INOVYN ChlorVinyls Limited

Annual report and financial statements for the year ended 31 December 2019

Registered Number 4068812

INOVYN ChlorVinyls Limited

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INOVYN ChlorVinyls Limited

Strategic report for the year ended 31 December 2019

The Directors present their strategic report of INOVYN ChlorVinyls Limited (the "Company") for the year ended 31 December 2019.

Review of the business
Revenue of the Company has decreased from £406.7 million in 2018 to £358.4 million in 2019, a decrease of £48.3 million which equates to approximately 12%. Earnings before interest, tax, depreciation and amortisation; EBITDA, has fallen from £101.1 million in 2018 to £100.3 million in 2019.

The fall in revenue is mainly on account of a reduction in both volumes and average sales prices in the PVC market. Revenue in this area fell by £41.9 million year on year as a result of a fall of 15% in demand and 4% in net sales price; driven by a reduction in ethylene costs. Caustic Soda revenues increased slightly (£2.9 million) year on year as a result of increased volumes being sold, however this was tempered by lower sales prices than those experienced in 2018. The average European contract caustic soda price (as reported by IHS Markit) was €674 per tonne in 2019, compared to €733 per tonne in 2018. As far as downstream products were concerned Ethylene dichloride saw the most significant drop in revenue, being £4.1 million, a combination of reduced demand and a lower selling price, again linked to the reduced cost of ethylene. Other PVC related products, Cereclor and vinyl chloride monomer also witnessed lower revenues year on year, once again through reduced demand and net sales price.

Despite the reduction in revenues EBITDA has remained largely intact. This is by virtue of maintaining a tight control over costs and ensuring where possible that reductions in raw material costs are not all eroded away by reduced sales prices.

Key exceptional items
Net exceptional charges of £14.9 million have been recognised in 2019 (2018: £8.2 million) relating to the following items:

- In 2019, a legal claim from a competitor was settled resulting in an exceptional cost to the company of £1.2 million.
- In 2018, the production of chlorinated paraffin's at Baleycourt, France was transferred to Runcorn, resulting in the recognition of £2.0 million of exceptional restructuring provisions. Further restructuring costs of £0.3 million were incurred in 2019.
- In December 2015, the Company announced the closure of the chloromethanes asset. Provisions were recognised at the time for manpower reductions, utility reconfigurations, property, plant and equipment and inventory write-downs and decontamination and decommissioning costs. In 2018, further exceptional charges totalling £2.1 million were recognised. In 2019, further provisions totalling £4.3 million were created following the decision to demolish this and associated assets.
- In December 2016, the Company closed its last remaining mercury cell room. In 2019, further provisions totalling £10.5 million for the demolition of redundant assets were recognised in relation to this closure project.
- Severance provisions in place with respect to the two closures above were partially released in 2019, providing an exceptional credit in the year of £1.5 million.
- In 2017, the Company, following consultation with employees, announced that all remaining open defined benefit pension schemes would be closing to future accrual. All employees exiting the defined benefit schemes into a defined contribution scheme are entitled to receive transition payments payable over a period of two years, of which an additional £0.2 million was provided in 2018. In 2019, additional legal and pension advisory fees of £0.1 million (2018: £0.2 million) were also incurred.
- In 2018, the Company incurred payments of £2.3 million that were agreed as part of the termination of a chlorine supply agreement in Belgium.
- In 2018, the Company completed an exercise to equalise GMP benefits across its two defined benefit pension schemes, following confirmation on how this should be calculated. This resulted in an exceptional expense of £2.1 million in the year.
- In 2018, the Company received compensation of £0.7 million from its fellow shareholders of INEOS Runcorn (TPS) Holdings Limited, one of the company's investments, to enter into restructuring negotiations with one of INEOS Runcorn (TPS) Holdings Limited's trading partners at a time considered sub-optimal by the Company.

Principal risks and uncertainties
The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below:

- The chemical and PVC industries are cyclical – changing market demands and prices may negatively affect the Company's operating margins and impair its cash flow which, in turn, could affect its ability to make further investments in the business.
- Raw materials and suppliers – if the Company is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected. The Company attempts to match raw material price increases with corresponding product price increases. The Company has access, through its fellow group undertakings and related parties, to its own salt production, to ethylene and to substantial internal production of chlorine and VCM, and is not typically reliant on any single external supplier of these inputs. For all other inputs the Company continually assesses the source of its raw materials and works with key suppliers.
- International operations and currency fluctuations – the Company is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability. Exposures to different currencies are monitored on a regular basis to ascertain the appropriate hedging strategy.
- Competition – significant competition in the Company's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations. The Company is focused on reducing the fixed and variable cost base across the production chain. The Company also positions itself compared to competitors, not only on the basis of price, but on the basis of product innovation, product quality and distribution capability.
- Regulation – the Company is highly regulated and may incur significant costs to maintain compliance with or to address liabilities under environmental, health and safety laws and regulations. As a responsible chemical manufacturer, the Company is committed to meeting all of its legal obligations. The Company liaises with various industry bodies to understand and prepare for compliance with new regulations on a timely and cost effective basis.
- Safety, health and the environment – the Company's facilities are subject to operating risks, including the risk of environmental contamination and safety hazards. The Company sets strict health, safety and environmental performance targets and is committed to continuous improvement in all aspects of operations, with the view to meeting and exceeding all relevant legislation requirements in this area. Safety, health and the environment is managed as an integral part of activities through a formal management system.
- United Kingdom withdrawal from the European Union – the Company's operations may be adversely affected by the potential withdrawal of the United Kingdom from the European Union. The Company has made significant plans to limit the impact of Brexit on its activities from liaising with employees to contingent planning for inventories and the supply chain.
- COVID-19 coronavirus - the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring effects on production. See further commentary on page 4.

Section 172(1) statement
The directors have the duty to promote the success of the Company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers and the environment. The directors focus on engagement with all stakeholders, and uses this when taking decisions.

The likely consequences of any decision in the long-term
The Company's principal objectives are to maintain its position as a key global manufacturer of PVC, caustic soda and various chlorine derivatives and to increase the value of the wider INOVYN group by generating strong, sustainable and growing cash flows across industry cycles. To achieve these objectives, the Company has the following key strategies:

- Maintain health, safety, security and environmental excellence;
- Maintain and grow the Company's leadership positions to enhance competitiveness;
- Reduce costs and realise synergies;
- Maximise utilisation of assets;
- Access advantaged feedstock and energy opportunities;

Section 172(1) statement (continued)

The likely consequences of any decision in the long-term (continued)

- Pursue value-enhancing opportunities at cellrooms; and
- Develop and implement a sustainable business.

The directors believe these are critical long-term factors for the success of the Company. The directors' decision making has supported the implementation of the strategy. Examples of this include the recent closure and current year decision to demolish old redundant assets, enabling the site to become more efficient, streamlined and focused, whilst creating space for growth opportunities.

The Company aims to operate and develop its business in a way that supports both the current and future needs, taking into account relevant economic, environmental and social factors. This enables the Company to sustain the business for the long term. The directors strongly believe that sustainable business management and practices will contribute to long-term business success and will strengthen the Company's leading position in the market.

Stakeholder considerations

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The Company engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the Company is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Company the opportunity to explain its clear and committed approach to sustainability as well as the value of the Company's work, products and services for society.

Key stakeholders contribute to the Company's economic, social and environmental performance. Stakeholders include customers, suppliers, employees, financial experts and rating agencies, local communities, industry associations, scientific institutions, universities, government and value chain partners.

As a global leader in PVC and chlor-alkali, the Company adopts a holistic approach to looking at its entire value chain – from procurement, development, production to transport, sales, integration into customer processes and final intended use. Together with industry associations and business partners, the Company strives to achieve high and well-acknowledged sustainability standards in the PVC and chlor-alkali industry.

The Company is very conscious of changing attitudes to climate change, and monitors its impact on the environment and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. These matters are considered by the directors in making decisions and in assessing the long-term viability of the business.

The need to act fairly between members of the Company

The Company has a single shareholder and a single ultimate controlling party. Their interests are taken into account by the directors to promote fairness in decision making.

Key performance indicators

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 amortisation, and exceptional items. EBITDA is considered the most appropriate proxy for underlying business performance.
- SPVC over ethylene margin – this is calculated as the average sales price per tonne of SPVC less the costs of the proportion of ethylene used to make one tonne of SPVC. Using data published by IHS Markit, the SPVC over ethylene margin in 2019 was €551 per tonne of SPVC (2018: €550 per tonne).
- SPVC over ethylene margin, plus caustic soda over energy margin – this is calculated as the average sales price per tonne of SPVC plus the average sales price per tonne of the equivalent portion of caustic soda, less the costs of the proportion of ethylene used to make one tonne of SPVC less the energy cost of producing the equivalent portion of caustic soda. Using data published by IHS Markit, this ratio was €871 per tonne of SPVC in 2019, compared to €887 per tonne in 2018.
- Sales, variable costs and margins per tonne of product sold. The average sales price for the two key products for the Company as published by IHS Markit are for PVC: €1,054 per tonne (2018: €1,101 per tonne) and for caustic soda: €674 per tonne (2018: €733 per tonne).

Key performance indicators (continued)

- Working capital ratios – these include:
  - Receivables days – indicating the average length of time it takes to receive cash from a sale. In 2019, this remained relatively static at 50.8 days (2018: 50.3 days);
  - Inventory turn – indicating the number of times in a year that inventory is turned over, being 8.2 times in 2019 (2018: 9.5 times). This reduction is on account of reduced turnover whilst maintaining inventory levels in order to ensure prompt customer service; and
  - Payables days – indicating the average length of time it takes to pay cash for a purchase. In 2019, this was 28.5 days (2018: 24.7 days) improved as a result of term negotiations with key suppliers.

Future developments

The Directors' do not expect any significant change in the Company's operations, anticipating that the Company will continue to operate as now into the future.

COVID-19 coronavirus

COVID-19 is an illness that has spread globally to the extent that it is classified as a Public Health Emergency of International Concern by the World Health Organisation. There is an elevated concern globally about the impact that the COVID-19 crisis will have on the global economy and the chemicals industry.

The wider INOVYN group is Europe's largest manufacturer of the chlor-alkali and vinyl products of fundamental importance for controlling the spread of COVID-19 and protecting human health. The wider contribution to society that INOVYN can make has been recognised by national governmental bodies and INOVYN's production sites are categorised as critical manufacturing infrastructure and so, in the interests of public safety, it is essential that INOVYN's manufacturing facilities continue to operate.

As of the date of signing these financial statements the Company's production facility continues to operate. Production levels remain at pre-pandemic levels and, looking forward, the directors expect this to remain the case. Protecting employees and ensuring that they stay healthy has been the first priority. Social distancing measures as well as increased cleaning protocols have been put in place in order to protect employees, these measures have served to minimise employee absence, ensuring production rates are maintained. The Company has sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

Although the directors cannot predict the extent and duration of the COVID-19 crisis, they have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its products and the impact on margins for over 12 months from the date of signing these financial statements. In particular, the directors have stress tested the impact on EBITDA as a result of lower PVC demand, due to lower activity in the building and construction sectors. Caustic soda demand is largely unaffected by the COVID-19 crisis but product availability is likely to reduce due to reduced PVC production, which may have a positive impact on prices. Prices for energy and ethylene, the two largest raw material inputs for the wider INOVYN Group, have reduced since the start of the pandemic, linked to the reduction in oil prices. In addition, the directors have implemented a series of programmes to preserve cash including reduction in the levels of non-essential capital expenditure and cut-back of non-essential fixed cost expenditure. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Company would have sufficient cash flow to meet all of its obligations as they fall due.

Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of this assessment, together with support from INOVYN Limited, a parent undertaking, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Approved on behalf of the Board

M J Maher
Director
11 June 2020

INOVYN ChlorVinyls Limited

Directors' report for the year ended 31 December 2019

The Directors present their report together with the financial statements and auditor's report of INOVYN ChlorVinyls Limited (the "Company") for the year ended 31 December 2019.

Results for the year
The results of the Company are set out in the income statement on page 11 which shows a profit before taxation of £62.9 million (2018 (restated, see note 7 on page 26): £69.4 million).

Going concern
The Directors believe that preparing the financial statements on the going concern basis is appropriate, despite the balance sheet being in a net liabilities position of £39.4 million (2018: £130.3 million) and the significant uncertainty due to the COVID-19 crisis, on the basis of the assessment referred to in the Strategic Report and due to the continued financial support of INOVYN Limited. The Directors have received confirmation that INOVYN Limited will support the Company for at least one year after these financial statements are signed.

Dividends
The Directors do not recommend payment of a dividend (2018: £nil).

Future developments
The Company will continue to focus on those areas which can be controlled including performance on health and safety and improved reliability of production. Continued reductions in the fixed cost base, including realisation of the full benefits following the plant closures will also improve profitability and cash flow. Additionally, the Company will remain focused on controlling capital expenditure and working capital. Further information is in the strategic report on page 4.

Post balance sheet events
United Kingdom withdrawal from the European Union ("Brexit")
The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has made significant plans to limit the impact of Brexit on its activities.

COVID-19 coronavirus
The Company is closely monitoring the evolution of the COVID-19 coronavirus and is following World Health Organisation travel advice. With regards to business impact, the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on business performance.

Donations
The Company made no political contributions (2018: £nil).

Branches outside the UK
There is a branch of the Company in Germany which, until 31 December 2015, operated a PVC plant. Following the cessation of operations on this date, the business was transferred to the PVC plant in the UK. The branch still exists but is now largely inactive.

Financial risks
The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, currency fluctuation 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 cost of managing exposure to such risk exceeds any potential benefits. The Company is funded internally by the INOVYN Limited 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 INOVYN Limited.

Directors
The Directors who held office during the year, and up to the date of signing the financial statements, were as follows:

C E Tane (resigned 1 January 2020)
M J Maher
J D Taylorson
A Moorcroft
F Rourke
G Tuft (appointed 1 January 2020)

Directors' indemnities
As permitted by the Articles of Association, the Company, via a policy maintained by its parent undertaking has maintained cover for its directors and officers under a directors' and officers' liability insurance policy as permitted by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Employees
It is the Company's practice to give full and fair consideration to applications for employment received from disabled persons, subject to the Company's requirements and to the qualifications, ability and aptitude of the individual in each case. In the event of staff becoming disabled, every effort is made to ensure their continued employment with the Company and to provide specialised training where appropriate.

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employees are provided with information about the Company through regular briefing bulletins.

Engagement with employees
Details of Director engagement with employees can be found within the Strategic Report.

Engagement with suppliers, customers and others
Details of the Directors' approach to fostering the Company's business relationships with suppliers, customers and others can be found within the Strategic Report.

Health and safety
The Company continually strives to meet, and where possible, exceed strict health, safety and environmental performance targets. It is committed to continuous improvement in all aspects of its operations. Through its Safety, Health, Environment Quality ("SHEQ") Policy, the Company aims to be amongst the chemical industry leaders in health, safety, environmental protection and customer satisfaction, ensuring our products meet society's increasing environmental requirements. Specifically, the Company works to two guiding principles. The first being to protect the health and safety of its employees; the communities in which it operates; and the users of its products. Secondly, the Company seeks to minimise the effects on the environment from its operations; storage; transport; use and disposal of its products. The Company manages SHE as an integral part of its activities through a formal management system. This includes defining SHE standards and targets and monitoring of performance against them. It requires all members of staff (and others who work on its behalf) to adhere to the standard in the SHE Management System and to exercise personal responsibility to prevent harm to themselves, others and the environment. Comprehensive SHE information and training is provided to all employees, with SHE objectives set for every individual each year through the performance appraisal process.

Corporate social responsibility
The Company operates in full accordance with all prevailing laws and regulations in each jurisdiction of operation. In addition, it complies fully with any legally established trade sanctions, embargoes or prohibitions that apply from time to time in the markets in which it operates. The Company's Executive Committees and business management teams have access to a comprehensive range of legal advice to ensure that they are kept abreast and remain compliant with such issues.

Corporate social responsibility (continued)
The Company's Social Accountability Statement is published on its website and is available to all internal and external audiences. Employees are made aware of the Company's Social Accountability principles via information published in employee handbooks. This Statement covers the Company's position on matters such as child and forced labour, discrimination, employee rights and cultural diversity, amongst others.

The Company is a member of a number of industry trade associations and is instrumental in the funding and ongoing development of specific initiatives designed to reflect the Company's commitment to a sustainable product life cycle. By way of example, the group to which the Company belongs is the single largest sponsor of the European PVC industry's voluntary commitment, VinylPlus, which seeks to address the sustainability challenges of PVC throughout the value chain. Such work is promoted widely across the Company's stakeholders including suppliers and product specifiers.

Directors' responsibilities statement
The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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.

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.

Statement of 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors
During the year Deloitte LLP were appointed as auditors and have expressed their willingness to continue in office as auditor pursuant to Section 487 of the Companies Act 2006. Appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Directors' report for the year ended 31 December 2019 (continued)

Registered address
INOVYN ChlorVinyls Limited
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South Parade
PO Box 9
Runcorn
Cheshire
WA7 4JE
United Kingdom

Approved on behalf of the Board

M J Maher
Director
11 June 2020

INOVYN ChlorVinyls Limited

Independent auditor's report to the members of INOVYN ChlorVinyls Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of INOVYN ChlorVinyls Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of INOVYN ChlorVinyls Limited (continued)

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hughes

Matthew Hughes BSC(Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds
11 June 2020

INOVYN ChlorVinyls Limited

Income statement for the year ended 31 December 2019

	Note	2019 £m	Restated (see note 7) 2018 £m
Revenue	2	**358.4**	406.7
Cost of sales		**(254.0)**	(296.5)
Gross profit		**104.4**	110.2
Distribution costs		**(10.9)**	(12.3)
Administrative expenses		**(5.9)**	(6.4)
Exceptional administrative expenses	3	**(14.9)**	(8.2)
Total administrative expenses		**(20.8)**	(14.6)
Operating profit	4	**72.7**	83.3
Income from shares in group undertakings	8	**0.7**	-
Net interest payable and similar expenses	9	**(10.5)**	(13.9)
Profit before taxation		**62.9**	69.4
Tax	10	**9.6**	1.3
Profit for the financial year		**72.5**	70.7

Statement of comprehensive income for the year ended 31 December 2019

	2019 £m	Restated 2018 £m
Profit for the financial year	**72.5**	70.7
Other comprehensive income/(expense):		
Actuarial gain recognised in the pension scheme (Note 23)	**9.4**	1.2
Movement in deferred tax relating to pension liability (Note 10)	**(1.6)**	-
Exchange translation effect on net assets of overseas branch	**10.6**	(3.0)
Total comprehensive income for the financial year	**90.9**	68.9

INOVYN ChlorVinyls Limited

Balance sheet as at 31 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	11	**58.4**	57.3
Property, plant and equipment	12	**125.8**	110.8
Investments	13	**5.6**	5.7
Deferred tax	15	**81.7**	74.6
Trade and other receivables – amounts falling due after more than one year	15	**-**	1.2
		271.5	249.6
Current assets			
Inventories	14	**35.4**	26.4
Trade and other receivables – amounts falling due within one year	15	**83.0**	89.2
Cash at bank and in hand	16	**3.4**	4.7
		121.8	120.3
Trade and other payables: amounts falling due within one year	17	**(329.4)**	(368.1)
Net current liabilities		**(207.6)**	(247.8)
Total assets less current liabilities		**63.9**	1.8
Trade and other payables: amounts falling due after more than one year	18	**12.5**	11.0
Provisions for liabilities	22	**16.3**	12.2
Accruals and deferred income	20	**13.0**	14.1
Employee benefits	23	**61.5**	94.8
		103.3	132.1
Net liabilities		**(39.4)**	(130.3)
Equity			
Share capital	24	**-**	-
Share premium account		**310.8**	310.8
Capital contribution reserve		**98.8**	98.8
Accumulated losses		**(449.0)**	(539.9)
Total shareholder's deficit		**(39.4)**	(130.3)

The financial statements on pages 11 to 43 were approved by the Board of Directors on 11 June 2020 and are signed on its behalf by:

M J Maher
Director

INOVYN ChlorVinyls Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £m	Share premium account £m	Capital contribution reserve £m	Accumulated losses £m	Total shareholder's deficit £m
Balance at 1 January 2018	-	**310.8**	**98.8**	**(601.4)**	**(191.8)**
Prior year adjustment (Note 7)	-	-	-	(7.4)	(7.4)
Balance at 1 January 2018 (Restated)		**310.8**	**98.8**	**(608.8)**	**(199.2)**
(Restated)	-	-	-	70.7	**70.7**
Other comprehensive (expense)/ income:					
Exchange translation effect on net assets of overseas branch	-	-	-	(3.0)	**(3.0)**
Actuarial gain recognised in the pension scheme (Note 23)	-	-	-	1.2	**1.2**
Total comprehensive income for the year (Restated)	**-**	**-**	**-**	**68.9**	**68.9**
Balance at 31 December 2018 (Restated)	**-**	**310.8**	**98.8**	**(539.9)**	**(130.3)**
Profit for the financial year	-	-	-	72.5	**72.5**
Other comprehensive income/(expense):					
Exchange translation effect on net assets of overseas branch	-	-	-	10.6	**10.6**
Actuarial gain recognised in the pension scheme (Note 23)	-	-	-	9.4	**9.4**
Movement in deferred tax relating to pension liability (Note 10)	-	-	-	(1.6)	**(1.6)**
Total comprehensive income for the year	**-**	**-**	**-**	**90.9**	**90.9**
Balance at 31 December 2019	**-**	**310.8**	**98.8**	**(449.0)**	**(39.4)**

INOVYN ChlorVinyls Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

INOVYN ChlorVinyls Limited (the "Company") is a privately owned company incorporated in the UK and registered in England and Wales.

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101, on a going concern basis. The Directors believe that preparing the financial statements on the going concern basis is appropriate, despite the significant uncertainty due to the COVID-19 crisis, on the basis of the assessment referred to in the Strategic Report and due to the continued financial support of INOVYN Limited. The Directors have received confirmation that INOVYN Limited will support the Company for at least one year after these financial statements are signed.

The functional and presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1 million.

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 have been taken.

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.

An intermediate parent undertaking, INOVYN Limited includes the Company in its consolidated financial statements. The consolidated financial statements of INOVYN Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE, United Kingdom.

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

- a Cash Flow Statement and related notes;
- the preparation of group financial statements – the financial statements present information about the company as an individual undertaking;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- A third balance sheet relating to a corrected prior period error.

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

Judgements made by directors in application of these accounting policies that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in note 28.

Changes in accounting policies
From 1 January 2019 the Company has applied IFRS 16 Leases for the first time, note 1.5 provides the detail behind this change.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

1 Accounting policies (continued)

1.2 Foreign currencies (continued)

The net liabilities of an overseas branch of the Company are translated to the Company's functional currency at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in other comprehensive income.

1.3 Non-derivative financial instruments

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

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments equity
Investments are stated at amortised cost less impairment. Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

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

1.4 Property, plant and equipment and depreciation

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

Freehold land and assets in the course of construction are not depreciated. Assets in the course of construction are transferred to land and buildings or plant and machinery upon completion. Depreciation is charged when these assets become available for use.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use.

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

Depreciation is charged to the income statement on a straight-line basis, on cost less residual values, over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings	-	10 to 50 years
Plant and machinery		
• Major items of plant	-	10 to 30 years
• Major plant overhauls	-	2 to 4 years
• Motor vehicles	-	5 years
• Fixtures, fittings and equipment	-	5 to 10 years
• Computer hardware	-	2 to 4 years

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

1 Accounting policies (continued)

1.5 IFRS 16 Leases

IFRS 16 replaces previous leasing guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

For leases in which the Company is a lessor, no significant impact has arisen. Lessor accounting in IFRS 16 *Leases* remains similar to the previous standard IAS 17 *Leases*, with lessors continuing to classify leases as finance or operating leases.

The Company has applied IFRS 16 on 1 January 2019, using the 'modified retrospective approach' which allowed the measurement of the right of use asset to equal the lease liability. Therefore, the comparative information for 2018 is not restated. The details of the changes in accounting policies are disclosed below.

i) Adjustments recognised on adoption of IFRS 16 in which the Company is a lessee

The Company has recognised new right-of-use assets and lease liabilities for lease contracts previously classified as operating leases, which include land, plant and machinery and transportation infrastructure. The nature of expenses related to those leases has changed because the Company recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Company no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Company now includes the payments due under the lease in its lease liability, and recognises any required impairment of the corresponding right-of-use asset.

At commencement or on modification of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each component on the basis of its relative stand-alone price.

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

As at 1 January 2019, the Company has recognised additional lease liabilities of £8.5 million. The table below provides a reconciliation between operating lease commitments disclosed as at 31 December 2018 and the lease liability recognised as at 1 January 2019:

	£m
Operating lease commitments as at 31 December 2018	**10.6**
Less: impact of discounting	(1.9)
Discounted operating lease commitments as at 1 January 2019	**8.7**
Less: short-term leases recognised on a straight-line basis as expense	(0.2)
Lease liabilities recognised as at 1 January 2019	**8.5**
Of which are:	
Current lease liabilities	1.7
Non-current lease liabilities	6.8
	8.5

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.5 IFRS 16 Leases (continued)

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Land and Buildings – increase of £1.1 million.
- Plant & Machinery – increase of £7.4 million.
- Right of use lease liabilities – increase of £8.5 million. From 1 January 2019, lease liabilities have been categorised within Right of use lease liabilities within Payables on the balance sheet.

The net impact on retained earnings at 1 January 2019 was £nil.

The impact on the income statement for the year ended 31 December 2019 was as follows:

- Depreciation of right of use assets – increase of £1.8 million.
- Interest payable – increase of £0.4 million.
- Other operating expenses – decrease of £1.9 million.
- Profit for the year – decrease of £0.3 million.

(ii) Practical expedients applied

The Company had a number of arrangements that were not in the legal form of a lease, for which it concluded that the arrangement contained a lease under IFRIC 4. On transition to IFRS 16, the Company did not apply the practical expedient to grandfather the definition of a lease on transition. Therefore, the new definition of a lease under IFRS 16 has been applied to all of the contracts in place on transition.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the Company has elected to apply the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the accounting for leases with a lease term of 12 months or less as short term leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the accounting for leases for which the underlying asset is of low value when it is new as low value leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) Adjustments in respect of leases where the Company is a lessee and the leases were previously classified as finance leases under IAS 17

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

1 Accounting policies (continued)

1.5 IFRS 16 Leases (continued)

Policies applicable from 1 January 2019
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 January 2019.

Company as a lessee

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease payments include fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be paid under residual value guarantees less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are expensed in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the lease liability is measured at amortised cost using the effective interest method. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments a change in the assessment of whether the Company is reasonably certain to exercise an option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way and there has been no change in the scope of the lease, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

1 Accounting policies (continued)

1.5 IFRS 16 Leases (continued)

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to all leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Company also applies the lease of low-value assets recognition exemption (Group policy) to leases of assets that are valued below €10,000 (converted to sterling at the prevailing exchange rate at the time of review). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policies applicable prior to 1 January 2019

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

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

1.6 Intangible assets and goodwill

Goodwill
When the fair value of the separable net assets is less than the fair value of the consideration for an acquired business the difference is treated as goodwill and is capitalised.

Goodwill is carried with an indefinite life and is subjected to annual impairment reviews. Company law requires goodwill to be written off over a finite period. Non-amortisation of goodwill, in accordance with International Financial Reporting Standards, is a departure from the requirements of company law for the overriding purpose of giving a true and fair view. If this departure from company law had not been made, the profit for the financial year would have been reduced by amortisation of goodwill. However, the amount of amortisation cannot be reasonably quantified other than by reference to an arbitrary assumed period for amortisation.

Other intangible assets
Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets held by the company are amortised over 2-4 years.

1.7 Government grants and similar deferred income

Government grants and similar cash contributions are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the property, plant and equipment to which it relates or the life of the related project.

1.8 Inventories

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

Catalysts and the anode, cathode and membrane parts of the electrolysers used in cellrooms, which are part of the chemical reaction and are consumed in the production process, are held as raw materials and consumables within inventories. These are consumed over a certain period, depending on their renewal cycles, according to normal production levels.

INOVYN ChlorVinyls Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other receivables)
A financial asset not carried at fair value through the income statement 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 it's 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 the income statement.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories 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 the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

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.

1.10 Employee benefits

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

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as

1 Accounting policies (continued)

1.10 Employee benefits (continued)

Defined benefit plans (continued)
determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AAA or AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed every three years by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability/(asset) arising from employee service rendered during the period, net interest on net defined benefit liability/(asset), and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the income statement.

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

There are two defined benefit pension schemes that the Company is party to, the INEOS Chlor Pension Fund and the EVC UK Plan. These are multi-employer pension schemes for the employees of the Company and various related parties. INOVYN ChlorVinyls Limited is the principal employer.

A full actuarial valuation of these plans is conducted every three years and as a result in the interim years the IAS 19 pension scheme results need to be split on an approximate basis between the Company and the other related parties.

The method used to allocate the IAS 19 liabilities, assets and service cost between the entities is as follows:

- The December 2019 liabilities have been based on the section 75 debt liabilities for the Company versus these liabilities for the plans as a whole at 5 April 2019 (the date of the last signed valuation).
- Approximate allowance has been made for the changes due to special events (that the local actuary is aware of) since 5 April 2019.
- The split of the assets was based on the liability split at 31 December 2019.
- The expected 2020 service cost is based on the ratio of the Company's active payroll versus the total active payroll for the funds as a whole

In summary the 31 December 2019 disclosures for the Company are based on roll-forward calculations based on the latest full valuations, allowing for the approximate impact of the special events and updating for changes in assumptions as at 31 December 2019. Although no further membership changes have been allowed for in the calculations, for the purposes of estimating the liabilities for these disclosures, updated total payroll and membership numbers were provided.

The Directors believe that this approach represents a reasonable basis of accounting for the scheme.

The most recent signed valuation for the Company was 5 April 2019. The data from the full actuarial valuation, adjusted for material membership movements since this date, have been used in these financial statements.

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

Termination benefits
Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

INOVYN ChlorVinyls Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.11 Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reliably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Provisions are discounted at risk free pre-tax rates based on country specific government bond yields which match the maturity of the expected future cash flows.

Estimated costs to be incurred in connection with restructuring measures are provided for when the Company has a constructive obligation, which is generally the same as the announcement date. The announcement date is the date on which the plan is announced in sufficient detail such that employees have valid expectations that the restructuring will be carried out.

1.12 Revenue

Revenue represents the invoiced value of products sold or services (including, in certain instances, carriage and freight services) provided to third parties, net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the customer and it can be reliably measured.

The pricing for products sold is determined by market prices (contracts and arrangements) or is linked by a formula to published raw material and energy prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered to the customer depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the customer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other companies with units on the Company's site. These services are governed by service level agreements and are invoiced, and therefore the associated revenue is recognised, on a monthly basis.

1.13 Expenses

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

Interest receivable and Interest payable
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

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

1.14 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

1 Accounting policies (continued)

1.14 Taxation (continued)

the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Securitisation

The Company is party to a receivables securitisation programme in which various INOVYN Limited group subsidiaries sell trade receivables to INEOS Norway Finance Ireland Limited ("INFIL"), a special purpose vehicle, for a discounted rate. INFIL pledges the receivables as security for borrowings from conduit lenders. The cash due from the sale of receivables, less a financing cost, is lent to the INOVYN Limited group companies. The financing cost is recognised in interest payable. The Company retains no significant risks or rewards of ownership relating to the receivables sold to INFIL and therefore no longer recognises those receivables from the date of sale.

1.16 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangements and determined them to be joint operations.

The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

The Company has a 50% interest in a joint arrangement called Runcorn MCP Limited, which was set-up together with VYNOVA Runcorn Limited to provide toll production of chlorine and caustic soda to the two shareholders. The joint venture agreements in relation to Runcorn MCP Limited require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the company recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

2 Revenue

The Company's activities consist of the UK manufacture and sale of chemicals and PVC. These activities are considered to represent a single business segment.

Analysis of revenue, by source	**2019** **£m**	2018 £m
UK	**339.7**	387.1
Rest of Europe	**18.7**	19.6
	358.4	406.7

Analysis of revenue, by destination	**2019** **£m**	2018 £m
UK	**358.4**	402.9
Rest of Europe	**-**	3.8
	358.4	406.7

3 Exceptional administrative expenses

	2019 **£m**	2018 £m
Exceptional items included in administrative expenses:		
Pension scheme change (1)	**0.1**	0.4
Plant closure costs (2)	**13.6**	4.1
Legal claim (3)	**1.2**	-
Chlorine supply agreement (4)	-	2.3
Compensation (5)	-	(0.7)
GMP equalisation (6)	-	2.1
	14.9	8.2

1. In 2017, the Company, following consultation with employees, announced that all remaining open defined benefit pension schemes would be closing to future accrual. All employees exiting the defined benefit schemes into a defined contribution scheme are entitled to receive transition payments payable over a period of two years, of which an additional £0.2 million was provided in 2018, with no further provision in 2019. In 2019, legal and pension advisory fees of £0.1 million (2018: £0.2 million) were incurred.

2. In December 2016, the Company closed its last remaining mercury cell room. In 2019, further provisions totalling £10.5 million for the demolition of redundant assets were recognised in relation to this closure project.

   In 2018, the production of chlorinated paraffin's at Baleycourt, France was transferred to Runcorn, resulting in the recognition of £2.0 million of exceptional restructuring provisions. Further restructuring costs of £0.3 million were recognised in 2019.

   In December 2015, the Company announced the closure of the chloromethanes asset, provisions were recognised at the time for manpower reductions, utility reconfigurations, property, plant and equipment and inventory write-downs and decontamination and decommissioning costs. In 2018, further exceptional charges totalling £2.1 million were recognised. In 2019, further provisions totalling £4.3 million were created following the decision to demolish this and associated assets. Severance provisions in relation to closure costs were partially released in the year, providing an exceptional credit of £1.5 million.

3. In 2019, a legal claim from a competitor was settled resulting in an exceptional cost to the company of £1.2 million.

4. In 2018, the Company incurred payments of £2.3 million that were agreed as part of the termination of a chlorine supply agreement in Belgium.

5. In 2018, the Company received compensation of £0.7 million from its fellow shareholders of INEOS Runcorn (TPS) Holdings Limited, one of the company's investments, to enter into restructuring negotiations with one of INEOS Runcorn (TPS) Holdings Limited's trading partners at a time considered sub-optimal by the Company.

6. In 2018, the Company completed an exercise to equalise GMP benefits across its two defined benefit pension schemes, following confirmation on how this should be calculated. This resulted in an exceptional expense of £2.1 million in the year.

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Operating profit

Included in operating profit are the following:

	2019 £m	Restated 2018 £m
Auditors' remuneration		
Audit of these financial statements*	**0.1**	0.1
Depreciation (Note 12):		
Owned assets	**12.2**	11.2
Right of use assets	**1.8**	-
Finance leased assets	-	0.3
Amortisation:		
Deferred income (Note 20)	**(2.0)**	(1.9)
Expenses relating to short-term leases	**0.5**	-
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	**0.8**	-
Operating lease rental charges:		
Plant, machinery and equipment	-	0.7
Foreign exchange gains	-	(0.4)

*Auditor's remuneration in respect of the audit of these financial statements for the year was payable to Deloitte LLP (2018: to PricewaterhouseCoopers LLP). No non-audit services have been provided to the company (2018: £nil).

5 Directors' remuneration

	2019 £m	2018 £m
Directors' emoluments	**1.0**	1.0

	2019 £m	2018 £m
Highest paid director		
Aggregate emoluments	**0.4**	0.3

Contributions made to money purchase pension schemes on behalf of the highest paid director amounted to £18,157 (2018: £11,341)

	Number of directors 2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Staff numbers and costs

The monthly average number of people employed by the Company (including Directors) during the year, analysed by activity, was as follows:

By activity	**2019 Number**	2018 Number
Production and distribution	**489**	496
Administration	**170**	183
	659	679

The aggregate payroll costs of these people were as follows:

	2019 £m	2018 £m
Wages and salaries	**44.2**	45.5
Social security costs	**5.0**	5.5
Contributions to defined contribution plans (Note 23)	**4.6**	3.3
Expenses relating to defined benefit plans: current service cost (Note 23)	**2.3**	1.8
	56.1	56.1

7 Prior year adjustment

Following the transition to reporting under FRS 101 in 2015, the amortisation of goodwill continued in error in all years until 2018. As a result amortisation of goodwill in 2018 and all preceding years since transition was incorrectly charged through administrative expenses in the income statement.

Following an exercise undertaken to determine the appropriate carrying amount of goodwill if it had been dealt with correctly at the time, it was determined that, after the following adjustment, the restated carrying amount reflects the position had it been at 31 December 2015.

The correction required to correct the opening balance sheet position at 1 January 2018 was to debit (increase) accumulated losses brought forward at 1 January 2018 in the balance sheet by £7.4 million and credit (reduce) goodwill by £7.4 million. Subsequently, a correction was needed to the income statement and a second adjustment was recorded to credit (reduce) administrative expenses, and hence increase profit, by £7.4 million and to debit (increase) goodwill.

The net effect of the above two adjustments was to credit (reduce) administrative expenses, and hence increase profit, by £7.4 million and to debit (increase) accumulated losses brought forward at 1 January 2018 in the balance sheet by £7.4 million. There is no change to the net book value of goodwill at 31 December 2018. The amendments to the financial statement lines affected are shown below.

	Original £m	**Prior year adjustment £m**	**Restated £m**
Income statement			
Administrative expenses	(13.8)	7.4	**(6.4)**
	(13.8)	7.4	**(6.4)**
Balance sheet			
Accumulated losses brought forward at 1 January 2018	(601.4)	(7.4)	**(608.8)**
	(601.4)	(7.4)	**(608.8)**

8 Income from shares in group undertakings

On 1 April 2019, the Company received a dividend of £0.7million (2018: £nil) from INOVYN Sales International Limited, a subsidiary company.

9 Net interest payable and similar expenses

	2019 £m	2018 £m
Interest payable on loans from fellow group undertakings and related parties	**9.9**	13.3
Interest payable on right of use leases	**0.6**	-
Interest payable on finance leases	**-**	0.2
Net foreign exchange losses and similar expenses	**0.1**	0.1
Unwind of discount on provisions	**-**	0.1
Net interest on net defined benefit liability (Note 23)	**2.5**	3.0
Interest payable and similar expenses	**13.1**	16.7
Interest receivable on loans to fellow group undertakings	**(2.4)**	(2.4)
Unwind of discount on deferred income falling due within one year	**(0.2)**	(0.4)
Interest receivable and similar income	**(2.6)**	(2.8)
Net interest payable and similar expenses	**10.5**	13.9

10 Tax

Recognised in the income statement

	2019 £m	2018 £m
UK corporation tax		
Current tax on income in the year	**(0.4)**	(1.2)
Adjustments in respect of prior periods	**1.3**	1.6
Total current tax	**0.9**	0.4
Deferred tax		
Origination and reversal of temporary differences	**(11.6)**	(6.5)
Impact of rate change	**1.2**	-
Adjustments in respect of prior periods	**19.1**	7.4
Total deferred tax	**8.7**	0.9
Tax credit	**9.6**	1.3

Recognised in other comprehensive income

	2019 £m	2018 £m
Deferred tax:		
Remeasurements of defined benefit liability	**(1.6)**	-

10 Tax (continued)

Reconciliation of effective tax rate

	2019 £m	Restated 2018 £m
Profit before taxation	**62.9**	69.4
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	**12.0**	13.2
Reduction in tax rate on deferred tax balances	**(1.2)**	-
Adjustments in respect of prior periods	**(20.4)**	(9.0)
Non-deductible expenses	-	(1.2)
Deferred tax not recognised	-	(4.3)
Total tax credit	**(9.6)**	(1.3)

There are no unprovided deferred tax assets (2018: £16.1 million). In prior years deferred tax assets were not fully recognised as the Directors did not consider its recoverability to be probable, based on the evidence available, which included the Company's historical financial information.

Factors affecting future tax charges/(credits)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020.

In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020, rather than reducing it to 17% from 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

11 Intangible assets

	Restated Goodwill £m	**Software £m**	**Total £m**
Cost			
Balance at 1 January 2018	133.7	3.3	137.0
Exchange revaluation	(0.4)	-	(0.4)
Balance at 31 December 2018	**133.3**	**3.3**	**136.6**
Exchange revaluation	1.5	-	1.5
At 31 December 2019	**134.8**	**3.3**	**138.1**
Accumulated amortisation			
Balance at 1 January 2018	**76.1**	**3.3**	**79.4**
Exchange revaluation	(0.1)	-	(0.1)
Balance at 31 December 2018	**76.0**	**3.3**	**79.3**
Exchange revaluation	0.4	-	0.4
At 31 December 2019	**76.4**	**3.3**	**79.7**
Net book value			
At 31 December 2019	**58.4**	**-**	**58.4**
At 31 December 2018	57.3	-	57.3

11 Intangible assets (continued)

The entire carrying value of goodwill refers to the PVC product group. The recoverable amount has been determined based on a value-in-use calculation on this single cash generating unit, which uses cash flow projections based on financial budgets approved by the Directors covering a 5 year period. These budgets include key assumptions around the production capacity of the company's assets, the estimated final product selling price and the estimated costs of key raw materials and have been adjusted for specific risk factors that take into account sensitivities of the projection. For this purpose the Company assumes that any increases in raw material costs can be matched with equivalent product prices increases and hence assumes nil growth rates within these key assumptions.

The growth rate would have to fall significantly in order for an impairment to be required. A discount rate of 2.42% per annum (2018: 2.50%), being the Company's current pre-tax weighted average cost of capital adjusted for risk, has been applied to these cash flows, being an estimation of current market risks and the time value of money. The Company has conducted a sensitivity analysis on the impairment test.

There is no reasonably possible changes in key assumptions that would lead to an impairment and the assumptions do not give rise to a key source of estimation uncertainty.

12 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
Balance at 1 January 2018	1.5	375.5	11.3	388.3
Additions	-	-	11.4	11.4
Transfers	-	11.5	(11.5)	-
Balance at 31 December 2018	1.5	387.0	11.2	399.7
Impact of adoption of IFRS 16	1.1	7.4	-	8.5
Additions	-	0.7	19.8	20.5
Transfers	-	7.9	(7.9)	-
At 31 December 2019	**2.6**	**403.0**	**23.1**	**428.7**
Accumulated depreciation				
Balance at 1 January 2018	0.1	277.3	-	277.4
Charge for the year	-	11.5	-	11.5
Balance at 31 December 2018	0.1	288.8	-	288.9
Charge for the year	-	14.0	-	14.0
At 31 December 2019	**0.1**	**302.8**	**-**	**302.9**
Net book value				
At 31 December 2019	**2.5**	**100.2**	**23.1**	**125.8**
At 31 December 2018	1.4	98.2	11.2	110.8

12 Property, plant and equipment (continued)

Included within the above are right of use assets as follows: -

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
Impact of adoption of IFRS 16	1.1	7.4	8.5
Additions	-	0.7	0.7
At 31 December 2019	**1.1**	**8.1**	**9.2**
Accumulated depreciation			
Charge for the year	-	1.8	1.8
At 31 December 2019	**-**	**1.8**	**1.8**
Net book value			
At 31 December 2019	**1.1**	**6.3**	**7.4**

Leased plant and machinery
A finance lease with a net book value of £1.7 million as at 31 December 2018 has been reclassified as a right of use asset on 1 January 2019. This reclassification has had no impact on the carrying value of property, plant and equipment.

Property, plant and equipment under construction
No borrowing costs were capitalised during the year (2018: £nil).

Land and buildings
The entire net book value of land and buildings relates to freehold land.

13 Investments

	£ m
Cost	
Balance at 1 January 2019	5.7
Write off of investment	(0.1)
Balance at 31 December 2019	**5.6**

The directors believe that the carrying value of the investments is supported by their underlying net assets.

13 Investments (continued)

At 31 December 2019, the Company has the following investment in subsidiaries:

Subsidiary undertaking	Country of incorporation	Principal activity	Class of shares held	Ownership 2019	Ownership 2018
INOVYN Chlor Americas Inc *	USA	Purchase and resale of chemicals	Ordinary	100%	100%
INOVYN Sales International Limited *	England	Sales office	Ordinary	100%	100%
INEOS Chlor Quimica SA*#	Spain	Purchase and resale of chemicals	Ordinary	-	100%
INEOS Chlor Atlantik GmbH *	Germany	Manufacture of Chemicals	Ordinary	100%	100%
INEOS Chlor Trustees Limited*	England	Pension Fund Trustee	Ordinary	100%	100%
EVC Pension Trustees Limited*	England	Pension Fund Trustee	Ordinary	100%	100%
INOVYN Energy Limited *	England	Holding Company	Ordinary	100%	100%
INOVYN Services Limited *	England	Packing of chemicals	Ordinary	100%	100%

* Shares held directly by the Company
\# Company was liquidated during the year and as such the investment has been fully written down

Details of the Company's other investments are as follows:

Investment	Country of registration or incorporation	Principal activity	Class/percentage of shares held 2019	Class/percentage of shares held 2018
Associated undertakings:				
INEOS Runcorn (TPS) Holdings Limited	England	Holding Company	Ordinary 60%***	Ordinary 60%***
INEOS Runcorn (TPS) Limited	England	Construction and operation of power station	Ordinary 60%***	Ordinary 60%***
TTE Training Limited	England	Training Company	Limited by guarantee 100%****	Limited by guarantee 50%
Joint operations:				
Runcorn MCP Limited **	England	Cellroom operator	Ordinary 50%	Ordinary 50%

** The joint arrangement in Runcorn MCP Limited is classified as a joint operation and the Company recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

*** INOVYN Energy Limited owns shares entitling it to 60% of the voting rights but only 25% of the economic benefits of INEOS Runcorn (TPS) Holdings Limited. INEOS Runcorn (TPS) Limited is a wholly owned subsidiary of INEOS Runcorn (TPS) Holdings Limited.

**** The shareholding in TTE Training Limited increased to 100% on 31 August 2019 as a result of the partner shareholder resigning its interest.

14 Inventories

	2019 £m	2018 £m
Raw materials and consumables	**25.9**	20.8
Work in progress	**0.1**	0.1
Finished goods and goods for resale	**9.4**	5.5
	35.4	26.4

Raw materials, consumables and changes in work in progress and finished goods recognised as cost of sales in the year amounted to £254.0 million (2018: £296.5 million). The write down of inventories to net realisable value amounted to £nil (2018: £nil). The reversal of write-downs of inventories to net realisable value amounted to £nil (2018: £nil). The write down and reversal are included in cost of sales.

15 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**3.5**	5.5
Amounts owed by subsidiary undertakings	**18.3**	19.8
Amounts owed by Group undertakings	**34.5**	35.4
Amounts owed by related parties	**11.9**	15.2
Other receivables	**7.9**	6.6
Deferred consideration	**1.2**	2.2
Corporation tax – group relief	**4.7**	3.5
Prepayments and accrued income	**1.0**	1.0
Total current receivables	**83.0**	89.2

Amounts owed by group and subsidiary undertakings include loans amounting to £18.2 million (2018: £19.3 million). All loans are unsecured, charged at a competitive interest rate, have no fixed date of repayment and are repayable on demand. Trade receivables are stated after provisions for impairment of £nil (2018: £nil).

	2019 £m	2018 £m
Deferred tax assets (Note 21)	**81.7**	74.6
Deferred consideration	**-**	1.2
Total non-current receivables	**81.7**	75.8

16 Cash at bank and in

	2019 £m	2018 £m
Cash and cash equivalents	**3.4**	4.7

Cash at bank and in hand includes £2.6 million (2018: £2.6 million) in respect of guarantee deposits.

Notes to the financial statements for the year ended 31 December 2019 (continued)

17 Trade and other payables: amounts falling due within one year

	2019 £m	2018 £m
Trade payables	**17.2**	16.8
Amounts owed to Group and subsidiary undertakings	**275.5**	311.7
Amounts owed to related parties	**2.6**	3.3
Other taxation and social security	**2.9**	2.4
Right of use lease liabilities	**2.0**	-
Finance lease liabilities	-	0.3
Other payables	**3.8**	3.3
Accruals and deferred income	**25.4**	30.3
	329.4	368.1

Amounts owed to group and subsidiary undertakings include loans amounting to £265.2 million (2018: £305.4 million). All loans are unsecured, charged at a competitive interest rate, have no fixed date of repayment and are repayable on demand.

18 Trade and other payables: amounts falling due after more than one year

	2019 £m	2018 £m
Loans from group undertakings	**2.1**	-
Loans from related parties	-	5.3
Right of use lease liabilities	**7.3**	-
Finance lease liabilities	-	1.8
Other payables	**3.1**	3.9
	12.5	11.0

Loans due to group undertakings and related parties are unsecured and charged at a competitive interest rate.

19 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £m	2018 £m
Loans from group undertakings – amounts falling due within one year	**265.2**	305.4
Loans from group undertakings – amounts falling due after more than one year	**2.1**	-
Loans from related parties – amounts falling due after more than one year	-	5.3
Loans to subsidiary undertakings	**(18.2)**	(19.3)
Finance lease liabilities – amounts falling due within one year	-	0.3
Finance lease liabilities – amounts falling due after more than one year	-	1.8
Right of use lease liabilities – amounts falling due within one year	**2.0**	-
Right of use lease liabilities – amounts falling due after more than one year	**7.3**	-
	258.5	293.5

None of the above refers to convertible debt (2018: £nil).

19 Interest bearing loans and borrowings (continued)

Right of use lease liabilities
Right of use lease liabilities are payable as follows:

	Minimum lease payments		Interest		Principal	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**£m**	£m
Less than one year	**2.5**	-	**(0.5)**	-	**2.0**	-
Between one and five years	**7.1**	-	**(0.8)**	-	**6.3**	-
More than five years	**1.7**	-	**(0.7)**	-	**1.0**	-
	11.3	-	**(2.0)**	-	**9.3**	-

Finance lease liabilities
Prior to 1 January 2019, finance lease liabilities were payable as follows:

	Minimum lease payments		Interest		Principal	
	2019	2018	**2019**	2018	**2019**	2018
	£m	£m	**£m**	£m	**£m**	£m
Less than one year	-	0.5	-	(0.2)	-	0.3
Between one and five years	-	1.8	-	(0.4)	-	1.4
More than five years	-	0.5	-	(0.1)	-	0.4
	-	2.8	-	(0.7)	-	2.1

20 Accruals and deferred income

	Government grants £m	Contributions to property, plant and equipment £m	Total £m
Amounts included in trade and other payables – amounts falling due within one year	1.6	-	1.6
Deferred income – amounts falling due after more than one year	10.7	3.4	14.1
At 1 January 2019	12.3	3.4	15.7
Additions	-	0.9	0.9
Released to the income statement (Note 4)	(1.6)	(0.4)	(2.0)
At 31 December 2019	**10.7**	**3.9**	**14.6**
Less: amounts included in trade and other payables – *amounts falling due within one year*	**(1.6)**	**-**	**(1.6)**
Deferred income – amounts falling due after more than one year	**9.1**	**3.9**	**13.0**

Government grants were received in relation to construction of a membrane cell room on the Runcorn site.

Contributions to property, plant and equipment reflect monies paid to the company by parties who reside on the company's sites, who directly benefit from investments in the asset. These contributions are amortised in line with the depreciation policy of the underlying asset.

Notes to the financial statements for the year ended 31 December 2019 (continued)

21 Deferred tax assets

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

	Provided		Not provided	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Arising from accelerated capital allowances	**28.4**	28.3	-	-
Short term timing differences	**0.7**	1.7	-	-
Tax losses and other credits available	**42.2**	44.6	-	-
Pensions	**10.4**	-	-	16.1
Total	**81.7**	74.6	-	16.1

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on an assessment of expected future profits modelled against the gross tax losses available.

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

	Arising from accelerated capital allowances £m	**Tax losses and other credits available £m**	**Pensions £m**	**Short-term timing differences £m**	**Total £m**
At 1 January 2019	28.3	44.6	-	1.7	74.6
Movement in the year	0.1	(2.4)	10.4	(1.0)	7.1
At 31 December 2019	**28.4**	**42.2**	**10.4**	**0.7**	**81.7**

22 Provisions for liabilities

	Plant re-engineering/ closure £m
At 1 January 2019	12.2
Charged to the income statement	13.6
Utilised during the year	(9.5)
At 31 December 2019	**16.3**

Plant re-engineering/closure
Following the decision to close the PVC plant and to reconfigure the VCM plant to enable EDC production, a provision of £3.6 million was created in 2013 to cover the costs of dismantling, decommissioning and demolition and costs associated with manpower reductions. The provision also covers payments for onerous utility and energy contracts. Cash of £0.3 million (2018: £nil) was spent in the year, and the remaining provision of £0.1 million is expected to be fully utilised by 2020.

In December 2015, the Company announced the closure of the chloromethanes asset at Runcorn. A provision of £1.3 million remained at the beginning of the year to cover decontamination and decommissioning costs. During the year, following a decision to extend the project to include demolition an additional £4.3 million was recognised. Cash of £3.0 million (2018: £1.7 million) was spent in the year. The remaining provision of £2.6 million is expected to be fully utilised during 2020.

22 Provisions for liabilities (continued)

In December 2016, the Company announced the closure of the J stream (mercury) assets at Runcorn Site. A provision of £14.3 million (discounted) was initially recognised to cover decontamination and decommissioning costs, of which £7.1 million remained at the beginning of the year. During 2019 following the decision to extend the project to include demolition an further provision of £10.5 million was recognised. In the year £5.3 million of cash was spent in the furtherance of the project. The remaining provision of £12.3 million (2018: £7.1 million) is expected to be fully utilised by 2020.

In addition to the provisions for decontamination and decommissioning in respect of the chloromethanes and J stream assets as above an additional provision in respect of manpower reductions was also recognised. At the beginning of the year the provision stood at £3.0 million, of which £0.2 million was utilized and £1.5m was released during 2019. It is expected that the remaining provision will be fully utilised by 2021.

During 2018 a new provision was recognised as a result of the transfer of the production of chlorinated paraffins from Baleycourt, France back to the UK. A provision of £2.0 million, of which £1.6 million has been spent, was recognised in relation to remediation works required at Baleycourt, as a result of this decision. In 2019 a further £0.3 million was recognised in relation to the provision and the full amount has now been settled.

23 Employee benefits

Defined contribution plan
The Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £4.6 million (2018: £3.3 million).

Defined benefit plans
The UK defined benefit pension plans are final salary in nature. The majority of the UK plans are either closed to new entrants or frozen to future accrual. The plans operate under trust law and are managed and administered by Trustees in accordance with the terms of each plan's Trust Deed and Rules and relevant legislation. The contributions paid to the UK plans are set every three years based on a funding agreement between the Company and Trustee after taking actuarial advice.

Movements in net defined benefit liability	**Defined benefit obligation £m**	**Fair value of plan assets £m**	**Net defined benefit liability £m**
Balance at 1 January 2019	**759.1**	**(664.3)**	**94.8**
Included in the income statement			
Current Service Cost	2.3	-	**2.3**
Interest cost/(income)	21.6	(19.1)	**2.5**
Included in the statement of comprehensive income			
Remeasurements gain:			
Actuarial (gain)/loss arising from			
- Changes in demographic assumptions	(7.5)	-	**(7.5)**
- Changes in financial assumptions	101.0	-	**101.0**
- Experience adjustment	(7.4)	-	**(7.4)**
- Return on plan assets	-	(95.5)	**(95.5)**
Other			
Contributions paid by the employer	-	(28.7)	**(28.7)**
Benefits paid	(45.7)	45.7	**-**
Balance at 31 December 2019	**823.4**	**(761.9)**	**61.5**

23 Employee benefits (continued)

Movements in net defined benefit liability

	Defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit liability £m
Balance at 1 January 2018	798.6	(679.5)	119.1
Included in the income statement			
Current Service Cost	1.8	-	1.8
Interest cost/(income)	21.3	(18.3)	3.0
GMP equalisation	2.1	-	2.1
Included in the statement of comprehensive income			
Remeasurements gain:			
Actuarial gain arising from			
- Changes in demographic assumptions	(5.7)	-	(5.7)
- Changes in financial assumptions	(31.6)	-	(31.6)
- Experience adjustment	(0.8)	-	(0.8)
Return on plan assets	-	36.9	36.9
Other			
Contributions paid by the employer	-	(30.0)	(30.0)
Contributions paid by members	0.1	(0.1)	-
Benefits paid	(26.7)	26.7	-
Balance at 31 December 2018	759.1	(664.3)	94.8

Plan assets

	2019 £m	2018 £m
Cash and cash equivalents	**14.8**	18.0
Equity instruments	**174.7**	172.0
Bonds	**442.1**	151.7
Property	**10.6**	6.7
Other	**119.7**	315.9
Total	**761.9**	664.3

All equity securities and government bonds have quoted priced 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.

Notes to the financial statements for the year ended 31 December 2019 (continued)

23 Employee benefits (continued)

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

	2019	2018
Discount rate at 31 December	**2.1%**	2.9%
Future salary increases	**N/A**	N/A
Rate of price inflation (RPI)	**2.9%**	3.2%
Rate of pension increases	**2.8%**	3.0%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet 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:

- Current pensioner aged 65: male 21.5 years (2018: 21.7 years), female 23.8 years (2018: 24.0 years)
- Future retiree upon reaching 65 (member currently aged 50): male 22.7 years (2018: 22.9 years), female 25.2 years (2018: 25.4 years)

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 period would have increased / (decreased) as a result of a change in the respective assumptions.

	2019	2018
Discount rate	**2.1%**	2.9%
Discount rate – 100 basis points	**25.60%**	22.62%
Underlying inflation rate	**2.9%**	3.2%
Underlying inflation rate – 50 basis points	**8.37%**	7.60%
Mortality		
One year increase in life	**4.35%**	4.21%

The above sensitivities are based on the average duration of the defined benefit obligation determined at the date of the last full actuarial valuation at 5 April 2019 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.

The Company expects to pay £19.1 million in contributions to its defined benefit plans in 2020.

24 Share capital

Share capital

At 31 December 2018 and at 31 December 2019	Authorised and issued Number	£
Equity capital		
Ordinary shares of £1 each	15	15
Non-Voting shares of £1 each	1,000	1,000
Non-equity capital		
Non-Convertible Deferred shares of £1 each	2,215	2,215
Convertible, Non-Participating shares of £1 each	85	85
Shares classified as shareholder's funds	**3,315**	**3,315**

The Non-Voting shares, the Non-Convertible Deferred shares and the Convertible, Non-Participating shares carry no voting or dividend rights.

No dividends were recognised in the year (2018: £nil).

25 Commitments

Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2019 amounted to approximately £26.9 million (2018: £0.9 million).

Unconditional purchase obligations and contingent liabilities

The net present values of significant take or pay contracts that have been entered into are as follows:

	2019 £m	2018 £m
Paraffin purchase contracts	**14.6**	17.7
Energy purchase commitments	**171.4**	166.8
Long term storage contract for VCM	**0.4**	0.6
EDC tolling agreement	**10.8**	7.2
Ethylene purchase commitments	**40.2**	39.1
Initiator purchase commitments	**0.4**	3.5
Site services agreement	**0.6**	-
	238.4	234.9

Notes to the financial statements for the year ended 31 December 2019 (continued)

26 Related party transactions

During 2018 and 2019 the Company's controlling party was INEOS Limited. Related parties therefore comprise all entities controlled by the shareholders of INEOS Limited inclusive of associated undertakings and jointly controlled entities; those companies included within the consolidated financial statements of INOVYN Limited, of which the Company is one have been excluded from disclosure.

Mr J A Ratcliffe, Mr A C Currie and Mr J Reece are the shareholders of INEOS Limited.

Material transactions with related parties during this year were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December
INEOS Technologies Limited	Services £2.1m (2018: £1.9m)	Services £3.9m (2018: £4.1m)	2019: £0.4m/(£0.5m) (2018: £0.4m/(£0.4m))
INEOS Technologies Vinyls Limited	Services £0.5m (2018: £0.6m)	-	2019: £0.1m (2018: £0.1m)
INEOS Europe AG	Services £1.3m (2018: £1.4m)	Industrial chemicals £1.9m (2018: £2.0m)	2019: £0.1m/(£0.4m) (2018: £0.1m/(£0.4m))
INEOS Upstream Limited	Services £nil (2018: £0.5m)	-	2019: £nil (2018: £nil)
INEOS Upstream Services Limited	Services £0.1m (2018: £0.1m)	-	2019: £nil (2018:£nil)
INEOS Commercial Services UK Limited	Industrial chemicals £2.2m (2018:£0.6m)	Industrial chemicals £17.9m (2018: £20.9m)	2019: (£1.5m) (2018: (£1.4m))
INEOS Sales UK Limited	-	Services £0.3m (2018: £0.3m)	2019: £nil (2018: £0.1m)
INEOS Infrastructure (Grangemouth) Limited	-	Industrial chemicals £nil (2018: £4.0m)	2019: £nil (2018: £nil)
INEOS Racing Limited	Services £4.1m (2018: £nil)	-	2019: £0.3m (2018: £nil)
INEOS Holdings Limited	Services £15.1m (2018: £11.8m)	Accommodation fees £0.3m (2018: £0.2m)	2019: £1.1m (2018: £1.3m)
INEOS Vinyls Holdings Limited	-	-	2019: £nil (2018: £0.3m)
INEOS Compounds UK Limited	Services £0.9m (2018: £1.2m)	-	2019: £0.2m (2018: £0.2m)
INEOS Compounds Aycliffe Limited	Industrial Chemicals £2.3m (2018: £2.4m)	Industrial Chemicals £0.6m (2018: £0.6m)	2019: £0.5m/(£0.1m) (2018: £0.7m/(£0.1m))
INEOS Vinyls Belgium NV	-	Industrial chemicals 0.3m (2018: £0.1m)	2019: (£0.1m) (2018: £0.1m)
INEOS USA LLC	-	Services £0.8m (2018: £0.5m)	2019: £nil (2018: £nil)
INEOS Enterprises Holdings Limited	Services £0.3m (2018: £nil)	-	2019: £nil (2018: £nil)

26 Related party transactions (continued)

Material transactions with related parties during this year were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December
INEOS Upstream Holdings Limited	Services £nil (2018: £1.4m)	-	2019: £nil (2018: £nil)
INEOS NV	-	Industrial Chemicals £nil (2018: £0.1m)	2019: £nil (2018: £nil)
INEOS Manufacturing Hull Limited	Industrial chemicals £0.4m (2018: £0.4m)	-	2019: £0.1m (2018: £nil)
INEOS Derivatives France Limited	Industrial chemicals £0.9m (2018: £0.9m)	-	2019: £nil (2018: £nil)
INEOS Industries Property Limited	Services £0.3m (2018: £nil)	Services £nil (2018:£0.1m)	2019: £nil (2018: £nil)
INEOS Aviation Limited	Services £5.1m (2018: £4.7m)	-	2019: £0.5m (2018: £0.4m)
INEOS FPS Limited	Services £0.7m (2018: £0.6m)	-	2019: £nil (2018: £nil)
INEOS Limited	Services £6.3m (2018: £0.5m)	-	2019: £0.9m (2018: £nil)
INOVYN Deutschland GmbH	Industrial chemicals £nil (2018:£0.1m)	-	2019: £nil (2018: £nil)
INEOS UK E&P Holdings Limited	Services £5.3m (2018: £2.0m)	-	2019: £0.2m (2018: £0.2m)
INOVYN Trade Services SA	-	Industrial Chemicals £nil (2018: £nil)	2019: £nil (2018: £nil)
INEOS Automotive Limited	Services £0.2m (2018: £0.1m)	-	2019: £0.1m (2018: £nil)
INEOS E&P A/S	Services £0.5m (2018: £0.3m)	-	2019: £nil (2018: £nil)

On 1st March 2019 INEOS Enterprises Group Limited was transferred and as a result became a Group undertaking. The disclosure below only includes transactions prior to this date. Material transactions with this party during the year, prior to 1st March 2019, were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December 2018
INEOS Enterprises Group Limited	-	Industrial Chemicals £nil (2018: £0.2m)	£2.6m/(£0.8m)

26 Related party transactions (continued)

The shareholders of INEOS Limited own a controlling interest in the share capital of Screencondor Limited.

Material transactions with these parties during the year were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December
Screencondor Limited	-	-	2019: £1.1m (2018: £1.1m)

The Company owns a 60% interest in the share capital of INEOS Runcorn (TPS) Holdings Limited, and is classified as an associated undertaking, and a 50% interest in Runcorn MCP Limited, which is classified as a joint operation.

Material transactions with related parties during the year were as follows:

Related party	Sales	Purchases	Balance owed to/(by) the Company at 31 December
INEOS Runcorn (TPS) Limited	Utilities and services £7.4m (2018: £7.2m)	Utilities £9.4m (2018: £12.2m)	2019: £5.2m (2018: £5.3m)
Runcorn MCP Limited	Management services and utility supply £38.5m (2018: £45.4m)	Toll manufacturing fees £23.4m (2018: £28.5m)	2019: £1.1m (2018: £2.5m)

27 Ultimate parent company and ultimate controlling party

The ultimate parent company is INEOS Limited, a company incorporated in the Isle of Man. The Directors continue to regard Mr J A Ratcliffe as the ultimate controlling party by virtue of his majority shareholding in INEOS Limited.

The smallest and largest group that consolidates the Company's financial statements is INOVYN Limited. The consolidated financial statements of INOVYN Limited are available to the public and may be obtained from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE, United Kingdom.

The registered address of INOVYN Limited is Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE, United Kingdom.

28 Accounting estimates and judgements

The Company prepares its financial statements in accordance with the FRS101, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

Critical judgements in applying the Group's accounting policies
The directors do not consider there to be any critical judgements, apart from those involving estimations, which are presented separately below.

28 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pension assumptions
The Company is party to two defined benefit pension plans. The plans are now closed to new entrants and frozen to future accrual. Under IAS 19 Revised Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each defined benefit scheme. The costs and year end obligations under the defined benefit scheme are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Inflation rate projections;
- Discount rate for scheme liabilities.

Details of pension assumptions are described in detail in note 23 to the financial statements.

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

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

29 Post balance sheet events

United Kingdom withdrawal from the European Union ("Brexit")
The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has made significant plans to limit the impact of Brexit on its activities.

COVID-19 coronavirus
The Company is closely monitoring the evolution of the COVID-19 coronavirus and is following World Health Organisation travel advice. With regards to business impact, the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on business performance.