

INEOS Fluor International Limited
Annual report
for the year ended 31 December 2005

Registered Number 4110462



INEOS Fluor International Limited

Annual report

for the year ended 31 December 2005

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INEOS Fluor International Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

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 2005.

Results and dividends

The company's profit before taxation for the financial year was £1,608,000 (2004: loss of £73,000). The directors do not recommend payment of a dividend (2004: £Nil).

Directors and their interests

The directors who held office during the year were as follows:

TP Crotty
R Bell
AJ Kaye
D Price
D Gekiere (resigned 31 March 2005)
RH Faragher (appointed 11 May 2005)

R Bell and TP Crotty have an interest in the shares of the ultimate parent company, INEOS Group Limited, and their interests in the shares of that company are disclosed in the directors report of INEOS Investment Holdings (Fluor & Silicas) Limited and INEOS Holdings (Fluor and Silicas) Limited respectively.

RH Faragher and D Price have an interest in the shares of INEOS Group Limited, and their interests in the shares of that company are disclosed in the directors' report of INEOS Fluor Holdings Limited.

At 31 December 2005 and 31 December 2004 the interest of AJ Kaye in the 0.001p ordinary share capital of INEOS Group Limited was as follows:

"C" Tracker Shares	
Number of shares	16,543

Political and charitable contributions

The company made no political or charitable contributions during the year (2004: £Nil).

INEOS Fluor International Limited

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.

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.

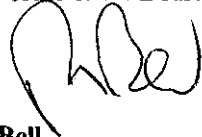
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have 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.

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



R Bell
Secretary

25 April 2006

INEOS Fluor International Limited

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 2005 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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Liverpool
25 April 2006

INEOS Fluor International Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover and gross profit		-	-
Administration income		-	14
Other operating income		1,676	-
Operating profit	1	1,676	14
Interest receivable and similar income	4	-	3
Interest payable and similar charges	5	(68)	(90)
Profit / (loss) on ordinary activities before taxation		1,608	(73)
Tax credit on profit / (loss) on ordinary activities	6	17	245
Retained profit for the financial year	12	1,625	172

All the activities of the company in 2005 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 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	7	50	60
		50	60
Current assets			
Debtors	8	537	31
Cash at bank and in hand		44	84
		581	115
Creditors - Amounts falling due within one year	9	(22)	(1,191)
Net current assets / (liabilities)		559	(1,076)
Total assets less current liabilities		609	(1,016)
Creditors - Amounts falling due after more than one year	10	(100)	(100)
Net assets / (liabilities)		509	(1,116)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	509	(1,116)
Total shareholders' funds / (deficit)	13	509	(1,116)

The financial statements on pages 4 to 13 were approved by the board of directors on 25 April 2006 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.

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Notes to the financial statements for the year ended 31 December 2005

1 Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging / (crediting):		
Amortisation of goodwill	10	10
Rentals payable under operating leases:		
- Other	62	32
Cost recoveries	(653)	(724)
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 2005 (2004: £Nil).

3 Staff number and costs

The average number of persons employed by the company (excluding directors) during the year was 6 (2004: 6).

The aggregate payroll costs of these persons were as follows:

	2005 £'000	2004 £'000
Wages and salaries	177	173
Social security costs	54	41
Pension costs	14	96
Other	5	5
	250	315

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4 Interest receivable and similar income

	2005 £'000	2004 £'000
Exchange gains	-	3

5 Interest payable and similar charges

	2005 £'000	2004 £'000
Loan with group undertaking	68	90

6 Tax on loss on ordinary activities

	2005 £'000	2004 £'000
Current tax		
Group relief receivable from group companies at 30%		
- current year	17	19
- adjustments in respect of prior periods	-	226
Total tax credit	17	245

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6 Tax on loss on ordinary activities (continued)

	2005 £'000	2004 £'000
Profit / (loss) on ordinary activities before taxation	1,608	(73)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	482	(22)
Effects of:		
Expenses not deductible for tax purposes	(499)	3
Adjustments in respect of prior periods	-	(226)
Current tax credit for the year	(17)	(245)

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

7 Goodwill

	£'000
Cost	
At 1 January 2005 and 31 December 2005	100
Amortisation	
At 1 January 2005	40
Amortisation in the period	10
At 31 December 2005	50
Net book amount	
At 31 December 2005	50
At 31 December 2004	60

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.

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8 Debtors

	2005	2004
	£'000	£'000
Trade debtors	-	31
Amounts due from group undertakings	537	-
	537	31

9 Creditors – Amounts falling due within one year

	2005	2004
	£'000	£'000
Amounts due to related parties	9	8
Amounts due to group undertakings	13	1,183
	22	1,191

10 Creditors – Amounts falling due after more than one year

	2005	2004
	£'000	£'000
Amounts due to group undertakings	100	100

11 Equity share capital

	2005	2004
	£	£
Authorised		
1,000 ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

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12 Reserves

	Profit and loss account
	£'000
At 1 January 2005	(1,116)
Profit for the financial year	1,625
At 31 December 2005	509

13 Reconciliation of movements in equity shareholders' deficit

	2005	2004
	£'000	£'000
Profit for financial year	1,625	172
Net addition from shareholders' deficit	1,625	172
Opening equity shareholders' deficit	(1,116)	(1,288)
Closing equity shareholders' funds / (deficit)	509	(1,116)

14 Commitments

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

	2005	2004
	Land and buildings £'000	Land and buildings £'000
Operating leases which expire:		
In the second to fifth years inclusive	50	42

15 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 2005 was €5,860.9 million. The company is a guarantor under the Senior Facilities Agreement. These obligations are secured by fixed and floating charges over the assets of the company.

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The company was also 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 a high yield bond offering (the 'Senior Notes'). The company is now a party to the Senior Notes Indenture dated 7 February 2006 and is a guarantor under the Indenture.

In the prior year, the company was party to a credit agreement (the 'Senior Credit Agreement') dated 23 May 2001. The Senior Credit Agreement comprised of term loans and a revolving credit facility. The total outstanding indebtedness under the Senior Credit Agreement at 31 December 2004 was €429.1 million. The company was a guarantor under the Senior Credit Agreement. The Senior Credit Agreement was fully repaid in December 2005 as part of the overall refinancing of the INEOS group.

16 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 Chlor Group Limited. INEOS Chlor Group Limited also has certain common directors with INEOS Group Limited. The company made purchases from INEOS Chlor Atlantik GmbH, a subsidiary of INEOS Chlor Group Limited of €180,000 (2004: €155,000). At 31 December 2005 £9,000 (2004: £9,000) was owed to INEOS Chlor Atlantik GmbH (included within trade creditors).

The partners of INEOS Capital Partners own a controlling interest in INEOS Vinyls Group Limited. INEOS Vinyls Group Limited also has 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, of €38,000 during the year (2004: €Nil). At 31 December 2005 £Nil (2004: £Nil) was due from INEOS Vinyls Belgium NV.

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17 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.