

INEOS Fluor International Limited  
Annual report  
for the year ended 31 December 2006

Registered Number 4110462

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INEOS Fluor International Limited  
Annual report  
for the year ended 31 December 2006  
Contents

Directors' report for the year ended 31 December 2006	1
Independent auditors' report to the members of INEOS Fluor International Limited	3
Profit and loss account for the year ended 31 December 2006	4
Balance sheet as at 31 December 2006	5
Accounting policies	6
Notes to the financial statements for the year ended 31 December 2006	7

# **INEOS Fluor International Limited**

## **Directors' report for the year ended 31 December 2006**

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

### **Principal activities**

The principal activity of INEOS Fluor International Limited is to act as the administration company for the European branches, account managers and service centres of the INEOS Fluor Group

### **Review of the business**

The company continued to operate as an administration company in 2006

### **Results and dividends**

The company's loss before taxation for the financial year was £20,000 (2005 profit of £1,608,000) The directors do not recommend payment of a dividend (2005 £Nil)

### **Directors**

The directors who held office during the year were as follows

R Bell

AJ Kaye

D Price

R Faragher

T Crotty (resigned 25 July 2006)

### **Political and charitable contributions**

The company made no political or charitable contributions during the year (2005 £Nil)

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company where appropriate. The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to such risk exceed any potential benefits. The company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The company is funded internally by the INEOS group and therefore has no direct exposure to liquidity or debt market risk. Interest rate exposures are managed on a group basis and are fully disclosed in the consolidated financial statements of INEOS Group Limited.

# INEOS Fluor International Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of disclosure to auditors

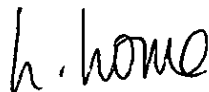
Each of the persons who are directors at the date of approval of this report confirm that

- (a) there is no relevant information of which the company's auditors are unaware, and
- (b) director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## 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



**L Lowe**  
Secretary

26 April 2007

# **Independent auditors' report to the members of Ineos Fluor International Limited**

We have audited the financial statements of INEOS Fluor International Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Liverpool  
26 April 2007

# INEOS Fluor International Limited

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Turnover and gross profit</b>		-	-
Administration expenses		(12)	-
Other operating income		-	1,676
<b>Operating (loss) / profit</b>	1	(12)	1,676
Interest payable and similar charges	4	(8)	(68)
<b>(Loss) / profit on ordinary activities before taxation</b>		(20)	1,608
Tax on (loss) / profit on ordinary activities	5	3	17
<b>(Loss) / profit for the financial year transferred (from) /to reserves</b>	11	(17)	1,625

All the activities of the company in 2006 and the prior year relate to continuing activities

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

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

# INEOS Fluor International Limited

## Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	6	40	50
		40	50
<b>Current assets</b>			
Debtors	7	495	537
Cash at bank and in hand		36	44
		531	581
<b>Creditors - Amounts falling due within one year</b>	8	(79)	(22)
<b>Net current assets</b>		452	559
<b>Total assets less current liabilities</b>		492	609
<b>Creditors - Amounts falling due after more than one year</b>	9	-	(100)
<b>Net assets</b>		492	509
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	492	509
<b>Total shareholders' funds</b>	12	492	509

The financial statements on pages 4 to 12 were approved by the board of directors on 26 April 2007 and were signed on its behalf by



**R Bell**  
Director

# INEOS Fluor International Limited

## Accounting policies

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### Goodwill

On 9 January 2001 INEOS Fluor Limited bought the Klea business from ICI Plc and created the INEOS Fluor Group. As part of this transaction INEOS Fluor International Limited acquired the European branches, account managers and service centres of ICI Klea. Goodwill arising on this acquisition has been capitalised and is amortised through the profit and loss account over a period of ten years, estimated by the directors to be the useful economic life.

### 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.

### Cashflow statement

The company is a wholly owned subsidiary of INEOS Fluor Holdings Limited and is ultimately consolidated within the financial statements of INEOS Group Limited. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996).

### Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the year in which they occur.



# INEOS Fluor International Limited

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

### 1 Operating (loss) / profit

	2006 £'000	2005 £'000
<b>Operating profit is stated after charging / (crediting):</b>		
Amortisation of goodwill	10	10
Rentals payable under operating leases		
- Other	58	62
Cost recoveries	(722)	(653)
Write off of inter-company trading creditor	-	(1,676)

The audit fee has been included in the overall audit fee for INEOS Fluor Limited and is not separately recharged to the company

### 2 Directors' emoluments

None of the directors received any remuneration for their services provided during the year to 31 December 2006 (2005 £Nil)

### 3 Staff number and costs

The average number of persons employed by the company (excluding directors) during the year was 6 (2005 6)

The aggregate payroll costs of these persons were as follows

	2006 £'000	2005 £'000
Wages and salaries	212	177
Social security costs	60	54
Pension costs	16	14
Other	5	5
	<b>293</b>	<b>250</b>

Staff costs are recovered from fellow group companies to which administration services are provided

# INEOS Fluor International Limited

## 4 Interest payable and similar charges

	2006 £'000	2005 £'000
Loan with group undertaking	8	68

## 5 Tax on loss on ordinary activities

	2006 £'000	2005 £'000
<b>Current tax</b>		
Group relief receivable from group companies at 30%		
- current year	3	17
<b>Total tax credit</b>	<b>3</b>	<b>17</b>

	2006 £'000	2005 £'000
(Loss) / profit on ordinary activities before taxation	(20)	1,608
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(6)	482
Effects of		
Expenses not deductible for tax purposes	3	(499)
<b>Current tax credit for the year</b>	<b>(3)</b>	<b>(17)</b>

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

# INEOS Fluor International Limited

## 6 Goodwill

	£'000
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	100
<b>Amortisation</b>	
At 1 January 2006	(50)
Amortisation in the period	(10)
At 31 December 2006	(60)
<b>Net book amount</b>	
At 31 December 2006	40
At 31 December 2005	50

As explained in the accounting policies set out on page 6, on 9 January 2001 the company acquired the European branches, account managers and service centres of ICI Klea with resultant goodwill of £100,000

## 7 Debtors

	2006	2005
	£'000	£'000
Amounts due from group undertakings	495	537

## 8 Creditors – Amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts due to related parties	9	9
Amounts due to group undertakings	70	13
	79	22

# INEOS Fluor International Limited

## 9 Creditors – Amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts due to group undertakings	-	100

## 10 Equity share capital

	2006	2005
	£	£
<b>Authorised</b>		
1,000 ordinary shares of £1	1,000	1,000
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	1	1

## 11 Reserves

	Profit and loss account
	£'000
At 1 January 2006	509
Loss for the financial year	(17)
<b>At 31 December 2006</b>	<b>492</b>

## 12 Reconciliation of movements in equity shareholders' deficit

	2006	2005
	£'000	£'000
(Loss) / profit for financial year	(17)	1,625
Net (reduction) / addition to shareholders' funds / (deficit)	(17)	1,625
Opening equity shareholders' funds / (deficit)	509	(1,116)
<b>Closing equity shareholders' funds</b>	<b>492</b>	<b>509</b>

# INEOS Fluor International Limited

## 13 Commitments

The company's annual commitments under non-cancellable operating leases are as follows

	2006 Land and buildings £'000	2005 Land and buildings £'000
Operating leases which expire		
Within one year	27	-
In the second to fifth years inclusive	-	50
	<b>27</b>	<b>50</b>

## 14 Contingent liabilities

The company is party to a Senior Facilities Agreement dated 14 December 2005 (as amended). The Senior Facilities Agreement comprises of term loans (Term Loan A, Term Loan B, Term Loan C and Term Loan D), a bridge loan (the BBF facility) and a Revolving Credit Facility. The total outstanding indebtedness under the Senior Facilities Agreement at 31 December 2006 was €5,440.5 million (2005 €5,860.9 million). The company is a guarantor under the Senior Facilities Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

The company is party to the Senior Notes Indenture dated 7 February 2006 (as amended). The Senior Notes comprise the €1,630 million 7.875% Senior Notes Due 2016 and the \$700 million 8.5% Senior Notes Due 2016. The total outstanding indebtedness under the Senior Notes at 31 December 2006 was €2,162.6 million. The company is a guarantor under the Senior Notes Indenture. These guarantees are on an unsecured senior subordinate basis.

The company was party to a Bridge Credit Agreement dated 14 December 2005. The total outstanding indebtedness under the Bridge Credit Agreement at 31 December 2005 was €3,129.4 million. The company was a guarantor under the Bridge Credit Agreement. The Bridge Credit Agreement was fully repaid in February 2006 with the proceeds of the Senior Notes.

# INEOS Fluor International Limited

## 15 Related party transactions

The ultimate parent company and controlling party is INEOS Group Limited. As 100% of the company's voting rights are controlled within the group headed by INEOS Group Limited, the company has not disclosed transactions with fellow subsidiaries in accordance with the exemption under the terms of Financial Reporting Standard No. 8.

The partners of INEOS Capital Partners own a controlling interest in the share capital of INEOS Group Limited, the company's ultimate parent company. The partners of INEOS Capital Partners own a controlling interest in INEOS Enterprises Limited. INEOS Enterprises Limited also has certain common directors with INEOS Group Limited. The company made purchases from INEOS Chlor Atlantik GmbH, a subsidiary of INEOS Enterprises Limited of €173,000 (2005 €180,000). At 31 December 2006 £9,000 (2005 £9,000) was owed to INEOS Chlor Atlantik GmbH (included within trade creditors).

On the 26 July 2006 INEOS Vinyls Group Limited became a subsidiary of INEOS Group Limited. Until 26 July 2006 the partners of INEOS Capital Partners owned a controlling interest in INEOS Vinyls Group Limited. INEOS Vinyls Group Limited also had certain common directors with INEOS Group Limited. The company rented office space in Belgium to INEOS Vinyls Belgium NV, a subsidiary of INEOS Group Vinyls Limited, and received income of €15,000 up until 26th July 2006 (2005 €38,000). At 31 December 2006 £Nil (2005 £Nil) was due from INEOS Vinyls Belgium NV.

On the 1 July 2006 INEOS Chlor Group Limited became a subsidiary of INEOS Group Limited. Until 1 July 2006 the partners of INEOS Capital Partners own a controlling interest in the share capital of INEOS Chlor Limited. INEOS Chlor Group Limited also had certain common directors with INEOS Group Limited. The company made purchases from of £12,000 in the period to 1 July 2006 (2005 £nil).

The partners of INEOS Capital Partners own a controlling interest in the share capital of INEOS Group Limited, the company's ultimate parent company. The partners of INEOS Capital Partners own a controlling interest in INEOS Films and Compounds Limited. INEOS Films and Compounds Limited also has certain common directors with INEOS Group Limited. The company recovered costs from INEOS Films and Compounds of £10,000 (2005 £Nil).

## 16 Parent undertaking and controlling party

The directors regard INEOS Fluor Holdings Limited, a company incorporated in the United Kingdom to be the immediate parent undertaking of the company. The directors regard INEOS Group Limited, a company incorporated in the United Kingdom to be the ultimate parent undertaking of the company. Copies of INEOS Group Limited consolidated financial statements can be obtained from the Company Secretary, INEOS Group Limited, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Group Limited.