INEOS Holdings (Fluor & Silicas) Limited

Annual report

for the year ended 31 December 2005

Registered Number 3938607



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for the year ended 31 December 2005

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INEOS Holdings (Fluor & Silicas) 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 the company is a holding company.

Review of the business
The company has continued to act as a holding company throughout the year.

Results and dividends
During the year to 31 December 2005 the company made a profit before taxation of £14,971,000 (2004: £3,312,000). The directors do not recommend the payment of a dividend (2004: £Nil).

Directors and their interests
The directors who held office during the year were as follows:

T P Crotty
R Bell

R Bell is also a director of another group company, INEOS Investment Holdings (Fluor & Silicas) Limited, and his interests in the share capital of that company are disclosed in that company's directors report.

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

	Number of "B" Fluor Shares	Number of "B" Phenol Shares	Number of "B" Silicas Shares	Number of "C" Tracker shares
T P Crotty	47,000	47,000	47,000	150,000

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 Holdings (Fluor & Silicas) 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 Holdings (Fluor & Silicas) Limited

Independent auditors' report to the members of Ineos Holdings (Fluor & Silicas) Limited

We have audited the financial statements of INEOS Holdings (Fluor & Silicas) 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 Holdings (Fluor & Silicas) Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Operating profit	1	-	-
Interest receivable and similar income	4	**39,944**	27,409
Interest payable and similar charges	5	**(24,973)**	(24,097)
Profit on ordinary activities before taxation		**14,971**	3,312
Tax on profit on ordinary activities	6	**(3,388)**	2,983
Profit for the financial year	13	**11,583**	6,295

All activities of the company relate to continuing operations.

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

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

INEOS Holdings (Fluor & Silicas) Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	7	**9,770**	9,770
Current assets			
Debtors:			
- amounts falling due within one year	9	**56,009**	23,195
- amounts falling due after more than one year	9	**288,126**	273,464
		344,135	296,659
Cash at bank and in hand		**1**	1
		344,136	296,660
Creditors: amounts falling due within one year	10	**(45,205)**	(2,565)
Net current assets		**298,931**	294,095
Total assets less current liabilities		**308,701**	303,865
Creditors: amounts falling due after more than one year	11	**(319,690)**	(326,437)
Net liabilities		**(10,989)**	(22,572)
Capital and reserves			
Called up equity share capital	12	**-**	-
Profit and loss account	13	**(10,989)**	(22,572)
Total equity shareholders' deficit	14	**(10,989)**	(22,572)

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 Holdings (Fluor & Silicas) 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. The financial statements have been prepared on a going concern basis. The going concern assumption is based on confirmation that the company will be supported by its parent company to finance its activities for twelve months following the date of approval of these accounts.

Basis of preparation
The company is included in the consolidated financial statements of INEOS Group Limited, the ultimate parent undertaking. The company has taken advantage of the Companies Act 1985 (S228) in not preparing consolidated financial statements with these of its subsidiary companies. These financial statements therefore present information about the company as an individual undertaking and not about the group.

Investments
Investments held as fixed assets are carried at cost less any provision for impairment.

Cash flow statement
The company is a wholly owned subsidiary of INEOS Group Limited the ultimate parent company. Consequently, the company has taken advantage of the exemption from preparing a cash flow 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 period in which they occur.

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.

INEOS Holdings (Fluor & Silicas) Limited

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

1 Operating profit

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 ended 31 December 2005 (2004: £Nil).

3 Staff number and costs

There were no employees other than directors of the company during the year (2004: £Nil).

4 Other interest receivable and similar income

	2005 £'000	2004 £'000
Loans with group undertakings	**29,812**	27,409
Loans with related parties	**557**	-
Exchange gains	**9,575**	-
	39,944	27,409

5 Interest payable and similar charges

	2005 £'000	2004 £'000
Loans with group undertakings	**24,973**	23,752
Exchange losses	**-**	345
	24,973	24,097

6 Taxation

	2005 £'000	2004 £'000
Current tax		
Group relief payable to / (receivable from) group company at 30%		
- current year	**4,491**	-
- adjustment in respect of previous periods	**(1,103)**	(2,983)
Total current tax	**3,388**	(2,983)
Total tax	**3,388**	(2,983)

6 Taxation (continued)

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	**14,971**	3,312
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**4,491**	994
Effects of:		
Utilisation of losses	**-**	(994)
Adjustment in respect of previous periods	**(1,103)**	(2,983)
Current tax charge / (credit) for the year	**3,388**	(2,983)

There are no factors expected to significantly affect the tax charge in future periods. Deferred tax assets of £2,242,000 (2004: £2,242,000) have not been recognised, as they are not expected to be recoverable. These relate to tax losses of £7,472,000 (2004: £7,472,000).

7 Investments

	£'000
Cost and net book value	
At 1 January 2005 and 31 December 2005	**9,770**

8 Fixed asset investments

Interests in subsidiary undertakings

The subsidiaries, all of which are wholly owned, are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal activity	Class/percentage of shares held
INEOS Fluor Holdings Limited	England	Manufacture of industrial fluorocarbons	Ordinary 100%
INEOS Silicas Holdings Limited	England	Manufacture of Silicas, Silicates and Zeolites	Ordinary 100%

The subsidiaries of INEOS Fluor Holdings Limited and INEOS Silicas Holdings Limited are disclosed in those companies' accounts.

9 Debtors

	2005	2004
	£'000	£'000
Amounts falling due within one year		
Amounts due from group undertakings	**55,452**	23,195
Amounts due from related parties	**557**	-
	56,009	23,195
Amounts falling due more than one year		
Amounts due from group undertakings	**273,464**	273,464
Amounts due from related parties	**14,662**	-
	288,126	273,464

10 Creditors – Amounts falling due within one year

	2005	2004
	£'000	£'000
Amounts due to group undertakings	**45,205**	2,565

11 Creditors – Amounts falling due after more than one year

	2005	2004
	£'000	£'000
Amounts due to group undertakings	**319,690**	326,437

12 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

13 Reserves

	Profit and loss account
	£'000
At 1 January 2005	(22,572)
Profit for the financial year	11,583
At 31 December 2005	**(10,989)**

14 Reconciliation of movements in shareholders' deficit

	2005 £'000	2004 £'000
Profit for the year	**11,583**	6,295
Net addition to shareholders' deficit	**11,583**	6,295
Opening equity shareholders' deficit	**(22,572)**	(28,867)
Closing equity shareholders' deficit	**(10,989)**	(22,572)

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.

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 Hawkslease Finance Company Limited. Hawkslease Finance Company Limited also has certain common directors with INEOS Group Limited. The company loaned £14,662,000 to Hawkslease Finance Company Limited during the year. Interest of £557,000 was charged on this loan during the year. At 31 December 2005 a total of £15,219,000 (2004: £Nil) was owed by Hawkslease Finance Company Limited.

17 Parent undertaking and controlling party

The directors regard INEOS Intermediate Holdings (Fluor & Silicas) 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 form 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.