

INOVYN Enterprises Limited
Annual Report and financial statements
for the year ended 31 December 2018

Registered Number 04651437



INOVYN Enterprises Limited
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for the year ended 31 December 2018
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INOVYN Enterprises Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report of INOVYN Enterprises Limited (the “Company”) for the year ended 31 December 2018.

Review of the business

The Company mines and supplies Brine derived from salt caverns in Holford, United Kingdom. Revenue for the year has increased by £4.2 million; from £31.4 million in 2017 to £35.6 million in 2018. This has been driven predominately by an increase in prices across the two periods, which has reflected an increase in the costs incurred by the Company.

Management of business performance is mainly measured by reference to earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA) and is considered the most appropriate proxy for underlying business performance. EBITDA for 2018 is £11.5 million, a decrease of £1.0m from £12.5 million in 2017, which was inclusive of £1.0m profit on the disposal of fixed assets. EBITDA excluding said profit has hence remained consistent.

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.
- Inability to maximise utilisation of assets – the Company may be adversely affected if it is unable to implement the strategy to maximise utilisation of assets. The Company participates in a number of cross group teams that strive to share best practice to ensure plants are fully optimised. Teams are also in place to react quickly and effectively when any issues do arise.
- 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.

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, in comparison to budget:

- EBITDA – earnings before interest, tax, depreciation and amortisation, and exceptional items. A review of EBITDA compared to the prior year is noted above.
- Working capital ratios – these include debtor days – indicating the average length of time it takes to receive cash from a sale; and creditor days – indicating the average length of time it takes to pay cash for a purchase. These ratios can be calculated by reference to the financial statements.
- Manufacturing performance and safety.

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.

On behalf of the Board



M J Maher

Director

10 June 2019

INOVYN Enterprises Limited

Directors' report for the year ended 31 December 2018

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Results for the year

The results of the Company are set out in the income statement on page 7, which shows a profit before taxation of £7.5 million (2017: £8.5 million).

Dividends

No interim or final dividends were paid in the current or preceding year.

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. Additionally, the Company will remain focused on controlling fixed costs, capital expenditure and working capital.

Donations

The Company made no political contributions (2017: £nil).

Financial risk management

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. Foreign exchange risk is minimal with few non-sterling transactions being entered into, minor risk arises from balances with other group companies or normal trading balances. 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 manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties.

Directors

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

M J Maher
A Moorcroft
J D Taylorson
C E Tane
Hiong LT (resigned 20 June 2018)
F Rourke (appointed 20 June 2018)

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.

INOVYN Enterprises Limited

Directors' report for the year ended 31 December 2018 (continued)

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 the 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. SHE targets also feature in the Company's discretionary Business Bonus Scheme.

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.

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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

INOVYN Enterprises Limited

Directors' report for the year ended 31 December 2018 (continued)

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.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. As a consequence of the Company having passed a written shareholder resolution, there is no requirement to reappoint PricewaterhouseCoopers LLP as auditors of the Company on an annual basis.

Registered address

INOVYN Enterprises Limited
Runcorn Site HQ
South Parade
Runcorn
Cheshire
WA7 4JE
United Kingdom

On behalf of the Board



M J Maher
Director
10 June 2019

INOVYN Enterprises Limited

Independent auditors' report to the members of INOVYN Enterprises Limited

Report on the audit of the financial statements

Opinion

In our opinion, INOVYN Enterprises Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement and the statement of comprehensive income and the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

INOVYN Enterprises Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

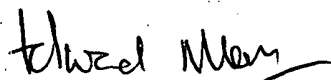
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
10 June 2019

INOVYN Enterprises Limited

Income statement for the year ended 31 December 2018

	Note	2018 £m	2017 £m
Revenue	1	35.6	31.4
Cost of sales		(26.3)	(21.8)
Gross profit		9.3	9.6
Distribution costs		(0.6)	(0.7)
Administrative expenses		(0.9)	(0.7)
Exceptional items	3	(0.1)	(0.3)
Total administrative expenses		(1.0)	(1.0)
Operating profit	2	7.7	7.9
Profit on disposal of fixed assets	4	-	1.0
Interest receivable and similar income	7	0.1	0.2
Interest payable and similar expenses	8	(0.3)	(0.6)
Profit before taxation		7.5	8.5
Tax on profit	9	0.4	(1.6)
Profit for the financial year		7.9	6.9

Statement of comprehensive income for the year ended 31 December 2018

	2018 £m	2017 £m
Profit for the financial year	7.9	6.9
Other comprehensive income/(expense):		
Actuarial gain recognised in the pension scheme (Note 16)	0.3	6.1
Movement in deferred tax relating to pension liability (Note 9)	(0.1)	(1.1)
Total comprehensive income for the financial year	8.1	11.9

INOVYN Enterprises Limited

Balance sheet as at 31 December 2018

	Note	2018 £m	2017 £m
Fixed assets			
Property, plant and equipment	10	38.4	34.1
		38.4	34.1
Current assets			
Inventories	11	0.9	1.0
Debtors – amounts falling due within one year	12	4.6	4.3
Debtors – amounts falling due after more than one year	12	3.4	3.5
Cash deposits held with Group undertakings	14	49.5	91.0
Cash at bank and in hand		-	-
		58.4	99.8
Creditors – amounts falling due within one year	13	(14.2)	(58.1)
Net current assets		44.2	41.7
Total assets less current liabilities		82.6	75.8
Employee benefits	16	(5.6)	(6.9)
Net assets		77.0	68.9
Capital and reserves			
Called up share capital	17	-	-
Other reserves		30.0	30.0
Retained earnings		47.0	38.9
Total equity		77.0	68.9

The notes on pages 16 to 27 form part of the financial statements. The financial statements on pages 7 to 27 were approved by the Board of Directors on 10 June 2019 and are signed on its behalf by:



M J Maher
Director

INOVYN Enterprises Limited
Registered no. 04651437

INOVYN Enterprises Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	-	30.0	27.0	57.0
Profit for the financial year	-	-	6.9	6.9
Other comprehensive income/(expense):				
Actuarial gain recognised in the pension scheme (Note 16)	-	-	6.1	6.1
Movement in deferred tax relating to pension liability (Note 9)	-	-	(1.1)	(1.1)
Total comprehensive income for the year	-	-	11.9	11.9
Balance at 31 December 2017	-	30.0	38.9	68.9
Profit for the financial year	-	-	7.9	7.9
Other comprehensive income/(expense):				
Actuarial gain recognised in the pension scheme (Note 16)	-	-	0.3	0.3
Movement in deferred tax relating to pension liability (Note 9)	-	-	(0.1)	(0.1)
Total comprehensive income for the year	-	-	8.1	8.1
Balance at 31 December 2018	-	30.0	47.0	77.0

INOVYN Enterprises Limited

Accounting policies

INOVYN Enterprises Limited (the “Company”) is a private limited company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101, on a going concern basis and under the historical cost accounting rules.

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.

INOVYN Limited, a parent undertaking, 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 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;
- 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.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

Measurement convention

The financial statements are prepared on the historical cost and going concern basis.

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.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors 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 creditors

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

INOVYN Enterprises Limited

Accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are 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 tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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

Buildings	-	30 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.

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.

INOVYN Enterprises Limited

Accounting policies (continued)

Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment; 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 stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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.

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 profit and loss account in the periods during which services are rendered by employees.

INOVYN Enterprises Limited

Accounting policies (continued)

Employee benefits (continued)

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

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

The Company is party to the INEOS Chlor Pension Fund defined benefit scheme. This is a multi-employer pension scheme 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 2018 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 2016 (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 2016.
- The split of the assets was based on the liability split at 31 December 2018.
- The expected 2019 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 2018 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 2018. 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.

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Accounting policies (continued)

Employee benefits (continued)

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 probable 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.

Provisions

A provision is recognised in the balance sheet when the Company has a present, legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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.

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. Revenue is recognised on completion of the service provided.

Expenses

Operating lease payments

Payments (excluding costs for services and insurance) 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.

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.

INOVYN Enterprises Limited

Accounting policies (continued)

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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Exceptional items

The separate presentation of the Company's results 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 pension scheme changes, organisational restructuring, environmental provisions and professional fees associated with proposed strategic options. 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.

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.

INOVYN Enterprises Limited

Notes to the financial statements

1 Revenue

The Company's activities consist of the UK manufacture and sale of brine and water. These activities are considered to represent a single business segment. In both 2017 and 2018 the Company's entire revenue originated from and was destined for the United Kingdom.

2 Operating profit

Operating profit is stated after charging:

	2018 £'000	2017 £'000
Audit Fees	19	19
Depreciation	3,700	3,700
Rentals payable under operating leases:		
Plant and machinery	66	77

3 Exceptional Items

The defined benefit pension schemes of the UK based employees have been under review since 2010, as part of this project employees exiting from these schemes and into a defined contribution scheme have received transition payments. During 2017, a decision was made to close the UK defined benefit schemes with all remaining employees exiting into a defined contribution scheme. Exceptional items of £0.1 million (2017: £0.3 million) were recognised in the year in respect of these final pension transition payments.

4 Profit on disposal of fixed assets

In May 2017 the Company sold land at Common Lane amounting to 1.5 acres, held on the fixed asset register at £nil, for £1.3 million, costs incurred in making the sale were £0.3m.

5 Directors' remuneration

	2018 £m	2017 £m
Directors' emoluments	0.1	0.1
	0.1	0.1

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	-	5

INOVYN Enterprises Limited

Notes to the financial statements (continued)

6 Staff numbers and costs

The average monthly number of people employed by the Company (including directors) during the year was as follows:

Analysis by function	2018 Number	2017 Number
Production	65	62
Administration	5	5
	70	67

The aggregate payroll costs of these people were as follows:

	2018 £m	2017 £m
Wages and salaries	3.9	3.4
Social security costs	0.4	0.3
Defined benefit pension costs (Note 16)	0.1	0.3
Defined contribution pension costs (Note 16)	0.4	0.2
	4.8	4.2

7 Interest receivable and similar income

	2018 £m	2017 £m
Interest received from group undertakings	0.1	0.2
	0.1	0.2

8 Interest payable and similar expenses

	2018 £m	2017 £m
Interest payable to group undertakings	0.1	0.3
Net interest on net defined benefit pension plan liability (Note 16)	0.2	0.3
	0.3	0.6

INOVYN Enterprises Limited

Notes to the financial statements (continued)

9 Tax on profit

Recognised in the income statement

	2018 £m	2017 £m
UK corporation tax		
Current tax on income in the year	(0.3)	0.1
Adjustments in respect of prior periods	(0.1)	(1.8)
Total current tax credit	(0.4)	(1.7)
Deferred tax		
Origination and reversal of temporary differences	1.7	1.5
Reduction in tax rate	-	(0.2)
Adjustments in respect of prior periods	(1.7)	2.0
Total deferred tax charge	-	3.3
Tax on profit	(0.4)	1.6

Income tax recognised in other comprehensive income

	2018 £m	2017 £m
Remeasurements of defined benefit liability	(0.1)	(1.1)

Reconciliation of effective tax rate

	2018 £m	2017 £m
Profit before taxation	7.5	8.5
Profit multiplied by the standard rate of UK corporation tax of 19% (2017: 19.25%)	1.4	1.6
Non-deductible expenses	-	-
Reduction in tax rate	-	(0.2)
Adjustments in respect of prior periods	(1.8)	0.2
Total tax (credit)/charge	(0.4)	1.6

Factors which may affect future tax charges

The UK Corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017.

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

INOVYN Enterprises Limited

Notes to the financial statements (continued)

10 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets under construction £m	Total £m
Cost				
At 1 January 2017	0.2	65.5	2.0	67.7
Additions	-	-	5.4	5.4
Transfers between asset classes	0.9	2.1	(3.0)	-
At 31 December 2017	1.1	67.6	4.4	73.1
Additions	-	-	8.0	8.0
Transfers between asset classes	-	5.9	(5.9)	-
At 31 December 2018	1.1	73.5	6.5	81.1
Accumulated depreciation				
At 1 January 2017	0.1	35.2	-	35.3
Charge for the year	-	3.7	-	3.7
At 31 December 2017	0.1	38.9	-	39.0
Charge for the year	-	3.7	-	3.7
At 31 December 2018	0.1	42.6	-	42.7
Net book value				
At 31 December 2018	1.0	30.9	6.5	38.4
At 31 December 2017	1.0	28.7	4.4	34.1

Leased plant and machinery

At 31 December 2018 the net carrying amount of leased plant and equipment was £nil (2017:£nil).

Property, plant and equipment under construction

No borrowing costs were capitalised during the year (2017: £nil).

Land and buildings

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

INOVYN Enterprises Limited

Notes to the financial statements (continued)

11 Inventories

	2018 £m	2017 £m
Raw materials and consumables	0.4	0.4
Work in progress	0.5	0.6
	0.9	1.0

Raw materials and consumables and work in progress recognised as cost of sales in the year amounted to £26.3 million (2017: £21.8 million). The write-down of inventories to net realisable value amounted to £nil (2017: £nil). The reversal of write-downs of inventories to net realisable value amounted to £nil (2017: £nil), as net realisable value is higher than cost. The write-down and reversal are included in cost of sales.

12 Debtors

	2018 £m	2017 £m
Trade debtors	2.0	2.1
Amounts owed by fellow group undertakings	0.2	0.1
Amounts owed by related parties	1.7	1.4
Prepayments and accrued income	0.6	0.7
Other debtors	0.1	-
Debtors – amounts falling due within one year	4.6	4.3
Deferred taxation (Note 15)	3.4	3.5
Debtors – amounts falling due in more than one year	3.4	3.5

Amounts owed by related parties refer to normal trading activity therefore incur no interest and are repayable on agreed terms. Trade debtors are stated after provisions for impairment of £nil (2017: £nil).

INOVYN Enterprises Limited

Notes to the financial statements (continued)

13 Creditors – amounts falling due within one year

	2018 £m	2017 £m
Trade creditors	4.1	2.5
Amounts owed to fellow group undertakings	1.0	0.5
Amounts owed to related parties	-	38.0
Corporation tax	4.5	4.9
Other taxation and social security	0.9	1.0
Other creditors	2.0	9.2
Accruals and deferred income	1.7	2.0
	14.2	58.1

Amounts owed to fellow group undertakings and to related parties refer to normal trading activity therefore incur no interest and are repayable on agreed terms.

14 Cash deposits held with group undertakings

	2018 £m	2017 £m
Cash deposits held with Group undertakings	49.5	91.0
	49.5	91.0

The Company participates in a cash-pooling arrangement with certain other fellow group undertakings, in which any surplus funds are remitted to and held by a fellow banking group company. The amounts held with group undertakings are available to be repaid to the Company on demand, and attract interest at the rate of LIBOR minus 0.5%.

INOVYN Enterprises Limited

Notes to the financial statements (continued)

15 Deferred taxation

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

	2018	Provided
	£m	2017
		£m
Arising from accelerated capital allowances	2.5	2.3
Pensions	0.9	1.2
	3.4	3.5

Deferred taxation arising from accelerated capital allowances is included within debtors falling due after more than one year (Note 12).

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

	Arising from		
	accelerated		
	capital		
	allowances	Pensions	Total
	£m	£m	£m
At 1 January 2018	2.3	1.2	3.5
Income/(expense) in the income statement	0.2	(0.2)	-
Expense in equity	-	(0.1)	(0.1)
At 31 December 2018	2.5	0.9	3.4

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. There are no unprovided deferred tax balances (2017: £nil).

INOVYN Enterprises Limited

Notes to the financial statements (continued)

16 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 £0.4 million (2017: £0.2 million). Contributions amounting to £nil (2017: £nil) were outstanding at the year end.

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 2018	39.0	(32.1)	6.9
Included in the income statement			
Current Service Cost	0.1	-	0.1
Interest cost/(income)	1.1	(0.9)	0.2
Included in OCI			
Remeasurements (gain)/loss:			
Actuarial (gain)/loss arising from			
- Changes in financial assumptions	(1.7)	-	(1.7)
- Changes in demographic assumptions	(0.3)	-	(0.3)
- Experience adjustment	0.1	-	0.1
Return on plan assets excluding interest income	-	1.6	1.6
Other			
Contributions paid by the employer	-	(1.3)	(1.3)
Benefits paid	(0.8)	0.8	-
Balance at 31 December 2018	37.5	(31.9)	5.6

INOVYN Enterprises Limited

Notes to the financial statements (continued)

16 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 2017	38.3	(24.5)	13.8
Included in the income statement			
Current Service Cost	0.3	-	0.3
Interest cost/(income)	1.0	(0.7)	0.3
Included in OCI			
Remeasurements (gain)/loss:			
Actuarial (gain)/loss arising from			
- Changes in financial assumptions	(1.2)	-	(1.2)
- Changes in demographic assumptions	(1.5)	-	(1.5)
- Experience adjustment	2.7	-	2.7
Return on plan assets excluding interest income	-	(6.1)	(6.1)
Other			
Contributions paid by the employer	-	(1.4)	(1.4)
Benefits paid	(0.6)	0.6	-
Balance at 31 December 2017	39.0	(32.1)	6.9

Plan assets	2018 £m	2017 £m
Cash and cash equivalents	0.8	0.6
Equities	8.9	13.5
Bonds	2.5	1.8
Property	0.3	0.3
Other	19.4	15.9
	31.9	32.1

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

INOVYN Enterprises Limited

Notes to the financial statements (continued)

16 Employee benefits (continued)

Actuarial assumptions

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

	2018	2017
Discount rate at 31 December	2.9%	2.7%
Future salary increases	N/A	3.3%
Rate of price inflation (RPI)	3.2%	3.2%
Rate of pension increases	3.0%	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 and male: 21.8 years (2017: 21.8 years)
- Future retiree upon reaching 65 (male member currently aged 50): 22.9 years (2017: 23.0 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.

	2018	2017
Discount rate	2.9%	2.7%
Discount rate – 100 basis points	24.43%	24.29%
Underlying inflation rate	3.2%	3.2%
Underlying inflation rate – 50 basis points	8.48%	8.44%
Mortality		
One year increase in life	3.62%	3.59%

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 2016 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 £0.7 million in contributions to its defined benefit plans in 2019.

INOVYN Enterprises Limited

Notes to the financial statements (continued)

17 Called up share capital

Share capital – authorised and issued	2018 Number	2018 £	2017 Number	2017 £
Ordinary shares of £1 each	100	100	100	100

No dividends were recognised in the year (2017: £nil).

18 Commitments

Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2018 amounted to approximately £4.4 million (2017: £2.2 million).

19 Contingencies

Other guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

20 Related party transactions

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

INEOS Limited is the ultimate parent company of INEOS Enterprises Group Limited, Keuper Gas Storage Limited and INEOS Compounds Limited, accordingly sales, expenses, cost recoveries and balances with these entities for the full years 2018 and 2017 are disclosed below.

	2018 Sales/cost recoveries to £m	2018 Expenses/cost recoveries from £m	2017 Sales/cost recoveries to £m	2017 Expenses/cost recoveries from £m
INEOS Enterprises Group Limited	8.3	-	6.5	38.0
Keuper Gas Storage Limited	-	-	0.1	-
	8.3	-	6.6	38.0

	Payables outstanding 2018 £m	Payables outstanding 2017 £m	Receivables outstanding 2018 £m	Receivables outstanding 2017 £m
INEOS Enterprises Group Limited	-	38.0	1.7	1.4
	-	38.0	1.7	1.4

INOVYN Enterprises Limited

Notes to the financial statements (continued)

21 Controlling Parties

The ultimate parent undertaking of the Company is INEOS Limited, a company incorporated in the Isle of Man. The Directors 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.

22 Accounting estimates and judgements

Taxation

All the company's operations are in the UK. Management is required to estimate the tax payable and this involves estimating the actual current tax charge or credit together with assessing temporary difference resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the balance sheet of the company. Management have performed an assessment as to the extent to which future taxable profits will allow the deferred tax asset to be recovered. The calculation of the company's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be fully determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Details of amounts recognised with regard to taxation are disclosed in note 9 to the financial statements.

Pension assumptions

The Company is party to a defined benefit pension plan. The plan is 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 16 to the financial statements.

Useful economic lives of tangible fixed assets

The annual depreciation charge of tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying value of the tangible fixed assets and the accounting policies for the useful economic lives for each class of asset.

Impairment of debtors

The Company make an estimate of the recoverable value of trade and other debtors. When assessing potential impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

23 Post balance sheet event

In the first quarter of 2019, the Company paid a dividend of £40.0m to Inovyn Finance Plc.