# INEOS Manufacturing (Hull) Limited

# Annual report and Financial Statements

# for the year ended 31 December 2015

Registered Number 6480046

# INEOS Manufacturing (Hull) Limited

# Annual report and financial statements

# for the year ended 31 December 2015

## Contents

# Strategic report for the year ended 31 December 2015

The Directors present their strategic report of INEOS Manufacturing (Hull) Limited (the "Company") for the year ended 31 December 2015.

**Review of the business and principal activities**
The Company is a toll manufacturer of chemicals for other INEOS group companies and operated the manufacture and supply of Ethyl Acetate (ETAC) during 2015.

Turnover represents fixed toll manufacture fees earned from other group companies. Turnover for the year was £19,562,000 (2014: £20,319,000) and the profit on ordinary activities before taxation was £3,641,000 (2014: £1,679,000).

Operating profit was £2,608,000 (2014: £5,194,000) representing a decrease of £2,586,000 .

*Key exceptional items*
On 4 October 2013, the company announced the closure of its VAM plant. The VAM market had become increasingly targeted by cheap imports, mainly from Saudi Arabia and the USA, both of which benefit from low cost raw materials. Although significant efforts were made to reduce costs and improve profitability at the plant, the cost per tonne remained significantly higher than the international competition thus making trading conditions difficult, as a result, the Directors have taken the decision to close the VAM manufacturing plant and made an exceptional provision of £ 39,619,000. During the year 2015 £ 4,117,000 was released from the provision as an exceptional gain.

**Principal risks and uncertainties**
The Company's operations mean that the business is exposed to risks from changing market demand, adverse changes to raw material prices and increases in competition. These risks are expected for a European Chemicals manufacturer and are continually monitored through reference to our financial performance and where appropriate through the use of hedging instruments to secure margin.

Operating with the Chemical industry, our businesses are highly regulated, with Environmental, Health and Safety laws and regulations governing our operations and providing our licence to operate. The Company places compliance with these laws and regulations as the number one priority and has a "best in class" reputation within the Industry.

**Financial risk management**
The Company's operations expose it primarily to commodity price risk, foreign exchange 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. Interest rate exposures are not material to the Company as the Company has no outstanding external loan balances. Foreign exchange losses arise from balances with other group companies or normal trading balances.

# Strategic report for the year ended 31 December 2015 (continued)

**Key performance indicators ("KPIs")**
In conjunction with the management of costs and working capital to improve profit the company uses a number of key performance indicators ("KPIs") to monitor performance. These KPIs are monitored both on a product-by-product basis and also for the company as a whole, compared to budget:

- EBITDA – earnings before interest, tax, depreciation and amortization, and exceptional items.
- Working capital ratios – these include debtor days indicating the average length of time it takes to receive cash from a sale and creditor days indicating the average length of time it takes to pay cash for a purchase.

**Strategic future developments**
Following the announcement of the VAM closure during 2013, focus for the VAM business is on minimising costs in relation to the closure. The provision is monitored regularly. Due to the continuing challenging economic outlook and market conditions, the directors will continue to closely monitor the EtAc business environment for the Company's continuing business.

On behalf of the Board

PKV Huyck
**Director**

16 December 2016

# Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

**Review of the business**
A review of the business is discussed within the strategic report, refer to page 1.

**Dividends**
The directors do not recommend the payment of a dividend (2014: £nil).

**Financial risk management**
Refer to the strategic report on page 1.

**Future developments**
The directors do not expect any change in the company's activities during the next financial year.

**Going concern**
The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continuing financial support of the group company, INEOS Holdings Limited. The directors have received confirmation that INEOS Holdings Limited intends to support the company for at least one year after these financial statements are signed.

**Directors**
The directors who held office during the year and up to the date of signing this report were as follows:

G Leask
JF Ginns
PKV Huyck
C Vercauteren

**Statement of directors' responsibilities**
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework (FRS 101)*.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# Directors' report for the year ended 31 December 2015 (continued)

**Statement of directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**Disclosure of information to auditors**

The directors confirm that as far as they are aware, there is no relevant audit information of which the company'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 company's auditors are aware of that information.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board

PKV Huyck
**Director**

16 December 2016

# Independent auditors' report to the members of INEOS Manufacturing (Hull) Limited

## Report on the financial statements

**Our opinion**
In our opinion, INEOS Manufacturing (Hull) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

**What we have audited**
The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account and the statement of comprehensive income for the year then ended;
- the statement of change in equity;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinion on other matter prescribed by the Companies Act 2006

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

## Other matters on which we are required to report by exception

**Adequacy of accounting records and information and explanations received**
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**
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. We have no exceptions to report arising from this responsibility.

# Independent auditors' report to the members of INEOS Manufacturing (Hull) Limited (continued)

## Responsibilities for the financial statements and the audit

**Our responsibilities and those of the directors**
As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

**What an audit of financial statements involves**
We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Finance Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Michael Jeffrey

Michael Jeffrey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
16 December 2016

# Profit and loss account for the year ended 31 December 2015

| | Note | **2015** £'000 | 2014 £'000 |
|---|---|---|---|
| **Turnover** | 2 | **19,562** | 20,319 |
| Cost of sales | | **(16,919)** | (15,052) |
| **Gross profit** | | **2,643** | 5,267 |
| Administrative expenses | | **(35)** | (73) |
| **Operating profit** | 1 | **2,608** | 5,194 |
| Exceptional gain | 3 | **4,117** | - |
| Interest receivable and similar income | 6 | **2** | 2 |
| Interest payable and similar charges | 7 | **(2,935)** | (3,367) |
| Other finance costs | 16 | **(151)** | (150) |
| **Profit on ordinary activities before taxation** | | **3,641** | 1,679 |
| Tax on profit on ordinary activities | 8 | **(1,053)** | 55 |
| **Profit for the financial year** | | **2,588** | 1,734 |

All results in the current year relate to continuing activities.

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

# Statement of comprehensive income for the year ended 31 December 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Profit for the financial year | | **2,588** | 1,734 |
| **Other comprehensive income/(expense)** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial gain/(loss) recognised in the pension scheme | 16 | **92** | (266) |
| Movement in deferred tax relating to pension deficit | 8 | **3** | 53 |
| **Total comprehensive income for the year** | | **2,683** | 1,529 |

# Balance sheet at 31 December 2015

| | Note | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | **113** | 129 |
| Tangible assets | 10 | **12,035** | 10,534 |
| | | **12,148** | 10,663 |
| **Current assets** | | | |
| Stocks | 11 | **2,321** | 2,107 |
| Debtors (including £7,517,000 (2014: £8,663,000) recoverable after more than one year) | 12 | **11,868** | 18,384 |
| Cash at bank and in hand | | **1,198** | 917 |
| | | **15,387** | 21,408 |
| **Creditors: amounts falling due within one year** | 13 | **(54,622)** | (54,398) |
| **Net current liabilities** | | **(39,235)** | (32,990) |
| **Total assets less current liabilities** | | **(27,087)** | (22,327) |
| Provisions for liabilities | 14 | **(621)** | (7,818) |
| **Net liabilities excluding pension liability** | | **(27,708)** | (30,145) |
| Employee benefits | 16 | **(3,029)** | (3,275) |
| **Net liabilities** | | **(30,737)** | (33,420) |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **-** | - |
| Profit and loss account | | **(30,737)** | (33,420) |
| **Total shareholders' deficit** | | **(30,737)** | (33,420) |

The financial statements on pages 7 to 27 were approved by the Board of Directors on 16 December 2016 and signed on its behalf by:

PKV Huyck
**Director**

INEOS Manufacturing (Hull) Limited
Registered number 6480046

# Statement of changes in equity for the year ended 31 December 2015

| | Called up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total shareholders' deficit £'000 |
|---|---|---|---|---|
| Balance at 1 January 2014 | - | - | (34,941) | (34,941) |
| Profit for the financial year | - | - | 1,734 | 1,734 |
| **Other comprehensive income/(expense) for the year:** | | | | |
| Actuarial loss in pension scheme (note 16) | - | - | (266) | (266) |
| Movement in deferred tax relating to pension liability (note 8) | - | - | 53 | 53 |
| **Total comprehensive expense for the year** | - | - | (213) | (213) |
| **Balance at 31 December 2014** | **-** | **-** | **(33,420)** | **(33,420)** |

| | Called up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total shareholders' deficit £'000 |
|---|---|---|---|---|
| Balance at 1 January 2015 | - | - | (33,420) | (33,420) |
| Profit for the financial year | - | - | 2,588 | 2,588 |
| **Other comprehensive income for the year:** | | | | |
| Actuarial gain in pension scheme (note 16) | - | - | 92 | 92 |
| Movement in deferred tax relating to pension liability (note 8) | - | - | 3 | 3 |
| **Total comprehensive income for the year** | - | - | 95 | 95 |
| **Balance at 31 December 2015** | **-** | **-** | **(30,737)** | **(30,737)** |

# Accounting policies

**Basis of preparation**
Ineos Manufacturing Hull Limited (the "Company") is a company incorporated and domiciled in the UK. The registered address of the company is Hawkslease, Chapel Lane, Lyndhurst, England SO43 7FG.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 early and for the first time.

In transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position or financial performance of the Company is provided in note 20.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Business combinations that took place prior to 1 January 2014 have not been restated.
- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and intangible assets;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of INEOS Group Holdings S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosurcs required by *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

# Accounting policies (continued)

**Basis of preparation (continued)**
The accounting policies set out below have, unless otherwise stated, been applied consistently on the going concern basis, to all periods presented in these financial statements and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

**Measurement convention**
The financial statements are prepared on the historical cost basis.

**Turnover**
Turnover represents the sales value of goods and services supplied to customers during the year excluding Value Added Tax and similar sales based taxes. Turnover is recognised at the point at which title passes or services have been provided.

**Tangible fixed assets and depreciation**
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

The typical effective lives of assets are:

| | | |
|---|---|---|
| Freehold buildings | - | 30 to 50 years |
| Plant and machinery | | |
| Major items of plant | - | 10 to 20 years |
| Major plant overhauls | - | 2 to 4 years |

Freehold land is not depreciated.

Precious metals are not normally depreciated, but are subject instead to an annual impairment review.

Any impairment in the value of tangible fixed assets, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the year to which the impairment relates.

**Intangible fixed assets**
Intellectual Property acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

*Amortisation*
Amortisation is charged to the profit and loss account 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 balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Intellectual property | - | 15 years |

# Accounting policies (continued)

**Stocks**
Stocks are valued on a first in, first out basis and are stated at the lower of cost and net realisable value. Where necessary provision is made for obsolete, slow moving, and defective stocks.

**Impairment excluding stocks and deferred tax assets**
*Financial assets (including trade and other debtors)*
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

**Exceptional items**
The presentation of the Company's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment and the reversal of 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 Company's ongoing business.

# Accounting policies (continued)

**Provisions**
A provision is recognised in the balance sheet when the Company 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.

**Pension costs**
The company participates in a defined benefit pension scheme providing benefits based on final pensionable pay and the assets of this scheme are held separately from those of the company. The pension scheme is a multi-employer pension scheme for employees of the company and INEOS Enterprises Limited, INEOS ChlorVinyls Limited and INEOS Technologies Limited.

Changes in the defined benefit liability arising from employee service rendered during the period, net interest on defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the defined benefit liability/(asset) is recognised in other comprehensive income in the period in which it occurs.

The method used to split the defined benefit pension scheme results between the company, INEOS Enterprises Limited, INEOS ChlorVinyls Limited and INEOS Technologies Limited is consistent with the approach used in the financial statements of the other participating companies and is as follows:

- the total active liabilities have been split based on the proportion of their respective payrolls versus the payroll of the Fund in total. As INEOS ChlorVinyls Limited constitutes the largest percentage of the Fund's liabilities, the inactive members' liabilities are allocated to INEOS ChlorVinyls Limited
- the plan assets are allocated between the entities based on the allocation of the liabilities between the various entities
- the expected 2015 service cost has been allocated between the various entities based on the ratio of the respective active liabilities versus the total active liability for the Fund
- the split of the actual 2015 contributions was either provided by the entities or reasonable assumptions were made to split these between the various entities. As all pensioner liabilities are allocated to INEOS ChlorVinyls Limited, all benefit payments are assumed to be paid by INEOS ChlorVinyls Limited

The company also participates in a defined contribution scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The amounts charged to the profit and loss account represent the contributions payable to the plans in respect of the accounting period.

**Deferred taxation**
Deferred tax is recognised as a liability or asset in respect of all timing differences which have originated but not reversed at the balance sheet date if transactions have occurred at the balance sheet date which give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured at the average tax rates which are expected to apply in the years during which the timing differences are expected to reverse, based on the tax rates and laws which are in place at the balance sheet date. Deferred tax assets and liabilities are not discounted.

# Accounting policies (continued)

**Foreign currencies**
The reporting currency of INEOS Manufacturing (Hull) Limited is the local currency of its principal operating environment. Transactions in other currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in the balance sheet are translated at the prevailing exchange rate at the end of the year. All translation gains or losses on the settlement of monetary assets and liabilities are included in the determination of profit for the year.

**Leases**
Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

# Notes to the financial statements for the year ended 31 December 2015

## 1 Operating profit

Operating profit is stated after charging/(crediting):

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Auditors' remuneration: | | |
| Audit fees | **10** | 12 |
| Depreciation | **1,591** | 1,711 |
| Amortisation of Intangible Assets | **16** | 14 |
| Rentals payable under operating leases: | | |
| Other than plant and machinery | **58** | 62 |

## 2 Turnover

All turnover (both by origin and destination), operating profit and total assets less current liabilities is derived from UK activity from the ETAC business.

## 3 Exceptional gains

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Exceptional items included in non operating expenses: | | |
| VAM business closure | **4,117** | - |

**VAM business closure**
As discussed in the strategic review on page 1, the company announced the closure of its VAM business on 4 October 2013. As part of the closure, certain costs will be incurred in relation to decommissioning and demolition of the plant, severance costs and costs incurred in recovering metals and meeting operating lease obligations. A full review of the businesses assets and liabilities was undertaken and a provision of £39,619,000 was recognised to cover present obligations (see Note 14). Over the past two years £34,702,000 has been utilised against this provision account.

At the end of 2015 £4,117,000 has been released from the provision amount.

## 4 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2014: £nil).

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 5 Staff numbers and costs

There are no persons holding service contracts with the company. All employees are employed by another Group company, INEOS Oxide Limited, and their costs are recharged in full to INEOS Manufacturing (Hull) Limited.

The average monthly number of people recharged to the company (including directors) during the year was as follows:

| **Analysis by function** | **2015** | 2014 |
|---|---|---|
| | **Number** | Number |
| Production | **24** | 30 |
| Administration | **1** | 1 |
| | **25** | 31 |

The aggregate payroll costs of these people were as follows:

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **1,740** | 1,610 |
| Social security costs | **192** | 92 |
| Other pension costs | **117** | 30 |
| | **2,049** | 1,732 |

## 6 Interest receivable and similar income

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Interest received on short term deposits | **2** | 2 |

## 7 Interest payable and similar charges

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable on loans from group undertakings | **771** | 812 |
| Exchange losses | **2,164** | 2,555 |
| | **2,935** | 3,367 |

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 8 Tax on profit on ordinary activities

### (a) Analysis of the charge/(credit) for the year

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| UK corporation tax – current year | **22** | 655 |
| Adjustments in respect of prior years | **(6)** | (6,737) |
| **Current taxation charge** | **16** | (6,082) |
| Deferred taxation: | | |
| Origination and reversal of timing differences | **746** | (323) |
| Current year rate change | **(83)** | 23 |
| Adjustments in respect of prior years | **374** | 6,327 |
| **Deferred taxation** | **1,037** | 6,027 |
| **Tax charge/(credit) on profit on ordinary activities** | **1,053** | (55) |

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Profit on ordinary activities before taxation** | **3,641** | 1,679 |
| Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%) | **737** | 361 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **31** | (30) |
| Reduction in tax rate on deferred tax balances | **(83)** | 24 |
| Adjustments in respect of prior years | **368** | (410) |
| **Total tax charge/(credit) for year** | **1,053** | (55) |

### (c) Factors which may affect future tax charges

The Summer Finance Bill of 2015 included reductions to the main rate of corporation tax to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020. As these changes had not been substantially enacted at the balance sheet date their effects are not included in these financial statements.

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 8 Tax on profit on ordinary activities (continued)

### (d) Deferred taxation

The amounts provided in respect of the deferred tax assets are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Arising from accelerated capital allowances | **2,168** | 3,092 |
| Employee Benefits | **545** | 655 |
| Total | **2,713** | 3,747 |

**Deferred tax asset relating to pension deficit**

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | **655** | 630 |
| Deferred tax charge in profit and loss account | **(113)** | (28) |
| Deferred tax credited to other comprehensive income | **3** | 53 |
| At 31 December | **545** | 655 |

Movements during the year in respect of total deferred tax were as follows:

| | **2015** |
|---|---|
| | **£'000** |
| At 1 January | **3,747** |
| Arising during the year | **(1,034)** |
| At 31 December | **2,713** |

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 9 Intangible assets

| | Intellectual property £'000 |
|---|---|
| **Cost** | |
| **At 1 January 2014 and 31 December 2014** | **234** |
| **Accumulated amortisation** | |
| At 1 January 2015 | (105) |
| Charge for the year | (16) |
| **At 31 December 2015** | **(121)** |
| **Net Book Value** | |
| **At 31 December 2015** | **113** |
| At 31 December 2014 | 129 |

## 10 Tangible assets

| | Land and buildings £'000 | Plant and machinery £'000 | Assets under Construction £' 000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2015 | 1,465 | 29,411 | - | 30,876 |
| Additions | - | 2,275 | 817 | 3,092 |
| **2015** | **1,465** | **31,686** | **817** | **33,968** |
| **Accumulated depreciation** | | | | |
| At 1 January 2015 | (113) | (20,229) | - | (20,342) |
| Charge for year | (17) | (1,574) | - | (1,591) |
| **At 31 December 2015** | **(130)** | **(21,803)** | **-** | **(21,933)** |
| **Net book value** | | | | |
| **At 31 December 2015** | **1,335** | **9,883** | **817** | **12,035** |
| At 31 December 2014 | 1,352 | 9,182 | - | 10,534 |

Included within land and buildings is £962,000 (2014: £962,000) in relation to land which is not depreciated. There is no difference between the book value and market value of land and buildings. All figures reported under land and buildings is related to freehold.

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 11 Stocks

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Raw materials and consumables | **2,321** | 2,107 |

During the year £1,282,000 has been recognised as expense.

## 12 Debtors

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade debtors | **3,026** | 6,144 |
| Other debtors | **869** | 3,201 |
| Prepayments and accrued income | **456** | 376 |
| **Total due within one year** | **4,351** | 9,721 |
| **Amounts falling due after more than one year** | | |
| Amounts owed by group undertakings | **4,804** | 4,916 |
| Deferred taxation (note 8) | **2,713** | 3,747 |
| **Total due after more than one year** | **7,517** | 8,663 |

Amounts owed by group undertakings and classified as due after one year are unsecured and bearing no interest. The notes are unsecured and have no fixed repayment terms.

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 13 Creditors: amounts falling due within one year

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Trade creditors | **226** | 1,761 |
| Amounts owed to group undertakings | **52,679** | 51,158 |
| Accruals and deferred income | **1,717** | 1,479 |
| | **54,622** | 54,398 |

Amounts owed to group undertakings are unsecured, interest free and are either subject to standard trading terms or are repayable on demand.

## 14 Provisions for liabilities

| | 2015 £'000 |
|---|---|
| At 1 January 2015 | **7,818** |
| VAM closure costs spent | **(3,080)** |
| Provision release | **(4,117)** |
| **At 31 December 2015** | **621** |
| Provision less than one year | **621** |
| Provision greater than one year | **-** |

**VAM business closure**
The company announced the closure of its VAM business on 4 October 2013. As part of the closure, certain costs will be incurred in relation to decommissioning and demolition of the plant, severance costs and costs incurred in recovering metals and fulfilling operating lease obligations. A provision of £39,619,000 was recognised to cover such obligations in the future. In 2015 there has been spend of £3,080,000 related to VAM business closure and at the end of 2015 £4,117,000 has been released. The remaining provision of £621,000 will be utilised within one year.

## 15 Called up share capital

| **Ordinary shares of £1 each** | **2015 Number** | **2015 £** | 2014 Number | 2014 £ |
|---|---|---|---|---|
| Allotted, issued and fully paid | **1** | **1** | 1 | 1 |

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 16 Employee benefits

The Company participates in a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to this scheme and amounted to £305,000 (2014: £295,000). Contributions amounting to £nil (2014: £nil) were outstanding at the year end.

The majority of the employees participate in the INEOS Chlor Pension Fund ("The Fund"). The Fund is administered by a group of trustees with assets being held separately from the company. Members receive defined benefit pensions that are based on their length of service and average final remuneration with the company.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the years shown.

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Total defined benefit asset | **7,495** | 7,320 |
| Total defined benefit liability | **(10,524)** | (10,595) |
| Net liability for defined benefit obligations | **(3,029)** | (3,275) |

**Pension plan assumptions**
The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

| | **2015** | 2014 |
|---|---|---|
| Rate of inflation | **3.1%** | 3.1% |
| Discount rate at 31 December | **3.8%** | 3.7% |
| Future salary increases | **N/A** | N/A |
| Future pension increases | **2.9%** | 2.9% |

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 16 Employee benefits (continued)

**Pension plan assumptions (continued)**
The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position 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:

| | **2015** | 2014 |
|---|---|---|
| | **Years** | Years |
| Longevity at age 65 for current pensioners: | | |
| Male | **22.8** | 22.4 |
| Female | **24.9** | 24.4 |
| Longevity at age 65 for future pensioners: | | |
| Male | **24.4** | 24.1 |
| Female | **26.3** | 25.9 |

**Reconciliation of scheme assets and liabilities**

| | **Defined benefit obligations** | **Fair value of plan assets** | **Net defined benefit (liability)/asset** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **At 1 January 2015** | (10,595) | 7,320 | (3,275) |
| Current service cost | (35) | - | (35) |
| Interest income/(expense) | (390) | 274 | (116) |
| Actuarial loss/(gain) arising from: | | | |
| Change in financial assumptions | 390 | - | 390 |
| Disbursements from plan assets | 106 | (106) | - |
| Return on plan assets less than discount rate | - | (298) | (298) |
| Employer contributions | - | 305 | 305 |
| Benefits paid | - | - | - |
| **At 31 December 2015** | **(10,524)** | **7,495** | **(3,029)** |

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 16 Employee benefits (continued)

**Plan assets**

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Cash and cash equivalents | **102** | 127 |
| Equity instruments | **4,762** | 4,733 |
| Debt instruments e.g. Government bonds | | |
| Government – Index linked | **32** | 1,064 |
| Corporate | **708** | 930 |
| Real estate | **47** | 18 |
| Other securities | **1,844** | 448 |
| | **7,495** | 7,320 |

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

**Sensitivity analysis**
The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions by one percent.

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Discount rate (1% increase) | **3,173** | 3,076 |
| Inflation (RPI, CPI) (0.5%) | **1,138** | 1,096 |
| Mortality rate (1 year increase in longevity for a member currently aged 65) | **280** | 287 |

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2015 would have increased by £280,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

**Funding**
The Company expects to pay £298,000 in contributions to its defined benefit plans in 2016. The weighted average duration of the defined benefit obligation at the end of the reporting period is 27.2 years (2014:26.3 years).

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 16 Employee benefits (continued)

**Total cost recognised as an expense**

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Current service cost | **(35)** | (10) |
| Interest cost | **(390)** | (514) |
| Interest income | **274** | 374 |
| | **(151)** | (150) |

## 17 Commitments and contingent liabilities

### (a) Annual operating lease commitments

At 31 December the Company had annual commitments under non-cancellable operating leases for assets expiring as follows:

| | **Other 2015** | Other 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Leases which expire: | | |
| Within one year | 5 | 5 |
| | 5 | 5 |

### (b) Other contingent liabilities

The Company is party to a Senior Secured Term Loans agreement dated 27 April 2012 (as amended). The total outstanding indebtedness under the Senior Secured Term Loans agreement at 31 December 2015 was €4,767.2 million (2014: €3,138.4 million). The Company is a guarantor under the Senior Secured Term Loans agreement. These obligations are secured by fixed and floating charges over the assets of the Company.

The Company is party to the Senior Secured Notes due 2023 Indenture dated 05 May 2015. The total outstanding indebtedness under the Senior Secured Notes at 31 December 2015 was €770.0 million (2014: €1,959.1 million). The Company is a guarantor under the Senior Secured Notes Indenture. These obligations are secured by fixed and floating charges over the assets of the Company.

The Company is party to the Senior Notes due 2018 Indenture dated 14 May 2013 (as amended) and the Senior Notes due 2019 Indenture dated 18 February 2014. The total outstanding indebtedness under the Senior Notes at 31 December 2015 was €2,261.9 million (2014: €2,142.3 million). The Company is a guarantor under the Senior Notes Indentures. These guarantees are on an unsecured senior subordinated basis.

# Notes to the financial statements for the year ended 31 December 2015 (continued)

## 18 Related party transactions

Related parties comprise parent companies and their subsidiaries that are not included within the consolidated financial statements of INEOS Group Holdings S.A., the smallest and largest group that consolidate the Company's financial statements.

## 19 Ultimate parent company and ultimate controlling party

The Company's immediate parent undertaking is INEOS European Holdings Limited, a company registered in England and Wales. The Company's ultimate parent company is INEOS Limited, a company registered in Isle of Man.

The smallest and largest group that consolidates the Company's financial statements is INEOS Group Holdings S.A., a subsidiary of INEOS Limited. The consolidated financial statements of INEOS Group Holdings S.A. are available to the public and may be obtained from the Company Secretary at 58, Rue Charles Martel, Luxembourg,L-2134, Luxembourg.

The Directors regard Mr JA Ratcliffe to be the ultimate controlling party by virtue of his shareholding in INEOS Limited.

## 20 Explanation of transition to FRS 101

As stated in the Accounting policies, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

As part of the transition intellectual property was classified as a separately identifiable intangible asset, this was previously classified as Goodwill. The useful economic life of the asset was determined to still be reasonable by the directors.

The effects on the Balance Sheet and Profit and Loss account have been reflected in the following tables.

# 20 Explanation of transition to FRS 101 (continued)

**Reconciliation of equity:**

| | | 1 January 2014 | | | **31 December 2014** | | |
|---|---|---|---|---|---|---|---|
| | Note | UK GAAP £'000 | Transition £'000 | FRS101 £'000 | **UK GAAP £'000** | **Transition £'000** | **FRS101 £'000** |
| **Fixed assets** | | | | | | | |
| Intangible assets | | 143 | | 143 | **129** | | **129** |
| Tangible assets | | 11,759 | | 11,759 | **10,534** | | **10,534** |
| | | 11,902 | | 11,902 | **10,663** | | **10,663** |
| **Current assets** | | | | | | | |
| Stocks | | 224 | | 224 | **2,107** | | **2,107** |
| Debtors | 1 | 16,148 | 630 | 16,778 | **17,729** | **655** | **18,384** |
| Cash at bank and in hand | | 3,251 | | 3,251 | **917** | | **917** |
| | | 19,623 | 630 | 20,253 | **20,753** | **655** | **21,408** |
| **Creditors: amounts falling due within one year** | | (24,323) | | (24,323) | **(54,398)** | | **(54,398)** |
| **Net current liabilities** | | (4,700) | 630 | (4,070) | **(33,645)** | **655** | **(32,990)** |
| **Total assets less current liabilities** | | 7,202 | 630 | 7,832 | **(22,982)** | **655** | **(22,327)** |
| Provisions for liabilities | | (39,619) | | (39,619) | **(7,818)** | | **(7,818)** |
| **Net liabilities excluding pension liability** | | (32,417) | 630 | (31,787) | **(30,800)** | **655** | **(30,145)** |
| Employee benefits | 1 | (2,524) | (630) | (3,154) | **(2,620)** | **(655)** | **(3,275)** |
| **Net liabilities** | | (34,941) | | (34,941) | **(33,420)** | | **(33,420)** |
| **Capital and reserves** | | | | | | | |
| Called up share capital | | - | | - | **-** | | **-** |
| Profit and loss account | | (34,941) | | (34,941) | **(33,420)** | | **(33,420)** |
| **Total shareholders' deficit** | | (34,941) | | (34,941) | **(33,420)** | | **(33,420)** |

*Notes to the reconciliation of equity:*

1. Under UK GAAP the deferred tax asset on employee benefits was netted off against the employee benefits liability. Under FRS 101, the deferred tax asset is reported under debtors.

# 21 Explanation of transition to FRS 101 (continued)

**Reconciliation of profit and loss for the year ended 31 December 2014:**

| | Note | UK GAAP | Effect of transition to FRS 101 | **FRS 101** |
|---|---|---|---|---|
| | | £'000 | £'000 | **£'000** |
| **Turnover** | | 20,319 | | **20,319** |
| Cost of sales | | (15,052) | | **(15,052)** |
| **Gross profit** | | 5,267 | | **5,267** |
| Administrative expenses | | (73) | | **(73)** |
| **Operating profit** | | 5,194 | | **5,194** |
| Exceptional gain | | - | | **-** |
| Interest receivable and similar income | | 2 | | **2** |
| Interest payable and similar charges | | (3,367) | | **(3,367)** |
| Other finance costs | 1 | (42) | (108) | **(150)** |
| **Profit on ordinary activities before** | 1 | 1,787 | (108) | **1,679** |
| Tax on profit on ordinary activities | | 55 | | **55** |
| **Profit for the financial year** | 1 | 1,842 | (108) | **1,734** |
| | | | | |
| **Other comprehensive income/(expense)** | | | | |
| *Items that will not be reclassified to profit or loss:* | | | | |
| Actuarial gain/(loss) recognised in the pension scheme | 1 | (374) | 108 | **(266)** |
| Movement in deferred tax relating to pension deficit | | 53 | | **53** |
| **Total comprehensive income for the year** | 1 | 1,521 | 108 | **1,629** |

*Notes to the reconciliation of profit:*

1. Upon transition to FRS 101 the defined benefit obligation is accounted for under IAS 19 rather than FRS 17. The has resulted in an impact on the amount recognised between profit and loss and other comprehensive income.