Mannsfeld's claim against the Group was based on the contention that Phenolchemie took his idea of using phenol residue as a feedstock for making carbon black in the late nineties. Dr Mannsfeld was an employee of Degussa at that time and has never been an employee of either Phenolchemie or the Group.

Restructuring costs during the year ended 31 December 2007 include €9.1 million in respect of severance costs, contract termination penalties and general site clearance costs for the closure of the Films manufacturing facility in Monfalcone, Italy.

Exceptional loss in associates and jointly controlled entities using the equity accounting method

During the year ended 31 December 2007 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 €nil in 2009 (2008: €4.5 million, 2007: €48.5 million) relate to the Group's share of the asset write downs and severance costs incurred by the joint venture.

Exceptional finance cost. loss on extinguishment of debt

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification and results in the extinguishment of the existing debt (see Note 20).

As a result, the existing debt has been derecognised and the modified debt recognised at fair value. The Group has estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group's debt is not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

Accordingly the Group has recognised a charge of €209.2 million as an exceptional finance expense which includes the write-off of the deferred issue costs on the existing Senior Facilities Agreement debt and the costs associated with the July 2009 modification.

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5. EXCEPTIONAL ITEMS (Continued)

Exceptional administrative gain

For the acquisitions of Lanxess ABS in 2007 and Seal Sands in 2008, the fair value of identifiable assets, liabilities and contingent liabilities exceeded the consideration paid giving rise to negative goodwill recognised directly in the consolidated income statement (see Note 4)

Exceptional finance income

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The resulting gain of €89.0 million has been included as exceptional finance income (see Note 20).

6 EXPENSES AND AUDITORS' REMUNERATION

Included in (loss)/profit are the following

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€m		
Exceptional restructuring costs – included in administrative expenses	41.9	46.9	56.9
Research and development expensed as incurred	59.0	66.6	85.9
Amortisation of other intangible assets	20.4	21.5	16.0
Loss on disposal of property, plant and equipment	10.5	21.2	2.9
Amortisation of government grants	(8.7)	(4.9)	(3.0)
Depreciation and impairment of tangible fixed assets			
Owned assets	589.1	749.2	886.8
Finance leased assets	6.6	6.3	6.7
Operating lease rental charges:			
Plant, machinery and equipment	63.4	46.1	45.9
Other	<u>11.3</u>	<u>8.3</u>	<u>17.4</u>
Auditors' remuneration:			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€m		
Audit of these financial statements	0.7	0.7	0.7
Amounts receivable by auditors and their associates in respect of			
Audit of financial statements of subsidiaries pursuant to legislation	2.8	2.5	2.7
Other services relating to taxation	2.0	1.7	2.5
Services relating to corporate finance transactions	3.3	0.8	1.5
All other services	<u>0.6</u>	<u>1.4</u>	<u>1.3</u>
	<u>9.4</u>	<u>7.1</u>	<u>8.7</u>

Amounts paid to the company's auditors and their associates in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

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7. STAFF NUMBERS AND COSTS

The monthly average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees		
	2009	2008	2007
Operations	8 614	11,651	11,221
Administration	2,804	2,741	1,859
Research and development	531	579	602
	11,949	14,971	13,682

The aggregate payroll costs of these persons were as follows

	2009	2008	2007
	€m		
Wages and salaries	675.3	797.1	959.5
Social security costs	123.0	180.5	147.2
Expenses related to defined contribution pension plans	7.4	15.7	12.9
Expenses related to defined benefit pension plans	101.3	61.3	70.9
	907.0	1,054.6	1,190.5

8. DIRECTORS' REMUNERATION

	2009	2008	2007
	€m		
Aggregate emoluments	1.0	0.6	0.6
Company contribution to money purchase scheme	0.1	0.1	0.1
	1.1	0.7	0.7

Retirement benefits are accruing to two directors (2008 two directors, 2007 two directors) under a money purchase scheme. No directors (2008 no directors, 2007 no directors) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year was €0.5 million (2008 €0.4 million, 2007 €0.4 million). Pension contributions of €32,000 (2008 €35,000, 2007 €41,000) were paid into a personal pension scheme in relation to the highest paid director.

Notes to the consolidated financial statements for the year ended 31 December 2009
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9. FINANCE INCOME AND COSTS

Recognised in profit or loss

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Finance income			
Interest income on bank balances	1 6	30 6	31 3
Other interest receivable	11 7	9 3	-
Total interest income on financial assets not at fair value through profit or loss	13 3	39 9	31 3
Exchange movements	16 0	31 8	-
Net fair value gain on derivatives	-	12 9	4 6
Expected return on defined benefit pension plan assets	58 5	85 6	87 5
Dividend income	7 3	3 7	6 5
Total finance income before exceptional items	95 1	173 9	129 9
Exceptional finance income (see Note 5)	89 0	-	-
Total finance income	<u>184 1</u>	<u>173.9</u>	<u>129.9</u>
Finance costs			
Interest payable on senior notes	178 0	182 0	188 4
Interest payable on bank loans and overdrafts	474 6	390 8	401 9
Interest payable on securitisation	32 0	53 1	70 2
Amortisation of issue costs	20 4	28 6	28 7
Interest payable on finance leases	0 2	0 2	0 9
Other finance charges	27 6	32 6	5 4
Exchange movements	12 4	158 0	79 1
Net fair value loss on derivatives	23 2	-	-
Interest on employee benefit liabilities	93 4	96 2	90 5
Unwind of discount on provisions	2 0	4 7	5 8
Total finance cost before exceptional items	863 8	946 2	870 9
Exceptional loss on extinguishment of debt (see Note 5)	209 2	-	-
Total finance costs	<u>1,073.0</u>	<u>946 2</u>	<u>870.9</u>
Net finance costs	<u>888 9</u>	<u>772 3</u>	<u>741.0</u>

Net gains and losses on financial instruments are included in Note 26 b

Notes to the consolidated financial statements for the year ended 31 December 2009
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10. TAXATION

Taxation recognised in the consolidated income statement

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Current tax expense			
Current year	37 6	74 3	91 9
Adjustments in respect of prior years	(1 0)	(12 7)	(53 4)
Current tax expense	<u>36 6</u>	<u>61 6</u>	<u>38 5</u>
Deferred tax expense			
Origination and reversal of temporary differences	11 1	(294 2)	46 5
Adjustments in respect of prior years	(33 8)	(79 0)	36 2
Deferred tax (credit)/charge	<u>(22 7)</u>	<u>(373 2)</u>	<u>82 7</u>
Total tax charge/(credit)	<u>13 9</u>	<u>(311.6)</u>	<u>121.2</u>

Reconciliation of effective tax rate

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
(Loss)/profit before taxation	<u>(601 2)</u>	<u>(884 2)</u>	<u>523 7</u>
Tax on above using the UK corporation tax rate of 28% (2008 28%, 2007 30%)	(168 4)	(247 6)	157 1
Non-deductible expenses/tax exempt revenues	87 9	(4 3)	(3 7)
Disposal of businesses	8 2	9 7	-
Effect of tax rates in foreign jurisdictions	29 7	9 8	7 7
Deferred tax not recognised	61 7	42 1	(20 5)
Utilisation of tax losses brought forward	29 6	(29 6)	(3 2)
Adjustments for prior years	<u>(34 8)</u>	<u>(91 7)</u>	<u>(16 2)</u>
Total tax charge/(credit)	<u>13 9</u>	<u>(311 6)</u>	<u>121.2</u>

Taxation recognised in other comprehensive income

	<u>2009</u>			<u>2008</u>			<u>2007</u>		
	<u>Gross</u>	<u>Tax</u>	<u>Net</u>	<u>Gross</u>	<u>Tax</u>	<u>Net</u>	<u>Gross</u>	<u>Tax</u>	<u>Net</u>
					€m				
Foreign exchange translation differences	56 8	-	56 8	(184 1)	-	(184 1)	(472 3)	-	(472 3)
Foreign exchange differences recycled on disposal of subsidiaries	(25 0)	-	(25 0)	13 5	-	13 5	2 8	-	2 8
Changes in the fair value of assets classified as available for sale	22 9	-	22 9	-	-	-	-	-	-
Net gain/(loss) on hedge of net investment in foreign operations	13 9	-	13 9	(40 0)	-	(40 0)	240 5	-	240 5
Net change in fair value of cash flow hedges	-	-	-	105 8	(29 5)	76 3	-	-	-
Cash flow hedge recycled from hedging reserve	(105 9)	29 6	(76 3)	-	-	-	-	-	-
Actuarial gains and losses on defined benefit pension schemes	<u>(18 9)</u>	<u>16 8</u>	<u>(2 1)</u>	<u>(321 2)</u>	<u>79 7</u>	<u>(241 5)</u>	<u>50 3</u>	<u>(40 9)</u>	<u>9 4</u>
Total	<u>(56.2)</u>	<u>46.4</u>	<u>(9.8)</u>	<u>(426.0)</u>	<u>50 2</u>	<u>(375 8)</u>	<u>(178 7)</u>	<u>(40.9)</u>	<u>(219.6)</u>

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11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment Fixtures and fittings	Under construction	Total
	€m			
Cost				
Balance at 1 January 2007	467 7	7 284 9	476 5	8,229 1
Acquisitions through business combinations	14 7	36 0	6 8	57 5
Additions	0 9	252 6	386 9	640 4
Disposals	(52 6)	(46 3)	(2 6)	(101 5)
Transfers	55 0	460 6	(515 6)	-
Effect of movements in foreign exchange	(9 7)	(409 9)	(3 7)	(423 3)
Balance at 31 December 2007	476 0	7,577 9	348 3	8,402 2
Acquisitions through business combinations	6 6	72 0	0 2	78 8
Additions	6 2	238 7	356 5	601 4
Disposals	(48 0)	(223 5)	(24 4)	(295 9)
Transfers	9 9	222 9	(232 8)	-
Effect of movements in foreign exchange	(3 4)	(548 2)	24 8	(526 8)
Balance at 31 December 2008	447 3	7 339 8	472 6	8,259 7
Additions	0 4	103 9	159 3	263 6
Disposals	(22 3)	(148 8)	(23 0)	(194 1)
Transfers	6 4	254 1	(273 1)	(12 6)
Reclassifications	-	-	(1 7)	(1 7)
Effect of movements in foreign exchange	0 6	153 0	5 8	159 4
Balance at 31 December 2009..	432 4	7,702.0	339 9	8,474 3
Accumulated depreciation and impairment				
Balance at 1 January 2007	102 0	1,515 5	-	1,617 5
Depreciation charge for the year	28 3	819 3	-	847 6
Impairment losses	-	45 9	-	45 9
Transfers	35 7	(35 7)	-	-
Disposals	(52 6)	(3 0)	-	(55 6)
Effect of movements in foreign exchange	-	(126 4)	-	(126 4)
Balance at 31 December 2007	113 4	2,215 6	-	2,329 0
Depreciation charge for the year	21 4	603 8	-	625 2
Impairment losses	-	130 3	-	130 3
Disposals	(10 5)	(160 5)	-	(171 0)
Effect of movements in foreign exchange	(1 3)	(93 1)	-	(94 4)
Balance at 31 December 2008	123 0	2,696 1	-	2 819 1
Depreciation charge for the year	21 1	574 6	-	595 7
Transfers	0 7	(13 3)	-	(12 6)
Disposals	(2 3)	(53 7)	-	(56 0)
Effect of movements in foreign exchange	(0 6)	35 5	-	34 9
Balance at 31 December 2009	141.9	3,239 2	-	3,381.1
Net book value				
At 1 January 2007	365 7	5,769 4	476 5	6,611 6
At 31 December 2007	362 6	5,362 3	348 3	6,073 2
At 31 December 2008	324 3	4 643 7	472 6	5,440 6
At 31 December 2009	290 5	4,462 8	339 9	5,093 2

Impairment losses

The impairment losses for the year ended 31 December 2008 of €130 3 million reflect the closure of polypropylene assets in Bamble, Norway during the year and the closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium were also written off as these projects were suspended. An impairment charge was also taken against the HFC 125 assets in Runcorn after a review of the business was carried out during 2008.

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11. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

These impairment losses were recognised in cost of sales as exceptional charges. The items of property, plant and equipment were subsequently written off.

Leased plant and machinery

Included in the above are assets held under hire purchase and finance leases with a net book value of €43.6 million (2008: €50.0 million, 2007: €56.2 million). The leased equipment secured lease obligations (see Note 20).

Property, plant and equipment under construction

During 2009, construction work at Köln on the overhaul of the two catalytic cracking units was completed and the assets were transferred to other classes of property, plant and equipment. Construction work continued at the KG cracker unit in Grangemouth whilst work on the polypropylene plant in Belgium was halted until a decision to complete the project has been taken.

Additions to property, plant and equipment that were treated as assets under construction during 2008 arose from a number of investments. The material ones included the new furnace constructed for the cracker at the Köln site, the expansion of a polypropylene plant in Belgium, the expansion of feedstock capabilities of the KG cracker unit in Grangemouth, Scotland, and overhaul of the two Fluidised Catalytic Cracking units, Crude distillation unit No 2, Hydrocracker Treatments.

Additions to assets under construction included investment to meet future regulations with the first phase of construction of a new Sulfur Recovery Unit coupled with a Tail Gas Treatment and a new Waste Water Treatment Plant. Other notable investments include the electrical and hydrocracker substations, new tankage, tank farm fire protection, cross-country pipeline integrity gauging and expansion projects including acid crude processing.

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12. INTANGIBLE ASSETS

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
Cost					
Balance at 1 January 2007	139.2	2.9	9.8	865.1	1,017.0
Acquisitions through business combinations	0.3	20.2	-	119.0	139.5
Other acquisitions	0.3	-	0.4	-	0.7
Disposals	(0.6)	-	(1.6)	-	(2.2)
Effect of movements in foreign exchange	(5.0)	-	(0.3)	(74.5)	(79.8)
Balance at 31 December 2007	134.2	23.1	8.3	909.6	1,075.2
Acquisitions through business combinations	-	-	-	19.1	19.1
Other acquisitions	27.3	-	0.7	-	28.0
Disposals	-	-	-	(2.6)	(2.6)
Effect of movements in foreign exchange	1.9	-	0.1	19.9	21.9
Balance at 31 December 2008	163.4	23.1	9.1	946.0	1,141.6
Additions	-	-	-	1.0	1.0
Other additions	-	-	1.0	-	1.0
Reclassifications	1.7	-	-	-	1.7
Disposals	(25.8)	(20.2)	(0.3)	(80.6)	(126.9)
Effect of movements in foreign exchange	(0.6)	-	-	(6.1)	(6.7)
Balance at 31 December 2009	138.7	2.9	9.8	860.3	1,011.7
Accumulated amortisation and impairment					
Balance at 1 January 2007	8.1	2.3	5.7	47.8	63.9
Amortisation for the year	12.5	1.7	1.8	-	16.0
Disposals	(0.6)	-	(1.6)	-	(2.2)
Effect of movements in foreign exchange	(0.8)	-	(0.2)	(2.8)	(3.8)
Balance at 31 December 2007	19.2	4.0	5.7	45.0	73.9
Amortisation for the year	14.1	6.7	0.7	-	21.5
Effect of movements in foreign exchange	0.2	-	-	(0.6)	(0.4)
Balance at 31 December 2008	33.5	10.7	6.4	44.4	95.0
Amortisation for the year	14.5	5.2	0.7	-	20.4
Disposal	(3.3)	(13.5)	(0.3)	(34.9)	(52.0)
Effect of movements in foreign exchange	(0.3)	-	-	(1.0)	(1.3)
Balance at 31 December 2009	44.4	2.4	6.8	8.5	62.1
Net book value					
At 1 January 2007	131.1	0.6	4.1	817.3	953.1
At 31 December 2007	115.0	19.1	2.6	864.6	1,001.3
At 31 December 2008	129.9	12.4	2.7	901.6	1,046.6
At 31 December 2009	94.3	0.5	3.0	851.8	949.6

Other intangible assets include non-compete agreements and licence fees

Amortisation and impairment charge

The amortisation charge is recognised in administrative expenses in the consolidated income statement

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

12 INTANGIBLE ASSETS (Continued)

Impairment

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows

	2009	2008	2007
		€m	
O&P Europe	243.1	245.0	237.5
O&P North America	244.8	245.5	241.1
Refining	300.6	300.1	296.7
Chemical Intermediates	63.3	111.0	89.3
Total	851.8	901.6	864.6

The recoverable amount is based on the value in use of each segment based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test. Trading performance in 2009 was in line with plan despite the market turbulence at the end of 2008 which had a significant effect in 2009. The market has recovered steadily throughout 2009 and this is forecast to continue over the plan period.

The key assumptions underlying the value in use calculation are shown below.

	2009	2008	2007
Period on which management approved forecasts are based	5 years	5 years	5 years
Discount rate	11.0%	10.5%	10.0%
Growth rate	3.0%	3.0%	3.0%

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

Sensitivity of recoverable amounts

The following table presents, for each CGU or group of CGUs, the change in the discount rate for the tests as of 31 December 2009 that would be required in order for the recoverable amount to equal carrying value.

	Applied rate	Change in discount rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe	11.0	4.6	15.6
O&P North America	11.0	11.5	22.5
Refining	11.0	12.5	23.5
Chemical Intermediates	11.0	18.4	29.4

Notes to the consolidated financial statements for the year ended 31 December 2009
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12. INTANGIBLE ASSETS (Continued)

The following table presents, for each CGU or group of CGUs, the change in the growth rate for the tests as of 31 December 2009 that would be required in order for the recoverable amount to equal carrying value. For all segments except Chemical Intermediates there would need to be negative growth in order for an impairment to be recognised. For the Chemical Intermediates segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	<u>Applied rate</u>	<u>Change in growth rate in order for the recoverable amount to be equal to carrying value</u>	<u>Required rate</u>
		%	
O&P Europe	3.0	(10.1)	(7.1)
O&P North America	3.0	(37.4)	(34.4)
Refining	3.0	(46.7)	(43.7)
Chemical Intermediates	3.0	n/a	n/a

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

13. INVESTMENTS

13.a Investments In Equity-Accounted Investees

	<u>Joint ventures</u>	<u>Associated undertakings</u>	<u>Total</u>
		€m	
At 1 January 2007	81 0	0 7	81 7
Transfer from provisions for liabilities	(24 1)	-	(24 1)
Share of losses retained	(42 9)	-	(42 9)
Acquired on disposal of Styrenics (Note 3)	104 2	-	104 2
Acquisitions	55 9	-	55 9
Disposals	(7 6)	-	(7 6)
Exchange adjustments	(7 7)	-	(7 7)
At 31 December 2007	158 8	0 7	159 5
Transfer to provisions for liabilities	32 3	-	32 3
Share of losses retained	(60 9)	-	(60 9)
Additions	3 9	-	3 9
Share capital repayment	(6 7)	-	(6 7)
Loan repayment	(6 4)	-	(6 4)
Reclassifications	2 7	-	2 7
Dividends received	(1 0)	-	(1 0)
Disposals	-	(0 5)	(0 5)
Exchange adjustments	(7 2)	(0 2)	(7 4)
At 31 December 2008	115 5	-	115 5
Share of profits retained	5 0	-	5 0
Additions	1 4	0 1	1 5
Loan repayment	(6 6)	-	(6 6)
Reclassifications	(10 3)	-	(10 3)
Dividends received	(1 1)	-	(1 1)
Disposals	(1 6)	-	(1 6)
Exchange adjustments	7 2	-	7 2
At 31 December 2009	109 5	0.1	109.6

Joint ventures

During the year ended 31 December 2007, the Group contributed its North American styrene and polystyrene assets into a new joint venture, Ineos Nova LLC. This created a new enlarged Ineos Nova joint venture covering both Europe and North America. This enlarged joint venture resulted in the Group's prior 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 in 2007. The Group recognised the interest in the joint venture initially at fair value which it determined to be equal to the carrying value of the assets contributed into the joint venture.

During the year ended 31 December 2008, the Group's share of the losses retained on the enlarged Styrenics joint venture resulted in a transfer to provisions as the Group had an obligation to fund future losses of the venture.

In 2009 the Group disposed of its interests in the Nova joint ventures for nil consideration, see Note 3.

The Group has a loan investment with Noretyl AS. At 31 December 2009 the balance was €19.9 million (2008: €21.7 million, 2007: €32.1 million).

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

13. INVESTMENTS (Continued)

Details of investments in joint ventures are set out below

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
Appryl SNC	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC	Ordinary	Lavera, France	50%	Chemicals
Oxochimie SA	Ordinary	Lavéra, France	50%	Chemicals
Ineos Nova European Holding BV (disposed of in 2009)	Class A Ordinary	Breda, Netherlands	50%	Chemicals
Ineos Nova International SA (disposed of in 2009)	Class A Ordinary	Fribourg, Switzerland	50%	Chemicals
Ineos Nova LLC (disposed of in 2009)	Common	Illinois, USA	50%	Chemicals
Southern Ridge Pipeline GP LLC	Partnership	Illinois, USA	50%	Pipeline/ Transportation
Jiangxi In-Tech Chemical Company Limited	Ordinary	Jiangxi, China	50%	Chemicals
Noretyl AS	Ordinary	Rafnes Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures – 50 per cent of the balances

	2009	2008	2007
		€m	
Current assets	64.1	285.4	593.8
Long-term assets	168.3	299.5	312.9
Current liabilities	(48.4)	(259.5)	(226.6)
Long-term liabilities	(55.4)	(65.0)	(88.7)
Income	844.4	1,551.7	1,101.5
Expenses	(831.6)	(1,600.8)	(983.2)

Associated undertakings

During the year ended 31 December 2009 the Group retained interests in associated undertakings on disposal of the Bio and Healthcare businesses (see Note 3) and as a result of the Group entering into an agreement to construct a waste energy plant in Runcorn

Details of the associated undertakings are set out below

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
Ineos Bio Limited	Ordinary	UK	20%	Chemicals
Ineos Bio US LLC	Ordinary	USA	20%	Chemicals
Ineos Healthcare Limited	Ordinary	UK	20%	Healthcare
Ineos Runcorn (TPS) Limited	Ordinary Class 'A and Class 'B	UK	25%	Waste processing

The Group has not recognised its share of losses relating to the Ineos Bio or Healthcare businesses of €0.8 million and €2.4 million respectively since the Group has no obligation in respect of these losses additional to that already provided for on disposal (see Note 3). The Group has adopted IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* and has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be £nil.

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13 INVESTMENTS (Continued)

Summary aggregated financial information for equity accounted associated undertakings – share of the balances

	<u>2009</u>
	<u>€m</u>
Total assets	23.7
Total liabilities	(26.8)
Income	-
Expenses	<u>(3.2)</u>

13 b Investments in Subsidiary Undertakings

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 2009 will be annexed to the Company's annual return

Notes to the consolidated financial statements for the year ended 31 December 2009
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13 INVESTMENTS (Continued)

Company	Country of incorporation and operation	Percentage holding	Principal activity
			Holding
Ineos Holdings Limited*	England	100%	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 Phenol GmbH	Germany	100%	Chemicals
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 Limited	England	100%	Chemicals
Ineos Silicas Netherlands BV	The Netherlands	100%	Chemicals
Ineos Americas LLC	US	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 USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Chlor Limited	England	100%	Chemicals
Ineos Chlor Atlantik GmbH	Germany	100%	Chemicals
Ineos Vinyls Finance Plc	England	100%	Finance
Ineos Vinyls UK Limited	England	100%	Chemicals
Ineos Vinyls Belgium 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 Films s p a	Italy	100%	Chemicals
Ineos Films Inc	US	100%	Chemicals
Ineos Films GmbH	Germany	100%	Chemicals
Ineos Films Staufen GmbH	Germany	100%	Chemicals
Caprihans India Limited	India	59%	Chemicals
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited	England	100%	Chemicals
Ineos Fuels Limited	England	100%	Chemicals
Ineos Refining France SAS	France	100%	Chemicals
Ineos Technologies (Vinyls) Limited	England	100%	Chemicals

* Held directly by the Company

Notes to the consolidated financial statements for the year ended 31 December 2009
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14 OTHER INVESTMENTS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
At 1 January	123.5	-	-
Additions	-	105.5	-
Interest receivable	6.5	4.6	-
Exchange adjustments	(0.3)	13.4	-
At 31 December	<u>129.7</u>	<u>123.5</u>	<u>-</u>

During the year ended 31 December 2008 the Group acquired a preferred partnership interest in Ineos Investments LLP (see Note 3), an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. Ineos Investments LLP is a limited liability partnership.

15. OTHER FINANCIAL ASSETS

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Non-current			
Financial assets designated as fair value through profit or loss (see Note 26 a)	-	-	5.6
Available for sale financial assets (see below and Note 26 a)	82.2	49.0	47.7
	<u>82.2</u>	<u>49.0</u>	<u>53.3</u>
Current			
Financial assets designated as fair value through profit or loss	-	0.3	-
Derivative commodity contracts designated as fair value through profit or loss (see Note 26 a)	2.9	25.4	1.9
Derivative commodity contracts designated as cash flow hedges (see Note 26 e)	-	105.8	-
Other receivables	-	27.9	27.9
	<u>2.9</u>	<u>159.4</u>	<u>29.8</u>

Available for sale financial assets

Available for sale financial assets relate to a 19.9% investment in Geosel Manosque and a 13.9% investment in Geosud, companies registered in France whose principal activities are the provision of underground storage facilities for liquid hydrocarbons in Southern France, a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe, and a 10% investment in Seminole Pipeline Company, a company registered in the USA whose principal activity is the provision of pipelines.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2007 and 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further information became available that allowed the valuation of these investments in 2009 to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.9 million).

Investments in ARG mbH and Co. KG and Seminole Pipeline Company have been classified as available for sale financial assets but are recorded at their acquisition cost. These financial instruments comprise shares in private limited companies and partnerships. The carrying amount of these investments was €36.0 million at 31 December 2009 (2008: €26.0 million, 2007: €24.7 million). These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

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16. OTHER FINANCIAL LIABILITIES

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
Current			
Financial liabilities designated as fair value through profit or loss	-	0 2	-
Derivative commodity contracts designated as fair value through profit or loss (see Note 26 a)	6 5	0 3	0 6
	<u>6 5</u>	<u>0 5</u>	<u>0 6</u>

17. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	<u>2009</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>€m</u>		
Property, plant and equipment	-	189 7	189 7
Employee benefits	(239 3)	-	(239 3)
Tax value of loss carry-forwards	(216 4)	-	(216 4)
Other	(31 8)	-	(31 8)
Tax (assets)/liabilities	(487 5)	189 7	(297 8)
Set off of tax	28 6	(28 6)	-
Net tax (assets)/liabilities	<u>(458 9)</u>	<u>161 1</u>	<u>(297 8)</u>
	<u>2008</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>€m</u>		
Property, plant and equipment	-	269 1	269 1
Employee benefits	(223 8)	-	(223 8)
Tax value of loss carry-forwards	(290 1)	-	(290 1)
Other	-	2 1	2 1
Tax (assets)/liabilities	(513 9)	271 2	(242 7)
Set off of tax	76 1	(76 1)	-
Net tax (assets)/liabilities	<u>(437 8)</u>	<u>195 1</u>	<u>(242 7)</u>
	<u>2007</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>€m</u>		
Property, plant and equipment	-	403 9	403 9
Employee benefits	(147 9)	-	(147 9)
Tax value of loss carry-forwards	(45 6)	-	(45 6)
Other	(40 4)	-	(40 4)
Tax (assets)/liabilities	(233 9)	403 9	170 0
Set off of tax	107 3	(107 3)	-
Net tax (assets)/liabilities	<u>(126 6)</u>	<u>296 6</u>	<u>170 0</u>

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17. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movement in deferred tax

	Property, plant and equipment	Employee benefits	Tax value of loss carry- forward utilised	Other	Total
			€m		
At 1 January 2007	397 0	(183 8)	(165 4)	8 9	56 7
Recognised in profit or loss	17 2	(5 0)	119 8	(49 3)	82 7
Recognised in other comprehensive income	-	40 9	-	-	40 9
Acquired in business combinations	(10 3)	-	-	-	(10 3)
At 31 December 2007	403 9	(147 9)	(45 6)	(40 4)	170 0
Recognised in profit or loss	(145 5)	3 8	(244 5)	13 0	(373 2)
Recognised in other comprehensive income	-	(79 7)	-	29 5	(50 2)
Acquired in business combinations	10 7	-	-	-	10 7
At 31 December 2008	269 1	(223 8)	(290 1)	2 1	(242 7)
Recognised in profit or loss	(84 8)	(7 3)	73 7	(4 3)	(22 7)
Recognised in other comprehensive income	-	(16 8)	-	(29 6)	(46 4)
Included in businesses disposed of	5 4	8 6	-	-	14 0
At 31 December 2009	189 7	(239 3)	(216 4)	(31 8)	(297 8)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise gross deductible temporary differences of €1,039.2 million (2008: €483.3 million, 2007: €492.7 million). These relate to depreciation in excess of capital allowances of €217.9 million (2008: €162.3 million, 2007: €209.3 million), tax losses amounting to €707.4 million (2008: €321.0 million, 2007: €283.3 million) and other temporary differences amounting to €113.9 million (2008: €nil, 2007: €nil) that can be carried forward indefinitely against future taxable income.

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries, joint ventures or associates as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

18. INVENTORIES

	2009	2008	2007
		€m	
Raw materials and consumables	418 7	421 0	1,071 7
Work in progress	36 6	39 7	62 8
Finished goods	1,089 4	1,132 9	1,473 8
	1 544 7	1,593 6	2,608 3

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €11,174.4 million (2008: €18,100.4 million, 2007: €17,454.5 million). The net write-down of inventories to net realisable value amounted to €46.8 million (2008: €140.7 million, 2007: €15.3 million) after the reversal of previous write-downs of €22.8 million (2008: €25.5 million, 2007: €14.4 million).

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19. TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Current			
Trade receivables	1,536 3	1,574 1	2,888 1
Amounts due from related parties	115 9	100 4	51 4
Other receivables	179 4	245 0	288 7
Prepayments	86 4	72 4	85 1
	<u>1 918 0</u>	<u>1,991 9</u>	<u>3,313 3</u>
Non-current			
Amounts due from related parties	138 2	138 2	138 2
Other receivables	15 3	5 9	1 7
Prepayments	15 4	24 1	20 6
	<u>168 9</u>	<u>168 2</u>	<u>160 5</u>

Credit quality of financial assets and impairment losses

The ageing of trade and other receivables at the end of the reporting period was

	<u>Trade receivables</u>		<u>Amounts due from related parties</u>		<u>Other receivables</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>
	€m					
Not past due	1,453 0	(23 1)	254 1	-	190 9	-
Past due 0-30 days	101 9	(1 9)	-	-	-	-
Past due 31-90 days	7 8	(1 4)	-	-	-	-
More than 90 days	22 9	(22 9)	-	-	3 8	-
	<u>1,585 6</u>	<u>(49 3)</u>	<u>254 1</u>	<u>-</u>	<u>194 7</u>	<u>-</u>
	€m					
	<u>Trade receivables</u>		<u>Amounts due from related parties</u>		<u>Other receivables</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>
	€m					
Not past due	1,435 9	(15 3)	238 6	-	249 5	-
Past due 0-30 days	138 2	(3 4)	-	-	0 5	-
Past due 31-90 days	16 7	(5 8)	-	-	0 8	-
More than 90 days	32 3	(24 5)	-	-	0 1	-
	<u>1,623 1</u>	<u>(49 0)</u>	<u>238 6</u>	<u>-</u>	<u>250 9</u>	<u>-</u>
	€m					
	<u>Trade receivables</u>		<u>Amounts due from related parties</u>		<u>Other receivables</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
	€m					
Not past due	2,330 8	(21 2)	189 6	-	286 2	-
Past due 0-30 days	137 6	(0 8)	-	-	2 9	-
Past due 31-90 days	16 7	(2 5)	-	-	0 7	-
More than 90 days	446 7	(19 2)	-	-	0 6	-
	<u>2,931 8</u>	<u>(43 7)</u>	<u>189 6</u>	<u>-</u>	<u>290 4</u>	<u>-</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 26 c). At 31 December 2007, 2008 and 2009 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

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19. TRADE AND OTHER RECEIVABLES (Continued)

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk other than with BP Plc ('BP') which represents approximately 14% of trade receivables. The concentration of credit risk arises due to the number of commercial agreements that the Group has with BP. The credit risk associated with these receivables is managed through a master bilateral netting agreement where, in the event of termination of commercial agreements, balances owed from BP will be offset against the Group's balances payable to BP. During the normal course of business amounts owed by BP are normally less than the Group's payable to BP in relation to purchases of crude oil, feed stocks and other inputs.

During 2007, 2008 and 2009 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of €295.7 million (2008: €255.5 million, 2007: €464.9 million) of assets pledged as security against amounts owed to the Group of which €12.0 million (2008: €33.8 million, 2007: €31.2 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,096.7 million (2008: €1,118.5 million, 2007: €1,858.6 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 20, totalling €605.5 million (2008: €750.6 million, 2007: €1,089.7 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008	2007
		€m	
Balance at 1 January	49.0	43.7	37.1
Impairment loss recognised	0.3	5.3	6.6
Balance at 31 December	<u>49.3</u>	<u>49.0</u>	<u>43.7</u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions. The significant falls in the price of crude oil and related products during 2008 increased the reported level of the allowance for impairment to the total receivable balance in that year due to a consequential deterioration in the creditworthiness of certain customers.

There were no allowances made against amounts due from related parties or other receivables during the years ended 31 December 2009, 2008 and 2007.

20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26 f.

	2009	2008	2007
		€m	
Non-current liabilities			
Senior Facilities Agreement	4,165.8	4,317.3	4,702.0
Senior Notes	1,969.9	2,088.8	2,062.6
Ineos Vinyls Senior Notes	159.9	160.4	160.4
Securitisation Facility	603.4	748.4	1,084.6
Other bank loans	-	0.3	1.1
Finance lease liabilities	10.1	17.7	22.6
Other loans	0.9	0.9	0.7
	<u>6,910.0</u>	<u>7,333.8</u>	<u>8,034.0</u>

Notes to the consolidated financial statements for the year ended 31 December 2009
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20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

Current liabilities

Current portion of borrowings under Senior Facilities

Agreement	837.9	612.0	194.8
Current portion of other bank loans	-	0.4	0.4
Current portion of finance lease liabilities	1.4	3.2	1.5
	<u>839.3</u>	<u>615.6</u>	<u>196.7</u>

Gross debt and issue costs

	<u>Gross loans and borrowings</u>	<u>Issue costs</u>	<u>Net loans and borrowings</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>
		€m	
Senior Facilities Agreement	5,003.7	-	5,003.7
Senior Notes	2,005.9	(36.0)	1,969.9
Ineos Vinyls Senior Notes	161.2	(1.3)	159.9
Securitisation Facility	605.6	(2.2)	603.4
Other	12.4	-	12.4
Total	<u>7,788.8</u>	<u>(39.5)</u>	<u>7,749.3</u>

	<u>Gross loans and borrowings</u>	<u>Issue costs</u>	<u>Net loans and borrowings</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>
		€m	
Senior Facilities Agreement	5,079.8	(150.5)	4,929.3
Senior Notes	2,125.0	(36.2)	2,088.8
Ineos Vinyls Senior Notes	161.7	(1.3)	160.4
Securitisation Facility	750.6	(2.2)	748.4
Other	22.5	-	22.5
Total	<u>8,139.6</u>	<u>(190.2)</u>	<u>7,949.4</u>

	<u>Gross loans and borrowings</u>	<u>Issue costs</u>	<u>Net loans and borrowings</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>
		€m	
Senior Facilities Agreement	5,020.2	(123.4)	4,896.8
Senior Notes	2,110.6	(48.0)	2,062.6
Ineos Vinyls Senior Notes	162.4	(2.0)	160.4
Securitisation Facility	1,089.7	(5.1)	1,084.6
Other	26.3	-	26.3
Total	<u>8,409.2</u>	<u>(178.5)</u>	<u>8,230.7</u>

Notes to the consolidated financial statements for the year ended 31 December 2009
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20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
		LIBOR / EURIBOR plus 6 0%-	
Senior Facilities Agreement	\$/€	8 0%	2012-2015
Senior Notes	\$/€	7 9%-8 5%	2016
Ineos Vinyls Senior Notes	€	9 1%	2011
Securitisations Facility	\$/€/£	Variable	2011
Other	€/¥	7 0 – 9 0%	2009-2016

Senior Facilities Agreement

The Group 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 2009 before issues costs were €4,425 8 million (2008 €4,669 8 million, 2007 €5,020 2 million), of which €260 0 million (2008 €231 9 million, 2007 €224 7 million) is due within one year. The total amounts outstanding on Term Loan A were €727 2 million (2008 €929 0 million, 2007 €1,151 8 million), Term Loan B were €1,524 3 million (2008 €1,545 4 million, 2007 €1,609 2 million), Term Loan C were €1,524 3 million (2008 €1,545 4 million, 2007 €1,609 2 million), Term Loan D were €650 0 million (2008 €650 0 million, 2007 €650 0 million). The Revolving Credit Facility outstanding at 31 December 2009 before issues costs was €577 9 million (2008 €410 0 million, 2007 €nil).

As a result of the substantial modification of the existing Senior Facilities Agreement Debt on 17 July 2009 (see below and Note 5), the unamortised issue costs at this date were written off.

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.

On 19 December 2008, the Group obtained a waiver from its senior banking syndicate of its Debt Service Cover and Interest Cover tests, together with an amendment to its Leverage test for the period ending 31 December 2008. The amended leverage test was subsequently met. The Group also obtained an agreement to defer the testing of the Interest Cover and Leverage tests for the period ending 31 March 2009 until 31 May 2009.

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group’s financing arrangements, including a reset of the Group’s financial covenants. The remuneration for the senior lenders consisted of a consent fee of €79 0 million. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification and results in the extinguishment of the existing debt. As a result, the existing debt has been derecognised and the modified debt recognised at fair value. The Group has estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group’s debt is not available. The valuation technique used a discounted cash flow model using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

Notes to the consolidated financial statements for the year ended 31 December 2009
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20 INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The leverage, interest cover and debt service cover covenants have now been reset for the remaining term of the Senior Facilities Agreement. In addition, a new senior leverage covenant and a minimum available liquidity covenant have been introduced. There have also been a number of amendments to the definitions used for the financial covenants. Net debt denominated in currencies other than the euro will be translated at the average rate for the period rather than the period end rate to match the rates used to translate the operating results for the same period. The operating results of the Group will now be measured on the basis of replacement cost EBITDA for Refining and historical cost EBITDA for the rest of the Group, rather than just historical cost EBITDA. This change will remove most of the current volatility in our operating results caused by unpredictable fluctuations in crude oil prices.

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 cash margins as at December 31, 2009 are 4.00% per annum for the Term Loan A facility, 4.50% per annum for the Term Loan B facility, 5.00% per annum for the Term Loan C facility, 6.00% per annum for Revolving Credit Facility, and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind ('PIK') margin of 2.00% per annum.

The cash margins on Term Loans A and B are subject to a reduction based on certain financial tests. The PIK margin is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody's and Standard and Poor.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.25% applies to all Euro denominated Term Loans. The difference between actual EURIBOR at the start of each interest period and the floor will be accrued over the period and is not payable in cash until the final repayment dates of the applicable loans. If available liquidity (cash and amounts available under the Revolving Credit Facility) of the Group exceeds €750 million the EURIBOR floor reduces to 3.00% and will become payable in cash.

Ineos Group Holdings plc 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.

Senior Notes

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2008: €1,630 million, 2007: €1,630 million) Senior Notes due 2016 (the "Euro Notes") and \$677.5 million (2008: \$700 million, 2007: \$700 million) Senior Notes due 2016 (the "Dollar Notes"). 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 Group at their principal amount on 15 February 2016.

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 5).

Notes to the consolidated financial statements for the year ended 31 December 2009
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20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Group, 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	<u>Euro Notes redemption price</u>	<u>Dollar Notes redemption price</u>
2011	103.938%	104.250%
2012	102.625%	102.833%
2013	101.313%	101.417%
2014 and thereafter	100.0%	100.0%

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 Group Holdings plc. The Senior Notes are guaranteed by Ineos Group Holdings plc 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.

Ineos Vinyls Senior Notes

The Ineos Vinyls Senior Notes of €161.2 million (2008: €161.7 million, 2007: €162.4 million) bear interest at 9.125% per annum, payable semi-annually in arrears on 1 June and 1 December of each year. The Ineos Vinyls Senior Notes are listed on the Luxembourg Stock Exchange. Unless previously redeemed, the Ineos Vinyls Senior Notes will be redeemed by the Group at their principal amount on 1 December 2011.

The payments due under the Ineos Vinyls Senior Notes are unconditionally guaranteed by the Group. The guarantee is a senior, unsubordinated obligation of the Group, ranking pari passu with its obligations under the Senior Notes, except that it will not be secured by the shares of Ineos Group Holdings plc and the Funding Loans from the Group to Ineos Group Holdings plc. 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 €1.3 million (2008: €1.3 million, 2007: €2.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39 - Financial Instruments: Recognition and Measurement.

Receivables Securitisation Facility

The Group has entered into a five year €1,500 million receivables securitisation facilities agreement ("Receivables Securitisation Facility"). On 9 April 2009, the Group entered into an amendment agreement to reduce the overall facility to €1,200 million for the remaining term of the facility and to increase margins on amounts drawn and the commitment fee on amounts undrawn. The total amount outstanding at 31 December 2009 was €607.0 million (2008: €750.6 million, 2007: €1,089.7 million).

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20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The Receivables Securitisation Facility is stated net of debt issue costs of €2.2 million (2008 €2.2 million, 2007 €5.1 million)

Finance lease liabilities

Finance lease liabilities are payable as follows

	Minimum lease payments	Interest	Principal
	2009		
	€m		
Less than one year	1.6	(0.2)	1.4
Between one and five years	6.9	(6.3)	0.6
More than five years	10.6	(1.1)	9.5
	19.1	(7.6)	11.5

	Minimum lease payments	Interest	Principal
	2008		
	€m		
Less than one year	4.8	(1.6)	3.2
Between one and five years	15.7	(11.0)	4.7
More than five years	14.8	(1.8)	13.0
	35.3	(14.4)	20.9

	Minimum lease payments	Interest	Principal
	2007		
	€m		
Less than one year	2.3	(0.8)	1.5
Between one and five years	15.5	(6.8)	8.7
More than five years	15.0	(1.1)	13.9
	32.8	(8.7)	24.1

21. TRADE AND OTHER PAYABLES

	2009	2008	2007
	€m		
Current			
Trade payables	896.3	707.0	2,429.0
Amounts due to related parties	161.9	104.7	56.1
Other payables	672.5	572.2	515.0
Deferred consideration	30.3	30.8	30.4
Accruals and deferred income	970.5	1,036.9	948.7
	2,731.5	2,451.6	3,979.2
Non-current			
Amounts due to related parties	4.0	3.6	4.9
Other payables	30.3	69.5	51.2
Accruals and deferred income	43.9	29.5	40.9
	78.2	102.6	97.0

Notes to the consolidated financial statements for the year ended 31 December 2009
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22. EMPLOYEE BENEFITS

Pension plans

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 Norway.

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

The most recent full valuations of the significant defined benefit plans were carried out as follows:

Plan	Country	Valuation date
Chlor	United Kingdom	31 December 2007
Innovene	United Kingdom	31 December 2008
All Plans	North America	1 January 2009
All Plans	Belgium	31 December 2009
Borealis	Norway	31 December 2007
Noretyl	Norway	31 December 2009
All plans	France	31 December 2009
All Plans	Germany	31 December 2009

These valuations have been updated where appropriate to 31 December 2009 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, Norway and France.

Pension plan assumptions

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	United Kingdom			North America			Other European		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	%								
Major assumptions									
Rate of general increase in salaries	4.6	4.6	4.8	3.5	4.0	4.0	2.7-5.0	2.8-4.5	2.8-4.5
Rate of increase to pension in payment	3.5	3.1	3.3	0.0	0.0	0.0	1.0-2.0	1.0-4.3	1.0-4.3
Discount rate for scheme liabilities	5.7	6.1	5.8	6.0	5.8	6.3	4.5-5.8	4.0-6.0	4.8-5.5
Inflation	3.6	3.1	3.3	2.5	2.5	0.0	2.0-2.3	2.0-2.5	2.0-2.3

Notes to the consolidated financial statements for the year ended 31 December 2009
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22. EMPLOYEE BENEFITS (Continued)

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows

	United Kingdom			North America			Other European		
	2009 years	2008 years	2007 years	2009 years	2008 years	2007 years	2009 years	2008 years	2007 years
Longevity at age 65 for current pensioners	19.1 - 21.1	18.9 - 20.9	18.8 - 20.8	18.1 - 19.5	18.1 - 19.5	16.1 - 19.8	18.0 - 23.2	17.0 - 23.0	17.0 - 23.0

Expected long-term rate of return is as follows

	United Kingdom			North America			Other European		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
					%				
Equities	8.1	8.2	8.0	8.8	9.6	9.3	7.0-7.8	7.3-7.8	7.0
Bonds	5.1	5.2	5.1	4.4	5.7	6.8	4.0-4.5	5.0-5.5	4.8
Property	8.1	8.2	8.0	7.2	6.6	N/A	6.5-7.0	6.5	5.8
Other	4.3	4.0	4.5	N/A	N/A	N/A	3.0-5.6	3.5-5.9	4.5-5.3

Post-retirement health care plans

The Group also operates a number of post retirement healthcare plans, primarily in the United States and Europe, which provide employees with other post-employment benefits in respect of health care. The plans are 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 the following rates

Rate	Country	2009	2008	2007
			%	
Liability discount rate	USA	6.0	5.8	6.3
Liability discount rate	Europe	N/A	5.8	5.5
Long-term healthcare trend rate	USA	5.0	5.0	4.5
Long-term healthcare trend rate	Europe	N/A	2.8	2.0

History of plans

The Group has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2007

The history of the plans for the current and prior periods is as follows

Consolidated balance sheet

	2009	2008	2007
		€m	
Present value of the defined benefit obligation in respect of pension plans	(1,733.4)	(1,512.6)	(1,758.3)
Present value of obligations in respect of post retirement health care plan	(37.8)	(48.2)	(32.7)
Unrecognised Past Service Cost	5.7	-	-
Fair value of plan assets	941.4	778.7	1,237.8
Deficit ...	(824.1)	(782.1)	(553.2)

Notes to the consolidated financial statements for the year ended 31 December 2009
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22 EMPLOYEE BENEFITS (Continued)

The Group's net liability in respect of defined benefit obligations is as follows

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
Obligations in respect of pension plans			
United Kingdom	388.2	290.3	195.9
North America	66.7	56.9	1.0
Other European	<u>337.1</u>	<u>386.7</u>	<u>323.6</u>
	792.0	733.9	520.5
Obligations in respect of post-retirement health care plans	37.8	48.2	32.7
Unrecognised past service cost	<u>(5.7)</u>	<u>-</u>	<u>-</u>
Recognised liability for defined benefit obligations...	<u>824.1</u>	<u>782.1</u>	<u>553.2</u>
Experience adjustments			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m/%</u>		
Experience adjustments (loss)/gain on plan liabilities	(12.9)	(51.2)	(10.7)
Experience adjustments as a percentage of plan liabilities	(0.7)%	(3.4)%	(0.6)%
Experience adjustments gain/(loss) on plan assets	84.9	(379.8)	(19.3)
Experience adjustments as a percentage of plan assets	<u>9.0%</u>	<u>(48.8)%</u>	<u>(1.6)%</u>

The Group expects to contribute approximately €72.7 million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

Expense recognised in the consolidated income statement

	Pension Plan								
	United Kingdom			North America			Other European		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>								
Current service cost	31.5	47.9	47.7	9.0	9.0	7.7	23.2	23.2	19.1
Past service cost	0.5	-	0.5	(0.2)	-	0.2	-	4.7	6.4
Losses/(gains) on curtailments and settlements	2.3	(7.6)	(3.8)	23.1	(3.2)	4.1	8.9	(9.7)	-
Interest on obligation	57.0	61.2	60.6	9.7	10.0	10.3	24.3	22.5	17.2
Expected return on plan assets	<u>(45.2)</u>	<u>(66.6)</u>	<u>(69.1)</u>	<u>(8.0)</u>	<u>(12.6)</u>	<u>(13.3)</u>	<u>(5.3)</u>	<u>(6.4)</u>	<u>(5.1)</u>
	<u>46.1</u>	<u>34.9</u>	<u>35.9</u>	<u>33.6</u>	<u>3.2</u>	<u>9.0</u>	<u>51.1</u>	<u>34.3</u>	<u>37.6</u>
	Post retirement health care plans						Total		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>								
Current service cost	2.3	2.4	2.6	66.0	82.5	77.1			
Past service cost	0.7	0.3	(13.6)	1.0	5.0	(6.5)			
Losses/(gains) on curtailments and settlements	-	(5.7)	-	34.3	(26.2)	0.3			
Interest on obligation	2.4	2.5	2.4	93.4	96.2	90.5			
Expected return on plan assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58.5)</u>	<u>(85.6)</u>	<u>(87.5)</u>			
	<u>5.4</u>	<u>(0.5)</u>	<u>(8.6)</u>	<u>136.2</u>	<u>71.9</u>	<u>73.9</u>			

Notes to the consolidated financial statements for the year ended 31 December 2009
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22. EMPLOYEE BENEFITS (Continued)

The expense is recognised in the following line items in the consolidated income statement

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Cost of sales	101.3	61.3	70.9
Finance income	(58.5)	(85.6)	(87.5)
Finance cost	93.4	96.2	90.5
	<u>136.2</u>	<u>71.9</u>	<u>73.9</u>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2007, the transition date to IFRSs

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		€m	
Cumulative amount at 1 January	(270.9)	50.3	-
(Loss)/gain recognised in the year	(18.9)	(321.2)	50.3
Cumulative amount at 31 December	<u>(289.8)</u>	<u>(270.9)</u>	<u>50.3</u>

Pension plans

	<u>United Kingdom</u>			<u>North America</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			€m			
Present value of funded obligations	1,152.1	855.1	1,166.9	140.8	185.3	166.2
Present value of unfunded obligations	-	-	-	-	-	-
	<u>1,152.1</u>	<u>855.1</u>	<u>1,166.9</u>	<u>140.8</u>	<u>185.3</u>	<u>166.2</u>
Fair value of plan assets	(763.9)	(564.8)	(971.0)	(74.1)	(128.4)	(165.2)
Deficit	<u>388.2</u>	<u>290.3</u>	<u>195.9</u>	<u>66.7</u>	<u>56.9</u>	<u>1.0</u>

	<u>Other European</u>			<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			€m			
Present value of funded obligations	139.7	162.0	145.6	1,432.6	1,202.4	1,478.7
Present value of unfunded obligations	300.8	310.2	279.6	300.8	310.2	279.6
	<u>440.5</u>	<u>472.2</u>	<u>425.2</u>	<u>1,733.4</u>	<u>1,512.6</u>	<u>1,758.3</u>
Fair value of plan assets	(103.4)	(85.5)	(101.6)	(941.4)	(778.7)	(1,237.8)
Deficit	<u>337.1</u>	<u>386.7</u>	<u>323.6</u>	<u>792.0</u>	<u>733.9</u>	<u>520.5</u>

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22 EMPLOYEE BENEFITS (Continued)

Movements in present value of defined benefit obligation

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January	855.1	1,166.9	1,218.9	185.3	166.2	187.4
Interest cost	57.0	61.2	60.6	9.7	10.0	10.3
Current service cost	31.5	47.9	47.7	9.0	9.0	7.7
Special termination cost and past service cost	3.1	-	0.5	(0.2)	-	0.2
Member contributions	4.5	5.6	6.5	-	-	-
Curtailments	(0.1)	(7.6)	(3.8)	(0.2)	(0.2)	(1.4)
Settlements	(0.4)	-	-	(45.2)	(3.0)	5.5
Benefits paid	(20.2)	(12.7)	(11.8)	(2.1)	(16.7)	(22.3)
Reclassifications	-	(0.4)	-	-	(1.7)	(5.3)
Acquisitions	2.7	2.4	-	-	2.3	16.0
Disposals	-	-	-	(14.8)	(6.4)	-
Actuarial loss/(gain)	136.4	(117.2)	(45.4)	0.6	20.2	(13.4)
Exchange	82.5	(291.0)	(106.3)	(1.3)	5.6	(18.5)
At 31 December	1,152.1	855.1	1,166.9	140.8	185.3	166.2

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January	472.2	425.2	365.7	1,512.6	1,758.3	1,772.0
Interest cost	24.3	22.5	17.2	91.0	93.7	88.1
Current service cost	23.2	23.2	19.1	63.7	80.1	74.5
Special termination cost and past service cost	8.9	4.7	6.4	11.8	4.7	7.1
Member contributions	-	-	-	4.5	5.6	6.5
Curtailments	-	(5.7)	-	(0.3)	(13.5)	(5.2)
Settlements	-	(4.0)	-	(45.6)	(7.0)	5.5
Benefits paid	(29.4)	(26.6)	(30.0)	(51.7)	(56.0)	(64.1)
Reclassifications	(27.9)	(5.6)	(7.4)	(27.9)	(7.7)	(12.7)
Acquisitions	-	10.7	57.2	2.7	15.4	73.2
Disposals	(9.8)	-	-	(24.6)	(6.4)	-
Actuarial loss/(gain)	(29.7)	36.8	(3.3)	107.3	(60.2)	(62.1)
Exchange	8.7	(9.0)	0.3	89.9	(294.4)	(124.5)
At 31 December	440.5	472.2	425.2	1,733.4	1,512.6	1,758.3

Movements in fair value of plan assets

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January	564.8	971.0	977.0	128.4	165.2	175.3
Benefit payments	(20.2)	(12.7)	(11.8)	(2.1)	(16.7)	(22.3)
Group contributions	45.5	35.5	41.1	12.7	28.7	1.4
Member contributions	4.5	5.6	6.5	-	-	-
Expected return on plan assets	45.2	66.6	69.1	8.0	12.6	13.3
Actuarial gain/(loss)	67.1	(293.5)	(23.2)	5.1	(58.9)	6.8
Acquisitions	2.7	2.4	-	-	2.3	8.9
Disposals	-	-	-	(9.3)	(5.7)	-
Settlements	(0.3)	-	-	(68.5)	(2.3)	-
Reclassifications	-	-	-	-	-	-
Exchange movements	54.6	(210.1)	(87.7)	(0.2)	3.2	(18.2)
At 31 December	763.9	564.8	971.0	74.1	128.4	165.2

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22. EMPLOYEE BENEFITS (Continued)

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January	85.5	101.6	78.7	778.7	1,237.8	1,231.0
Benefit payments	(29.4)	(26.6)	(30.0)	(51.7)	(56.0)	(64.1)
Group contributions	28.3	31.5	24.9	86.5	95.7	67.4
Member contributions	-	-	-	4.5	5.6	6.5
Expected return on plan assets	5.3	6.4	5.1	58.5	85.6	87.5
Actuarial gain/(loss)	12.7	(27.4)	(2.9)	84.9	(379.8)	(19.3)
Acquisitions	-	10.7	28.9	2.7	15.4	37.8
Disposals	-	-	(3.3)	(9.3)	(5.7)	(3.3)
Settlements	-	(4.0)	-	(68.8)	(6.3)	-
Reclassifications	(4.7)	-	-	(4.7)	-	-
Exchange movements	5.7	(6.7)	0.2	60.1	(213.6)	(105.7)
At 31 December	103.4	85.5	101.6	941.4	778.7	1,237.8

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio

The fair value of the plan assets and the return on those assets were as follows

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
Equities	574.2	397.6	767.1	47.0	79.7	104.5
Corporate bonds	174.5	144.6	177.5	20.3	37.8	60.7
Property	4.3	7.4	8.1	6.8	10.9	-
Other	10.9	15.2	18.3	-	-	-
	763.9	564.8	971.0	74.1	128.4	165.2
Actual return on plan assets...	112.3	(226.9)	45.8	13.1	(46.3)	20.2

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
Equities	43.8	27.2	55.5	665.0	504.5	927.1
Corporate bonds	19.2	26.3	32.9	214.0	208.7	271.1
Property	1.9	1.2	4.2	13.0	19.5	12.3
Other	38.5	30.8	9.0	49.4	46.0	27.3
	103.4	85.5	101.6	941.4	778.7	1,237.8
Actual return on plan assets	18.0	(21.0)	2.2	143.4	(294.2)	68.2

Post-retirement health care plans

Reconciliation of present value of scheme liabilities

	2009	2008	2007
	€m		
At 1 January	48.2	32.7	49.8
Current service cost	2.3	2.4	2.6
Past service cost / (credit)	6.5	0.3	(13.6)
Curtailment/settlement	-	(5.7)	-
Contributions	(0.3)	(0.4)	(0.1)
Interest cost	2.5	2.5	2.4
Actuarial (gain)/loss	(3.5)	1.6	(7.5)
(Disposals)/acquisitions	(14.1)	13.2	6.5
Reclassifications	(3.2)	-	(3.8)
Exchange adjustments	(0.6)	1.6	(3.6)
At 31 December	37.8	48.2	32.7

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22 EMPLOYEE BENEFITS (Continued)

The post-retirement healthcare plans do not hold any assets

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below

	2009		2008		2007	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Impact on scheme liabilities	5.3	(4.4)	6.9	(5.6)	5.1	(4.1)
Impact on aggregate of service and interest cost	0.6	(0.5)	0.8	(0.6)	1.2	(0.9)

The above sensitivity information for 2007 is calculated for the principal plan in the USA. It excludes any impact arising from the smaller scheme in France for which no information was available to the actuary for that year.

23. PROVISIONS

	Severance and restructuring costs	Remediation	Joint ventures	Other	Total
			€m		
At 1 January 2009	52.1	46.9	32.3	85.1	216.4
Reclassifications	2.6	1.7	-	(1.2)	3.1
Disposals	(1.5)	-	(20.3)	(60.7)	(82.5)
Charged to the consolidated income statement	17.7	0.2	(11.2)	8.1	14.8
Discount unwinding	-	2.0	-	-	2.0
Utilised in the year	(39.0)	(18.4)	-	(12.5)	(69.9)
Released in the year	(0.1)	(0.2)	-	-	(0.3)
Exchange adjustments	0.2	5.0	(0.8)	(0.1)	4.3
At 31 December 2009	32.0	37.2	-	18.7	87.9
Non – current	22.6	76.7	-	82.7	182.0
Current	42.1	10.2	-	25.9	78.2
Balance at 31 December 2007	64.7	86.9	-	108.6	260.2
Non – current	22.5	41.3	32.3	67.3	163.4
Current	29.6	5.6	-	17.8	53.0
Balance at 31 December 2008	52.1	46.9	32.3	85.1	216.4
Non – current	23.3	24.1	-	8.0	55.4
Current	8.7	13.1	-	10.7	32.5
Balance at 31 December 2009	32.0	37.2	-	18.7	87.9

Severance and restructuring costs

As described in Note 5, the Group has implemented a restructuring programme of the Innovene business. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years.

Other restructuring charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses.

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23. PROVISIONS (Continued)

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 four year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2009 was 9.0% (2008: 8.0%, 2007: 7.5%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

Other provisions

At 31 December 2008 Other provisions included an amount in respect of expected losses on an onerous raw material supply contract. This contract was with the ABS business in Germany for the period until the end of the contract in 2012. The ABS business was sold in 2009. Other provisions also include a number of provisions for other loss making contracts and commercial disputes.

24. SHARE CAPITAL

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€m		
Fully paid			
11,500,231 (2008: 11,500,231; 2007: 11,500,231)			
Ordinary shares of £1 each	<u>177</u>	<u>177</u>	<u>177</u>

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

25. DIVIDENDS

The following dividends were recognised during the year:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€m		
€nil (2008: €nil; 2007: €2.17) per ordinary share	<u>-</u>	<u>-</u>	<u>25.0</u>

26. FINANCIAL INSTRUMENTS

26 a Fair value of financial instruments

Investments in debt and equity securities

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

26 FINANCIAL INSTRUMENTS (Continued)

Trade and other receivables

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Trade and other payables

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing borrowings

The fair value of the Senior Notes and Ineos Vinyls Senior Notes are based on the prices of recent transactions on the Luxembourg Stock Exchange where they are listed. The fair value of other interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied range from 5% to 10% (2008: 6% to 9%, 2007: 5% to 8%). The fair value of finance leases is determined by reference to market rates for similar lease agreements. The significant decline in the fair value of these financial liabilities at 31 December 2008 was as a result of the impact of the global financial crisis on the markets that the Group's debt is traded within and the impact on the wider economy resulting in significant declines in commodity prices.

Derivative financial instruments

The fair value of forward exchange contracts is based on market quotes where they are available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows were between 1.6% and 3.6% (2008: 3.7% to 5.7%, 2007: 4.7% to 5.1%).

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26 FINANCIAL INSTRUMENTS (Continued)

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	€m					
Financial assets held for trading at fair value through profit or loss:						
Derivative Commodity contracts	2 9	2 9	25 4	25 4	1 9	1 9
Interest rate swaps	-	-	-	-	5 6	5 6
Forward exchange contracts	-	-	0 3	0 3	-	-
	<u>2 9</u>	<u>2 9</u>	<u>25 7</u>	<u>25 7</u>	<u>7 5</u>	<u>7 5</u>
Derivative commodity contracts designated as cash flow hedges						
Carried at fair value	-	-	105 8	105 8	-	-
	<u>-</u>	<u>-</u>	<u>105 8</u>	<u>105 8</u>	<u>-</u>	<u>-</u>
Available for sale equity investments						
Carried at fair value	45 8	45 8	-	-	-	-
Carried at cost	36 4	36 4	49 0	49 0	47 7	47 7
Total available for sale equity investments	<u>82 2</u>	<u>82 2</u>	<u>49 0</u>	<u>49 0</u>	<u>47 7</u>	<u>47 7</u>
Loans and receivables carried at amortised cost.						
Trade receivables	1,536 3	1,536 3	1,574 1	1,574 1	2,888 1	2,888 1
Amounts due from related parties	254 1	254 1	238 6	238 6	189 6	189 6
Other receivables	194 7	194 7	250 9	250 9	290 4	290 4
Other investments	129 7	124 8	123 5	122 1	-	-
Loans and receivables	2,114 8	2,109 9	2,187 1	2,185 7	3,368 1	3,368 1
Cash and cash equivalents	662 1	662 1	651 8	651 8	951 4	951 4
	<u>2,776 9</u>	<u>2 772 0</u>	<u>2,838 9</u>	<u>2,837 5</u>	<u>4,319 5</u>	<u>4 319 5</u>
Total financial assets	<u>2,862 0</u>	<u>2,857 1</u>	<u>3,019.4</u>	<u>3,018 0</u>	<u>4,374 7</u>	<u>4,374 7</u>
Financial liabilities held for trading at fair value through profit and loss						
Derivative Commodity contracts	6 5	6 5	0 3	0 3	0 6	0 6
Forward exchange contracts	-	-	0 2	0 2	-	-
	<u>6 5</u>	<u>6 5</u>	<u>0 5</u>	<u>0 5</u>	<u>0 6</u>	<u>0 6</u>
Financial liabilities carried at amortised cost						
Senior Facilities Agreement	5,003 7	5 003 7	4,929 3	2,467 2	4,896 8	4,802 4
Senior Notes	1,969 9	1 084 9	2 088 8	268 8	2 062 6	1,788 7
Ineos Vinyls Senior Notes	159 9	139 4	160 4	16 2	160 4	154 4
Securitisation Facility	603 4	603 4	748 4	748 4	1,084 6	1,084 6
Other bank loans	0 9	0 9	1 6	1 6	2 2	2 2
Finance lease liabilities	11 5	11 5	20 9	20 9	24 1	24 1
Trade payables	896 3	896 3	707 0	707 0	2,429 0	2,429 0
Amounts due to related parties	165 9	165 9	108 3	108 3	61 0	61 0
Other payables	702 8	702 8	641 2	641 2	565 7	565 7
	<u>9 514 3</u>	<u>8,608 8</u>	<u>9,405 9</u>	<u>4,979 6</u>	<u>11 286 4</u>	<u>10,912 1</u>
Total financial liabilities	<u>9,520 8</u>	<u>8,615.3</u>	<u>9,406.4</u>	<u>4,980 1</u>	<u>11,287 0</u>	<u>10,912 7</u>

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26. FINANCIAL INSTRUMENTS (Continued)

The fair value of the Senior Facilities Agreement has been determined using a level 3 valuation technique and non-observable inputs for the discount rate of equivalent debt. The movement in the fair value during the year not recognised in these accounts includes an increase of €2,768.5 million (2008 decrease of €2,176.3 million, 2007 decrease of €203.2 million)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 "Financial Instruments: Disclosure", have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>2009</u>				<u>2008</u>				<u>2007</u>			
Financial assets held for trading at fair value through profit or loss:												
Derivative Commodity contracts	2.9	-	2.9	-	25.4	-	25.4	-	1.9	-	1.9	-
Interest rate swaps	-	-	-	-	-	-	-	-	5.6	-	5.6	-
Forward exchange contracts	-	-	-	-	0.3	-	0.3	-	-	-	-	-
Derivative commodity contracts designated as cash flow hedges carried at fair value	-	-	-	-	105.8	-	105.8	-	-	-	-	-
Available for sale equity investments carried at fair value	45.8	-	-	45.8	-	-	-	-	-	-	-	-
Financial liabilities held for trading at fair value through profit and loss												
Derivative Commodity contracts	(6.5)	-	(6.5)	-	(0.3)	-	(0.3)	-	(0.6)	-	(0.6)	-
Forward exchange contracts	-	-	-	-	(0.2)	-	(0.2)	-	-	-	-	-
Total financial assets and liabilities held at fair value 42.2	-	(3.6)	45.8	131.0	-	131.0	-	(6.9)	-	(6.9)	-

There have been no transfers from Level 2 to Level 1 in 2009 (2008: no transfers in either direction)

26 b Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

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26 FINANCIAL INSTRUMENTS (Continued)

26.b Net gains and losses from financial instruments (Continued)

Net losses from financial liabilities measured at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €33.2 million (2008: €nil, 2007: €nil) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2009 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented

	Loans and receivables			Available for sale financial assets		
	2009	2008	2007	2009	2008	2007
	€m					
Interest income	13.3	39.9	31.3	-	-	-
Dividend income	-	-	-	7.3	3.9	6.5
Foreign exchange gains/(losses)	34.7	16.4	(86.7)	-	-	-
Net result	48.0	56.3	(55.4)	7.3	3.9	6.5
Carrying value at 31 December	2,776.9	2,838.9	4,319.5	82.2	49.0	47.7

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2009	2008	2007	2009	2008	2007
	€m					
Redemption premium on early settlement of Senior Bonds	89.0	-	-	-	-	-
Interest cost	(715.8)	(681.7)	(696.1)	-	-	-
Loss on extinguishment of Senior Facilities Agreement Debt	(209.2)	-	-	-	-	-
Other finance cost	(11.2)	(7.8)	(2.1)	-	-	-
Net fair value gains/(losses) on derivatives	-	-	-	(23.2)	12.9	4.6
Foreign exchange gains/(losses)	(31.1)	(142.8)	7.6	-	-	-
Net result	(878.3)	(832.3)	(690.6)	(23.2)	12.9	4.6
Carrying value at 31 December	(9,514.3)	(9,405.9)	(11,286.4)	(3.6)	131.0	6.9

26.c Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group

Notes to the consolidated financial statements for the year ended 31 December 2009
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26. FINANCIAL INSTRUMENTS (Continued)

26.c Net gains and losses from financial instruments (Continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Management considers that there is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investments, cash and cash equivalent

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (2008: none, 2007: none).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 19.

26.d Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. 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.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement - €3,915.8 million (2008: €3,926.4 million, 2007: €3,804.8 million) and \$1,555.8 million (2008: \$1,629.2 million, 2007: \$1,770.7 million) facility that is secured. Interest is payable at rates of EURIBOR and \$LIBOR plus 6-8% (2008: EURIBOR and \$LIBOR plus 4-6%, 2007: EURIBOR and \$LIBOR plus 4-6%).
- Receivables Securitisation Facility - €1,200 million (2008: €1,500 million, 2007: €1,500 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in 2011. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitisation.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

26. FINANCIAL INSTRUMENTS (Continued)

26.d Liquidity risk (continued)

The maturity profile of the Group's undrawn committed facilities at 31 December 2009, 2008 and 2007 was as follows

	2009 Undrawn facilities	2008 Undrawn facilities	2007 Undrawn facilities
	€m		
In one year	-	-	2.5
In more than one year, but not more than two years	-	-	-
In more than two years, but not more than five years	8.7	66.0	36.7
In more than five years	-	-	425.0
	8.7	66.0	464.2

The undrawn committed facilities are in respect of overdraft facilities of €nil (2008: €nil, 2007: €2.5 million), unused committed Revolving Credit Facilities of €8.7 million (2008: €66.0 million, 2007: €425.0 million) and unused committed Securitization Facilities of €nil (2008: €nil, 2007: €36.7 million)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2009					
	Carrying amount	Contra- actual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over
	€m					
Non-derivative financial liabilities						
Senior Facilities Agreement	5 003.7	(7,059.8)	(1,171.3)	(603.9)	(4 407.0)	(877.6)
Senior Notes	1,969.9	(3,025.8)	(170.0)	(170.0)	(509.9)	(2,175.9)
Ineos Vinyls Senior Notes	159.9	(189.2)	(14.6)	(174.6)	-	-
Securitisation Facility	603.4	(635.2)	(24.9)	(610.3)	-	-
Other loans	0.9	(40.8)	(13.5)	(13.3)	(14.0)	-
Finance lease liabilities	11.5	(26.7)	(1.8)	(5.0)	(8.2)	(11.7)
Trade payables	896.3	(901.4)	(901.4)	-	-	-
Amounts due to related parties	165.9	(178.5)	(164.0)	(6.1)	(6.3)	(2.1)
Other payables	702.8	(702.8)	(646.8)	(56.0)	-	-
Derivative financial liabilities						
Forward exchange contracts	6.5	(6.5)	(6.5)	-	-	-
	9,520.8	(12,766.7)	(3,114.8)	(1,639.2)	(4,945.4)	(3,067.3)

Notes to the consolidated financial statements for the year ended 31 December 2009
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26 FINANCIAL INSTRUMENTS (Continued)

		2008				
	Carrying amount	Contra-actual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over
€m						
Non-derivative financial liabilities						
Senior Facilities Agreement	4,929 3	(6,810 9)	(995 4)	(599 1)	(1,422 0)	(3,794 4)
Senior Notes	2,088 8	(3,318 0)	(170 4)	(170 4)	(511 3)	(2,465 9)
Ineos Vinyls Senior Notes	160 4	(205 5)	(14 6)	(14 6)	(176 3)	-
Securitisation Facility	748 4	(839 4)	(35 5)	(35 5)	(768 4)	-
Other loans	1 6	(1 6)	(0 4)	(0 2)	-	(1 0)
Finance lease liabilities	20 9	(49 7)	(6 4)	(8 9)	(17 8)	(16 6)
Trade payables	707 0	(707 0)	(707 0)	-	-	-
Amounts due to related parties	108 3	(144 3)	(110 7)	(9 6)	(18 0)	(6 0)
Other payables	641 2	(641 2)	(571 7)	(69 5)	-	-
Derivative financial liabilities						
Forward exchange contracts	0 5	(0 5)	(0 5)	-	-	-
	9,406 4	(12,718 1)	(2,612 6)	(907 8)	(2,913.8)	(6,283.9)
		2007				
	Carrying amount	Contra-actual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over
€m						
Non-derivative financial liabilities						
Senior Facilities Agreement	4,896 8	(7,177 7)	(606 4)	(599 4)	(1,823 5)	(4,148 4)
Senior Notes	2,062 6	(3,464 2)	(169 2)	(169 2)	(507 6)	(2,618 2)
Ineos Vinyls Senior Notes	160 4	(220 8)	(14 6)	(14 6)	(191 6)	-
Securitisation Facility	1,084 6	(1,333 6)	(69 7)	(69 7)	(1,194 2)	-
Other bank loans	2 2	(2 2)	(0 4)	(0 4)	(0 3)	(1 1)
Finance lease liabilities	24 1	(41 5)	(3 1)	(7 0)	(15 3)	(16 1)
Trade payables	2,429 0	(2,429 0)	(2,429 0)	-	-	-
Amounts due to related parties	61 0	(97 0)	(62 1)	(10 9)	(18 0)	(6 0)
Other payables	565 7	(565 7)	(514 5)	(51 2)	-	-
Derivative financial liabilities						
Forward exchange contracts	0 6	(0 6)	(0 6)	-	-	-
	11,287 0	(15,332.3)	(3,869 6)	(922.4)	(3,750 5)	(6,789.8)

26.e Net investment and cash flow hedges

The Group has derivative commodity contracts that qualify as cash flow hedges at 31 December 2009 with a carrying value of €nil (2008 €105.8 million, 2007 €nil). No gains or losses were taken to the hedge reserve in respect of these contracts during 2009 (2008 gain of €105.8 million, 2007 €nil). The amount of gains recycled from the hedge reserve during the year totalled €105.8 million before tax or €76.3 million net of tax (2008 €nil, 2007 €nil). These cash flow hedges are used to manage the price risk in respect of certain forecast purchases of raw materials and sales of petrochemical-based products from the Group's refining activities. The forecast purchases and sales are hedged using forward and swap contracts linked to the oil price. The cash flows associated with cash flow hedging instruments are all expected to occur and impact on the profit or loss within less than one year.

Notes to the consolidated financial statements for the year ended 31 December 2009
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26. FINANCIAL INSTRUMENTS (Continued)

The Group has US\$ and Sterling financial liabilities in respect of the Senior Facilities Agreement and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 "The effects of changes in Foreign Exchange Rates". The US\$ and Sterling net investment hedges had a carrying value and fair value as follows

	<u>Carrying amounts 2009</u>	<u>Fair value 2009</u>	<u>Carrying amounts 2008</u>	<u>Fair value 2008</u>	<u>Carrying amounts 2007</u>	<u>Fair value 2007</u>
	€m					
US\$	(699.5)	(485.9)	(777.9)	(317.8)	(960.8)	(893.8)
Sterling	(40.8)	(40.6)	(47.2)	(47.1)	(68.2)	(67.9)
	<u>(740.3)</u>	<u>(526.5)</u>	<u>(825.1)</u>	<u>(364.9)</u>	<u>(1,029.0)</u>	<u>(961.7)</u>

For the year ended 31 December 2009 gains totalling €13.9 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2008 losses €40.0 million, 2007 gains €240.5 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2009 (2008 €nil, 2007 €nil).

26.f Market risk

Financial risk management

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

(i) Market risk - Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group's revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future. The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

Notes to the consolidated financial statements for the year ended 31 December 2009
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26. FINANCIAL INSTRUMENTS (Continued)

The foreign currency exposure where the Group's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	2009	2008	2007
	€m		
Euros	223.3	36.8	60.1
US Dollars	(570.6)	(634.7)	(944.1)
Sterling	(586.8)	(215.5)	(291.0)
Other	2.7	2.4	(1.7)
	<u>(931.4)</u>	<u>(811.0)</u>	<u>(1,176.7)</u>

Sensitivity analysis

A 10% percent weakening of the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Equity			Profit or loss		
	2009	2008	2007	2009	2008	2007
	€m					
Euros	74.0	71.9	102.9	19.1	9.2	14.8
US Dollars	70.0	67.2	96.1	(12.9)	(3.7)	(1.7)
Sterling	4.1	4.7	6.8	54.6	16.8	22.3
Other	-	-	-	(0.3)	(0.2)	0.2

A 10% percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Market risk – Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Carrying amount – asset / (liability)	2009	2008	2007
	€m		
Fixed rate instruments			
Financial assets	211.9	172.5	47.7
Financial liabilities	<u>(2,142.2)</u>	<u>(2,271.7)</u>	<u>(2,249.3)</u>
	<u>(1,930.3)</u>	<u>(2,099.2)</u>	<u>(2,201.6)</u>
Variable rate instruments			
Financial assets	662.1	651.8	951.4
Financial liabilities	<u>(5,607.1)</u>	<u>(5,677.7)</u>	<u>(5,981.4)</u>
	<u>(4,945.0)</u>	<u>(5,025.9)</u>	<u>(5,030.0)</u>

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

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26. FINANCIAL INSTRUMENTS (Continued)

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
Equity			
Increase	-	-	-
Decrease	-	-	-
Profit or loss			
Increase in interest rates by 1%	(49.4)	(51.8)	(51.6)
Decrease in interest rates by 1%	<u>49.4</u>	<u>51.8</u>	<u>51.6</u>

(iii) Market risk – Commodity price risk

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2009 the Group had swap and option contracts with a nominal exposure to purchase 1.4 million barrels of crude oil and other commodities (2008: 19.8 million barrels, 2007: 4.1 million barrels) and to sell the refined product generated from those barrels of crude oil.

A 10 percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
Equity			
Increase in commodity prices by 10%	-	6.3	-
Decrease in commodity prices by 10%	-	(6.3)	-
Profit or loss			
Increase in commodity prices by 10%	(25.3)	(16.7)	(15.1)
Decrease in commodity prices by 10%	<u>25.3</u>	<u>16.7</u>	<u>15.1</u>

Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2007, 31 December 2008 and 31 December 2009.

26 FINANCIAL INSTRUMENTS (Continued)

(iv) Market risk – Equity price risk

The Group's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.6 million. Management considers that a change of 10 percent gives an appropriate benchmark to assess the risks that the Ineos Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26 g Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €6,517.1 million (2008: €7,351.7 million, 2007: €8,279.4 million) as shareholders' equity of €(570.1) million (2008: €54.1 million, 2007: €1,000.1 million) and net debt (net of debt issue costs) of €7,087.2 million (2008: €7,297.6 million, 2007: €7,279.3 million). The significant reduction in capital employed during the year arises in respect of the loss for the year, actuarial losses on defined benefit pension schemes and foreign exchange losses.

The principal sources of debt available to the Group at 31 December 2009 include the Senior Facilities Agreement, Senior Notes, Ineos Vinyls Senior Notes and Receivables Securitisation Facility and are described in Note 20 along with the key operating and financial covenants that apply to these facilities.

As described in Note 20, on 19 December 2008 the Group obtained a waiver in respect of certain covenants in the Senior Facilities Agreement. On 19 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Senior Facilities Agreement, including the reset of financial covenants (see Note 20). These amendments are key to the Group meeting its objectives for managing capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

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27 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows

	2009	2008	2007
		€m	
Less than one year	81 3	116 3	81 2
Between one and five years	295 3	369 5	270 4
More than five years	255 3	220 0	398 1
	<u>631 9</u>	<u>705.8</u>	<u>749.7</u>

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term

28. CAPITAL COMMITMENTS

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2009 by the Group amounted to approximately €98 4 million (2008 €60 9 million, 2007 €209 0 million)

29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009	2008	2007
		€m	
Increase/(decrease) in cash and cash equivalents in the year	20 2	(295 8)	318 8
Cash outflow from change in debt financing	212 8	365 2	260 3
Change in net debt resulting from cash flows	233 0	69 4	579 1
Finance leases acquired/disposed of with subsidiary	7 1	-	(10 4)
Other net non-cash transactions	(29 7)	(87 7)	186 7
Movement in net debt in year	<u>210 4</u>	<u>(18.3)</u>	<u>755 4</u>

	1 Jan 2007	Cash Flow	Acquisitions (excluding charges)	Other Non Cash Changes	31 Dec 2007
			€m		
Cash at bank and in hand	659 7	318 8	-	(27 1)	951 4
Debt due within one year	(189 0)	-	-	(6 2)	(195 2)
Debt due after more than one year	(8,489 5)	258 9	-	219 2	(8,011 4)
Finance leases	(15 9)	1 4	(10 4)	0 8	(24 1)
	<u>(8,694 4)</u>	<u>260 3</u>	<u>(10 4)</u>	<u>213 8</u>	<u>(8,230 7)</u>
Net debt.....	<u>(8,034 7)</u>	<u>579 1</u>	<u>(10.4)</u>	<u>186.7</u>	<u>(7,279 3)</u>

	1 Jan 2008	Cash Flow	Other Non Cash Changes	31 Dec 2008
			€m	
Cash at bank and in hand	951 4	(295 8)	(3 8)	651 8
Debt due within one year	(195 2)	(369 8)	(47 4)	(612 4)
Debt due after more than one year	(8 011 4)	732 2	(36 9)	(7 316 1)
Finance leases	(24 1)	2 8	0 4	(20 9)
	<u>(8 230 7)</u>	<u>365 2</u>	<u>(83 9)</u>	<u>(7,949 4)</u>
Net debt...	<u>(7,279 3)</u>	<u>69.4</u>	<u>(87 7)</u>	<u>(7,297 6)</u>

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29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
(Continued)

	<u>1 Jan 2009</u>	<u>Cash Flow</u>	<u>Disposals</u>	<u>Other Non Cash Changes</u>	<u>31 Dec 2009</u>
			€m		
Cash at bank and in hand	651 8	20 2	-	(9 9)	662 1
Debt due within one year	(612 4)	(167 7)	-	(57 8)	(837 9)
Debt due after more than one year	(7,316 1)	378 9	-	37 3	(6 899 9)
Finance leases	(20 9)	1 6	7 1	0 7	(11 5)
	<u>(7,949 4)</u>	<u>212 8</u>	<u>7 1</u>	<u>(19 8)</u>	<u>(7,749 3)</u>
Net debt	<u>(7,297 6)</u>	<u>233 0</u>	<u>7 1</u>	<u>(29 7)</u>	<u>(7,087 2)</u>

30. RELATED PARTIES

Identity of related parties with which the Group has transacted

Related parties comprise

- Parent entities and their subsidiaries not included within the Ineos Group Holdings plc group,
- Entities controlled by the partners of Ineos Capital Partners ("Ineos Capital") which owns the controlling interest in the share capital of Ineos Limited, the ultimate parent company of Ineos Group Holdings plc, and
- Key management personnel

The Group has a management services agreement with Ineos Capital. Ineos Capital management fees of €65.8 million (2008: €79.9 million, 2007: €71.2 million) and deal advisory fees of €nil (2008: €nil, 2007: €4.0 million) were charged to the income statement during the year. The Group recovered costs of €0.2 million (2008: €1.2 million, 2007: €0.9 million). At 31 December 2009 amounts owed to Ineos Capital were €4.1 million (2008: €21.9 million, 2007: €27.8 million). Amounts due from Ineos Capital Limited, a company controlled by the partners of Ineos Capital, were €nil (2008: €44.1 million, 2007: €44.0 million).

The partners of Ineos Capital own a controlling interest in Vinyls Italia SpA. The Group made sales to this company of €nil (2008: €4.5 million, 2007: €21.7 million), recovered costs of €nil (2008: €0.4 million, 2007: €0.7 million) and made purchases of €nil (2008: €51.8 million, 2007: €56.8 million). At 31 December, 2009 €nil (2008: €7.1 million, 2007: €9.5 million) was owed by and €nil (2008: €6.0 million, 2007: €6.9 million) was owed to Vinyls Italia SpA.

During the year Ineos Industries Limited, a business owned and controlled by Ineos Capital, acquired a controlling interest in various businesses from the Group (see Note 3). Subsequent to the businesses ceasing to be part of the Group, the Group has made sales to the Ineos Industries Group of €71.1 million, recovered costs of €2.7 million and made purchases of €6.2 million. At 31 December, 2009 €200.0 million was owed by and €84.5 million was owed to the Ineos Industries Group, Ineos Intermediate Holdings Ltd, Ineos Group Ltd and other fellow subsidiaries of the Ineos Ltd Group.

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 plc. Ineos Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany.

The Group has entered into a number of leases for office space with Ineos Capital on terms no less favourable to us than what we would expect to negotiate with disinterested third parties. The Group currently pays rent and service charges of approximately €1.8 million per year.

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 €162.9 million (2008: €383.3 million, 2007: €501.7 million), recovered costs of €38.7 million (2008: €35.1 million, 2007: €50.8 million) and made purchases of €429.4 million (2008: €29.6 million, 2007: €25.7 million). At 31 December, 2009 €32.5 million (2008: €46.4 million, 2007: €47.6 million) was owed by joint ventures and €43.7 million (2008: €36.3 million, 2007: €7.8 million) was owed to joint ventures.

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

30. RELATED PARTIES (Continued)

Compensation to key management personnel (including directors)

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 8.

Other transactions with related parties

Ineos Limited and its subsidiaries operate certain benefits for designated employees for which no charge is made to Ineos Group Holdings plc. No charge is made in the financial statements for these transactions.

- 1 The Group operates a number of pension plans throughout the world. Further details of the schemes are given in Note 22.
- 2 The Group operates an incentive plan (refer Note 1) for certain employees. Directors are excluded from this scheme. The Directors have determined that any charge calculated in accordance with IFRS 2 (revised) would be immaterial.

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ineos Intermediate Holding Limited. The ultimate parent undertaking at 31 December 2009 was Ineos Limited, a company registered in England and Wales. As of 26 March 2010, INEOS AG, a Swiss corporation, became the ultimate parent undertaking. The ultimate controlling party is Mr Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

32. SUBSEQUENT EVENTS

On 29 January 2010 the Group disposed of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together Ineos Enterprises, ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65 million cash consideration from the disposal of the ChlorVinyls business. As part of the disposal transaction, the Group transferred the €160m Ineos Vinyls Notes to Kerling, together with net pension liabilities of approximately €170m. The Group incurred a non cash loss on the disposal. The ChlorVinyls business is part of the Chemical Intermediates segment.

On 31 March 2010 the Group completed the sale of its fluorochemicals business (part of the Ineos Fluor business unit) to Mexichem SAB de CV for approximately \$350 million. Ineos Fluor was part of the Chemical Intermediates segment.

As at 31 December 2009, the Group was not committed to disposing of either investment. As a result, in accordance with IFRS 5, these businesses do not meet the criteria to be accounted for as assets held for sale.

On 16 April 2010 the Group obtained senior lender consent for a number of amendments to the Senior Facilities Agreement which included an increase in the level of headroom on the financial covenants and the ability to refinance some of the senior secured debt with senior secured notes.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

Fair value measurement on business combination

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

Allocation of the purchase price affects the results of the Group as intangible assets are amortised over their estimated useful lives, whereas goodwill, is not amortised. This could lead to differing amortisation charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

The carrying amount of intangibles is disclosed in Note 12.

Taxation

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management have performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the UK and overseas jurisdictions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the Group's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result, issues can, and often do take many years to resolve.

Details of amounts recognised with regard to taxation are disclosed in Notes 10 and 17.

Post-retirement benefits

The Group operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries,
- Inflation rate projections

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

33. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- Discount rate for scheme liabilities,
- Expected rates of return on the scheme assets

Details of post-retirement benefits are set out in Note 22

Provisions

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2009 was 9% (2008: 8.0%, 2007: 7.5%).

The nature and amount of provisions included within the financial statements are detailed in Note 23.

Impairment reviews

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams,
- Long term growth rates,
- Future margins,
- The selection of an appropriately risk adjusted discount rate, and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results.

The Group has property, plant and equipment with a carrying value of €5,093.2 million (2008: €5,440.6 million, 2007: €6,073.2 million) as disclosed in Note 11 and intangible assets with a carrying value of €949.6 million (2008: €1,046.6 million, 2007: €1,001.3 million) as disclosed in Note 12. All of these assets are assessed annually for impairment as described above.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of

Notes to the consolidated financial statements for the year ended 31 December 2009
(forming part of the financial statements)

33 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 12, including sensitivity analysis in relation to key assumptions.

Loss on the extinguishment of debt

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification in accordance with the provisions of IAS 39. As a result, the existing debt has been derecognised and the modified debt recognised at fair value.

In order to recognise the modified debt the Group is required to estimate the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group's debt is not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

The estimation of the fair value of the modified debt required management to exercise significant judgment. Management estimate that a 1 percent increase and decrease in the fair value of the modified debt would increase and decrease the loss on extinguishment of debt by €51.4 million respectively. This calculation assumes that the change occurred on 17 July 2009 and assumes that all other variables, in particular interest rates, remain constant.

Segment aggregation

IFRS 8 "Operating Segments" permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management apply this judgment taking into account aspects such as economic characteristics, the nature of products and services, the type of customers etc.

AUDITORS REPORT ON THE COMPANY FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS GROUP HOLDINGS PLC

We have audited the parent company financial statements of Ineos Group Holdings plc for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF INEOS GROUP HOLDINGS PLC (CONTINUED)**

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Ineos Group Holdings plc for the year ended 31 December 2009



Steve Denison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

28 April 2010

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

		2009	2008
	Note	€'m	€'m
Interest receivable and similar income before exceptional items		183.2	180 5
Exceptional finance income	1	89.0	-
Total interest receivable and similar income	1	272.2	180 5
Interest payable and similar charges	3	(181.1)	(204 8)
Profit/(loss) on ordinary activities before taxation	2	91 1	(24 3)
Tax on profit/(loss) on ordinary activities	4	(3.1)	9 5
Profit/(loss) on ordinary activities after taxation	11	88 0	(14 8)

All activities of the Company relate to continuing operations

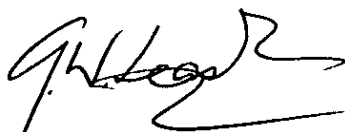
The Company has no recognised gains and losses other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the reported profits/(losses) stated above and their historical cost equivalents

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 €'m	2008 €'m
Fixed assets			
Investments	5	17.6	17 6
Current assets			
Debtors amounts due within one year	6	63.7	63 8
Debtors amounts due after more than one year	6	2,353.4	2,359 2
		2,417.1	2,423 0
Creditors amounts falling due within one year	7	(86.0)	(85 6)
Net current assets		2,331.1	2,337 4
Total assets less current liabilities		2,348.7	2,355 0
Creditors : amounts falling due after more than one year	8	(2,185.9)	(2,280 2)
Net assets		162 8	74 8
Capital and reserves			
Called up equity share capital	10	17.7	17 7
Share premium account	11	51.1	51 1
Profit and loss account	11	94.0	6 0
Total shareholders' funds	12	162.8	74 8

The financial statements on pages 94 to 102 were approved by the board of directors on 28 April, 2010 and were signed on its behalf by


 G Leask
 Director

STATEMENT OF COMPANY 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 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied are set out below.

These financial statements present information about the Company as an individual undertaking. The Group's consolidated financial statements can be found on pages 11 to 90.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its cash flows are included in the consolidated cash flow statement on page 16.

As the Company is a wholly owned subsidiary of Ineos Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

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.

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.

Foreign currencies

The financial statements are expressed in euros as the Company primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in Euros.

Exceptional items

The presentation of the Group's results separately identifies the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

Financial instruments

Disclosures in accordance with FRS 29 "*Financial Instrument Disclosures*" can be found in Notes 20 and 26 of the Group's financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

1. Interest receivable and similar income

	2009	2008
	€'m	€'m
Interest receivable from group undertakings	182.5	180.5
Exceptional finance income	89.0	-
Exchange differences on foreign currency loan balances	0.7	-
	272.2	180.5

Exceptional finance income

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Company and to then transfer them to the Company by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Company received Senior Notes with a book value of €114.1 million. The resulting gain of €89.0 million has been included as exceptional finance income.

Directors' remuneration

Directors' remuneration is borne by other group companies.

2. Profit/(loss) before taxation

Services provided by the Company's auditor and network firms

During the year the Company obtained audit services from the Group's auditors. Auditors' remuneration of €5,000 (2008: €5,000) for the Company for audit work is borne by Ineos Holdings Limited.

3. Interest payable and similar charges

	2009	2008
	€'m	€'m
Interest payable on Senior Notes	168.6	168.2
Interest payable to group undertakings	12.5	12.3
Exchange differences on foreign currency loan balances	-	24.3
	181.1	204.8

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Taxation

Analysis of tax charge

	2009	2008
	€'m	€'m
Group relief payable to/(receivable from) other group companies at 28% (2008 28%)	0.6	(6 8)
Adjustments in respect of previous periods	2.5	(2 7)
	3.1	(9 5)

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

	2009	2008
	€'m	€'m
Profit/(loss) on ordinary activities before tax	91.1	(24 3)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in UK of 28% (2008 28%)	25.5	(6 8)
Effects of		
Permanent differences (relating to exceptional finance income)	(24.9)	-
Adjustments in respect of previous periods	2.5	(2 7)
Tax charge/(credit) for the year	3.1	(9 5)

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

5. Fixed asset investments

	2009	2008
	€'m	€'m
Investment in subsidiary undertakings	17.6	17 6

6. Debtors

	2009	2008
	€'m	€'m
Amounts falling due within one year		
Amounts due from group undertakings	63 7	63 8
Amounts falling due after more than one year		
Amounts due from group undertakings	2,353 4	2,359 2

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

7. Creditors – Amounts falling due within one year

	2009	2008
	€'m	€'m
Amounts due to group undertakings	25.0	21.8
Accruals and deferred income	61.0	63.8
	86.0	85.6

8. Creditors – Amounts falling due after more than one year

	2009	2008
	€'m	€'m
Senior Notes	2,031.0	2,124.9
Amounts due to group undertakings	154.9	155.3
	2,185.9	2,280.2

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

9. Borrowings

	2009	2008
	€'m	€'m
Gross borrowings are repayable as follows		
Due after more than five years	2,031.0	2,124.9
	2,031.0	2,124.9

Senior Notes

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,557.2 million (2008 €1,630.0 million) Senior Notes due 2016 (the "Euro Notes") and \$677.5 million (2008 \$700 million) Senior Notes due 2016 (the "Dollar Notes") pursuant to a private offering. 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.

In July 2009 the Company finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Company and to then transfer them to the Company by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Company received Senior Notes with a book value of €114.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 1).

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	<u>Euro Notes redemption price</u>	<u>Dollar Notes redemption price</u>
2011	103.938%	104.250%
2012	102.625%	102.833%
2013	101.313%	101.417%
2014 and thereafter	100.0%	100.0%

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 the Company. The Senior Notes are guaranteed by the Company 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

10. Called up share capital

	2009	2008
	€'m	€'m
Allotted, issued and fully paid		
Equity		
11,500,231 (2008 11,500,231) 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

11. Reserves

	Share premium €'m	Profit and loss account €'m
At 1 January 2009	51.1	6.0
Profit for the financial year	-	88.0
At 31 December 2009	51.1	94.0

12. Reconciliation of movement in total shareholders' funds

	2009	2008
	€'m	€'m
Profit/(loss) for the year	88.0	(14.8)
Net increase/(decrease) in total shareholders' funds	88.0	(14.8)
Opening total shareholders' funds	74.8	89.6
Closing total shareholders' funds	162.8	74.8

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

13. 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 Limited. The ultimate parent company at 31 December 2009 was Ineos Limited, a company incorporated in England and Wales. As of 26 March 2010, INEOS AG, a Swiss corporation, became the ultimate parent company.

Ineos Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2009. The consolidated financial statements of Ineos Limited are available from the Company Secretary, Ineos Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.

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 Limited, Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG.