

**INEOS Manufacturing (Hull) Limited**  
**Annual report and Financial Statements**  
**for the year ended 31 December 2013**

**Registered Number 6480046**

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INEOS Manufacturing (Hull) Limited  
Annual report and financial statements  
for the year ended 31 December 2013  
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# INEOS Manufacturing (Hull) Limited

## Strategic report for the year ended 31 December 2013

The Directors present their strategic report of INEOS Manufacturing (Hull) Limited (the "Company") for the year ended 31 December 2013.

### Review of the business and principal activities

The Company is a toll manufacturer of chemicals for other INEOS group companies and operated two manufacturing assets during 2013:

- VAM – The Manufacture and supply of Vinyl Acetate Monomer (VAM) at its site in Hull
- ETAC – The Manufacture and supply of Ethyl Acetate (ETAC) at its site in Hull

Turnover represents fixed toll manufacture fees earned from other group companies. Turnover for the year was £39,313,000 (2012: £42,887,000) and the loss on ordinary activities before taxation was £41,837,000 (2012: £1,328,000 profit). The decline of turnover is the result of the closure of the VAM plant as discussed below.

Operating profit was £1,676,000 (2012: £2,702,000) representing a decrease of £1,026,000. Operating profit in 2012 included a one off curtailment gain on the defined benefit pension scheme of £441,000 included as an exceptional cost of sale. The company discontinued its VAM business at the end of Q3 2013 which has also contributed to the decline in operating profit.

Management of the business performance is mainly measured by reference to earnings before interest, other finance costs, tax, depreciation, amortisation, profits on sale of fixed assets and exceptional items (EBITDA). EBITDA has remained at a stable level, EBITDA for 2013 was £4,570,000 as opposed to £4,535,000 during 2012 as costs have been reduced to offset the decline in turnover following the plant closure.

### Key exceptional items

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

An exceptional cost of £42,593,000 has been recognised in 2013 relating to the closure and a balance sheet provision of £39,619,000 has been recognised as at 31 December 2013 to cover obligations arising from the closure and committed costs. The prior year exceptional credit related to the exit of employees from the UK defined benefit scheme.

### Principal risks and uncertainties

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

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

### Financial risk management

The Company's operations expose it primarily to commodity price risk, foreign exchange and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company where appropriate. Interest rate exposures are not material to the Company as the Company has no outstanding external loan balances. Foreign exchange losses arise from balances with other group companies or normal trading balances.

# INEOS Manufacturing (Hull) Limited

## Strategic report for the year ended 31 December 2013 (continued)

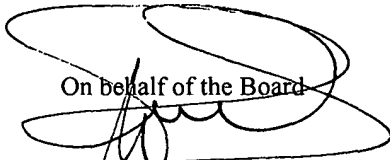
### Key performance indicators ("KPIs")

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

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

### Strategic future developments

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

On behalf of the Board  
  
PKV Huyck  
Director

27 November 2014

# INEOS Manufacturing (Hull) Limited

## Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

### Review of the business

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

### Dividends

The directors do not recommend the payment of a dividend (2012: £nil), and the loss for the financial year will be deducted from reserves.

### Future developments

Refer to the strategic report on page 2.

### Financial risk management

Refer to the strategic report on page 1.

### Going concern

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

### Directors

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

G Leask

MJ Maher (resigned 14 October 2013)

TP Crotty (resigned 14 October 2013)

A White (resigned 14 October 2013)

JF Ginns (appointed 14 October 2013)

PKV Huyck (appointed 14 October 2013)

C Vercauteren (appointed 14 October 2013)

### Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

# INEOS Manufacturing (Hull) Limited

## Directors' report for the year ended 31 December 2013 (continued)

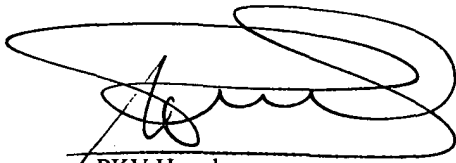
### Disclosure of information to auditors

The directors confirm that as far as they are aware, there is no relevant audit information of which the company's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

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

On behalf of the board

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a series of loops and a final flourish.

PKV Huyck  
Director

27 November 2014

# INEOS Manufacturing (Hull) Limited

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

### Report on the financial statements

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by INEOS Manufacturing (Hull) Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the reconciliation of movements in shareholders' deficit for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

# INEOS Manufacturing (Hull) Limited

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

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Paul Christian (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Liverpool

27 November 2014



# INEOS Manufacturing (Hull) Limited

## Profit and loss account for the year ended 31 December 2013

		Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Note	2013 £'000	2013 £'000	2013 £'000	2012 £'000	2012 £'000	2012 £'000
<b>Turnover</b>	2	19,213	20,100	39,313	17,574	25,313	42,887
Cost of sales before exceptional items		(18,331)	(19,358)	(37,689)	(16,221)	(24,480)	(40,701)
Exceptional cost of sales	3	-	-	-	221	220	441
Total cost of sales		(18,331)	(19,358)	(37,689)	(16,000)	(24,260)	(40,260)
Gross profit		882	742	1,624	1,574	1,053	2,627
Administrative (expenses)/income		(16)	68	52	(16)	91	75
<b>Operating profit</b>	1	866	810	1,676	1,558	1,144	2,702
Exceptional closure expenses	3	-	(42,593)	(42,593)	-	-	-
Loss on disposal of tangible fixed assets				(33)			-
Interest receivable and similar income	6			340			652
Interest payable and similar charges	7			(1,191)			(1,976)
Other finance costs	17			(36)			(50)
<b>(Loss)/profit on ordinary activities before taxation</b>				(41,837)			1,328
Tax on (loss)/profit on ordinary activities	8			8,008			(506)
<b>(Loss)/profit for the financial year</b>	16			(33,829)			822

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

## INEOS Manufacturing (Hull) Limited

### Statement of total recognised gains and losses for the year ended 31 December 2013

	2013 £'000	2012 £'000
(Loss)/profit for the financial year	(33,829)	822
Actuarial loss recognised in the pension scheme (note 17)	(147)	(1,964)
Movement in deferred tax relating to pension liability (note 8)	29	452
Total recognised losses for the financial year	(33,947)	(690)

### Reconciliation of movements in shareholders' deficit for the year ended 31 December 2013

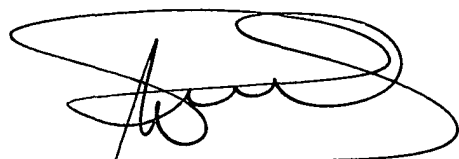
	2013 £'000	2012 £'000
(Loss)/profit for the financial year	(33,829)	822
Actuarial loss recognised in the pension scheme (note 17)	(147)	(1,964)
Movement in deferred tax relating to pension liability (note 8)	29	452
Net (increase) in shareholders' deficit	(33,947)	(690)
Opening shareholders' deficit	(994)	(304)
Closing shareholders' deficit	(34,941)	(994)

# INEOS Manufacturing (Hull) Limited

## Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Positive goodwill	9	143	159
Negative goodwill	9	-	(1,100)
Intangible assets	9	143	(941)
Tangible assets	10	11,759	20,554
		<b>11,902</b>	<b>19,613</b>
<b>Current assets</b>			
Stocks	11	224	1,164
Debtors (including £9,090,000 recoverable after more than one year)	12	16,148	10,501
Cash at bank and in hand		3,251	2,385
		<b>19,623</b>	<b>14,050</b>
<b>Creditors – amounts falling due within one year</b>	13	<b>(24,323)</b>	<b>(32,298)</b>
<b>Net current liabilities</b>		<b>(4,700)</b>	<b>(18,248)</b>
<b>Total assets less current liabilities</b>		<b>7,202</b>	<b>1,365</b>
Provisions for liabilities	14	(39,619)	-
<b>Net (liabilities) / assets excluding pension liability</b>		<b>(32,417)</b>	<b>1,365</b>
Pension liability	17	(2,524)	(2,359)
<b>Net liabilities including pension liability</b>		<b>(34,941)</b>	<b>(994)</b>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	(34,941)	(994)
<b>Total shareholders' deficit</b>		<b>(34,941)</b>	<b>(994)</b>

The accounting policies and notes on pages 10 to 25 form part of the financial statements. They were approved by the board of directors on ~~27~~ November 2014 and are signed on its behalf by



PKV Huyck  
Director

# INEOS Manufacturing (Hull) Limited

## Accounting policies

### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies are set out below and have been applied consistently. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continuing financial support of the group company, INEOS European Holdings Limited. The directors have received confirmation that INEOS European Holdings Limited intends to support the company for at least one year after these financial statements are signed.

### Turnover

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

### Tangible fixed assets and depreciation

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

The typical effective lives of assets are:

Freehold buildings	-	30 to 50 years
Plant and machinery		
• Major items of plant	-	10 to 20 years
• Major plant overhauls	-	2 to 4 years
• Motor vehicles	-	10 years
• Fixtures, fittings and equipment	-	5 to 10 years
• Computer hardware and major software	-	2 to 10 years

Freehold land is not depreciated.

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

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

### Intangible fixed assets

When the fair value of the separable net assets is less than the fair value of the consideration for acquired trade and assets the difference is treated as goodwill and is capitalised and amortised through the profit and loss account on a straight-line basis over its estimated useful life, which is typically 15 years.

Negative goodwill arises when the fair value of the separable net assets is greater than the fair value of the consideration for acquired trade and assets. The amortisation process is the same as for goodwill.

### Stocks

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

# INEOS Manufacturing (Hull) Limited

## Accounting policies (continued)

### Pension costs

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

The current service cost of pension provision and any costs of benefits relating to past service are charged against operating profit for the year. A charge equal to the increase in present value of the pension scheme liabilities and a credit equal to the long-term expected return on pension scheme assets at the start of the year are included as 'other finance income' in the profit and loss account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The surplus or deficit in the pension scheme, net of any related deferred tax, is shown in the balance sheet.

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

- the total active liabilities have been split based on the proportion of their respective payrolls versus the payroll of the Fund in total. As INEOS ChlorVinyls Limited constitutes the largest percentage of the Fund's liabilities, the inactive members' liabilities are allocated to INEOS ChlorVinyls Limited
- the plan assets are allocated between the entities based on the allocation of the liabilities between the various entities
- the expected 2013 service cost has been allocated between the various entities based on the ratio of the respective active liabilities versus the total active liability for the Fund
- the split of the actual 2013 contributions was either provided by the entities or reasonable assumptions were made to split these between the various entities. As all pensioner liabilities are allocated to INEOS ChlorVinyls Limited, all benefit payments are assumed to be paid by INEOS ChlorVinyls Limited

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

### Deferred taxation

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

### Foreign currencies

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

### Leases

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

### Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of INEOS Group Holdings SA and its results are included in the consolidated financial statements of INEOS Group Holdings SA, which are available to the public. Consequently, the company has taken advantage of the exemptions from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). Also, under the terms of Financial Reporting Standard 8 the company is exempt from disclosing related party transactions with entities that form part of the INEOS Group Holdings SA group and the company has taken advantage of this exemption.

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements

### 1 Operating profit

Operating profit is stated after charging/(crediting):

	2013 £'000	2012 £'000
Auditors' remuneration		
Audit fees	18	20
Depreciation	2,946	2,349
Amortisation of goodwill	(52)	(75)
Rentals payable under operating leases:		
Other than plant and machinery	2,419	2,984

### 2 Turnover

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

### 3 Exceptional (expenses) / income

	2013 £'000	2012 £'000
Exceptional items included in cost of sales:		
Pension scheme change	-	441
Exceptional items included in non operating expenses:		
VAM business closure (note 14)	(42,593)	-
<b>Total exceptional (cost)/income</b>	<b>(42,593)</b>	<b>441</b>

#### Pension scheme change

The defined benefit pension schemes of the UK based employees have been under review and a project to implement pension scheme change commenced in 2010. As part of this project, certain employees exiting from the UK defined benefit schemes into a defined contribution scheme have received transition payments. Exceptional costs include curtailment gains associated with the reduction in pension liabilities as a result of employees exiting the defined benefit schemes.

#### VAM business closure

As discussed in the strategic review on page 1, the company announced the closure of its VAM business on 4 October 2013. As part of the closure, certain costs will be incurred in relation to decommissioning and demolition of the plant, severance costs and costs incurred in recovering metals and meeting operating lease obligations. A full review of the businesses assets and liabilities was undertaken and a provision of £39,619,000 has been recognised to cover present obligations (see Note 14), of this provision £37,000,000 has been charged to exceptional costs. Exceptional costs also include £6,176,000 accelerated depreciation of tangible fixed assets, (£1,032,000) accelerated amortisation of negative goodwill and £449,000 write off of stocks. The carrying value of VAM business net assets (excluding provision for liabilities) are £nil.

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 4 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2012: £nil).

### 5 Staff numbers and costs

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

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

Analysis by function	2013 Number	2012 Number
Production	42	42
Administration	1	2
	43	44

The aggregate payroll costs of these people were as follows:

	2013 £'000	2012 £'000
Wages and salaries	2,168	2,349
Social security costs	248	304
Defined benefit pension costs	-	45
Defined contribution pension costs	235	195
	2,651	2,893

### 6 Interest receivable and similar income

	2013 £'000	2012 £'000
Exchange gains	340	652
	340	652

### 7 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable on loans from group undertakings	1,191	1,975
Other interest and similar charges	-	1
	1,191	1,976

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 8 Tax on (loss)/profit on ordinary activities

<b>(a) Analysis of the charge for the year</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
UK corporation tax – current year	-	786
UK corporation tax – adjustments in respect of prior years	(74)	(1,391)
<b>Current taxation credit</b>	<b>(74)</b>	<b>(605)</b>
Deferred taxation:		
Origination and reversal of timing differences	(9,492)	(457)
Current year rate change	1,329	28
Adjustments in respect of prior years	229	1,540
<b>Deferred taxation</b>	<b>(7,934)</b>	<b>1,111</b>
<b>Tax (credit)/charge on (loss)/profit on ordinary activities</b>	<b>(8,008)</b>	<b>506</b>

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

The tax assessed for the year is higher (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012:24.5%). The differences are explained below:

	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>(Loss) / profit on ordinary activities before taxation</b>	<b>(41,837)</b>	<b>1,328</b>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(9,727)	325
Effects of:		
Capital allowances in excess of depreciation	2,126	572
Losses carried forward	7,378	-
Expenses not deductible for tax purposes	236	4
Pension timing differences	(13)	(115)
Adjustments in respect of prior years	(74)	(1,391)
<b>Current tax charge for year</b>	<b>(74)</b>	<b>(605)</b>

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

The Finance Act 2013 was substantively enacted on 2 July 2013 and included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and further reduce to 20% from 1 April 2015. The deferred tax asset at 31 December 2013 has been re-measured accordingly to 20%.



# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

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

#### (d) Deferred Taxation

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

	2013 Provided £'000	2012 Provided £'000
Arising from accelerated capital allowances	2,743	1,051
Arising from losses carried forward	6,347	-
Pensions (note 17)	630	706
<b>Total</b>	<b>9,720</b>	<b>1,757</b>

Deferred tax asset relating to pension deficit

	2013 £'000	2012 £'000
At 1 January	706	392
Deferred tax charge in profit and loss account	(105)	(138)
Deferred tax credited to the statement of total recognised gains and losses	29	452
<b>At 31 December</b>	<b>630</b>	<b>706</b>

The deferred tax asset of £630,000 (2012: £706,000) has been deducted in arriving at the net pension deficit on the balance sheet.

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

	2013 Provided £'000
At 1 January	1,757
Arising during the year	7,963
<b>At 31 December</b>	<b>9,720</b>

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

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 9 Intangible assets

	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
<b>Cost</b>			
<b>At 1 January 2013 and 31 December 2013</b>	<b>234</b>	<b>(1,528)</b>	<b>(1,294)</b>
<b>Accumulated amortisation</b>			
At 1 January 2013	75	(428)	(353)
Charge/(credit) for the year	16	(68)	(52)
Accelerated amortisation	-	(1,032)	(1,032)
<b>At 31 December 2013</b>	<b>91</b>	<b>(1,528)</b>	<b>(1,437)</b>
<b>Net Book Value</b>			
<b>At 31 December 2013</b>	<b>143</b>	<b>-</b>	<b>143</b>
At 31 December 2012	159	(1,100)	(941)

Negative goodwill relates to the VAM business. Amortisation of negative goodwill was accelerated following the announcement on 4 October 2013 to close the VAM manufacturing plant. The accelerated amortisation of £1,032,000 has been charged to exceptional costs in the profit and loss account.

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 10 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2013	1,418	28,667	30,085
Additions	-	366	366
Disposals	-	(61)	(61)
<b>At 31 December 2013</b>	<b>1,418</b>	<b>28,972</b>	<b>30,390</b>
<b>Accumulated depreciation</b>			
At 1 January 2013	33	9,498	9,531
Charge for year	17	2,929	2,946
Disposals	-	(22)	(22)
Accelerated depreciation	-	6,176	6,176
<b>At 31 December 2013</b>	<b>50</b>	<b>18,581</b>	<b>18,631</b>
<b>Net book value</b>			
<b>At 31 December 2013</b>	<b>1,368</b>	<b>10,391</b>	<b>11,759</b>
At 31 December 2012	1,385	19,169	20,554

Included within Land and buildings is £962,000 (2012: £962,000) in relation to land which is not depreciated. There is no difference between the book value and market value of Land and buildings.

Following the announcement on 4 October 2013 to close the VAM manufacturing plant, plant and machinery solely used by the VAM business was written down to nil net book value in the year by accelerating the depreciation charged on these assets. The accelerated depreciation of £6,176,000 has been charged to exceptional costs in the profit and loss account.

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 11 Stocks

	2013 £'000	2012 £'000
Raw materials and consumables	224	1,164

### 12 Debtors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	2,805	4,278
Deferred taxation (note 8)	9,090	1,051
Other debtors	1,640	1,820
Prepayments and accrued income	2,613	3,352
	<b>16,148</b>	<b>10,501</b>

The deferred tax balance is considered likely to be recovered after more than one year.

### 13 Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	63	91
Amounts owed to group undertakings	19,955	23,818
Group relief payable	2,310	2,384
Accruals and deferred income	1,995	6,005
	<b>24,323</b>	<b>32,298</b>

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 14 Provisions for liabilities

	2013 £'000
At 1 January 2013	-
VAM closure costs (Note 3)	39,619
<b>At 31 December 2013</b>	<b>39,619</b>
Provision less than one year	35,184
Provision greater than one year	4,435

#### VAM business closure

As discussed in the strategic review on page 1, the company announced the closure of its VAM business on 4 October 2013. As part of the closure, certain costs will be incurred in relation to decommissioning and demolition of the plant, severance costs and costs incurred in recovering metals and fulfilling operating lease obligations. A provision of £39,619,000 has been recognised to cover such obligations; £37,000,000 of the provision has been charged to exceptional costs in the profit and loss account and £2,619,000 has been reclassified from accruals. It is expected that of the total provision, £35,184,000 will be utilised within one year and £4,435,000 will be utilised in future years.

### 15 Called up share capital

Ordinary shares of £1 each	2013 Number	2013 £	2012 Number	2012 £
Allotted, issued and fully paid	1	1	1	1

### 16 Profit and loss account

	2013 £'000	2012 £'000
At 1 January	(994)	(304)
(Loss)/profit for the financial year	(33,829)	822
Actuarial loss in pension scheme (note 17)	(147)	(1,964)
Movement in deferred tax relating to pension liability	29	452
<b>At 31 December</b>	<b>(34,941)</b>	<b>(994)</b>

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 17 Retirement benefits

The Company participates in a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to this scheme and amounted to £235,000 (2012: £195,000). Contributions amounting to £nil (2012: £nil) were outstanding at the year end.

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

The most recent actuarial valuation of the fund was carried out as at 31 December 2010 (updated to 31 December 2013). The valuation of the scheme used the projected unit method and was carried out by Towers Watson LLP, professionally qualified actuaries. The principal assumptions made by the actuaries were:

	2013 % pa	2012 % pa	2011 % pa	2010 % pa
Price inflation	3.4	3.0	3.1	3.6
Discount rate for scheme liabilities	4.5	4.7	5.0	5.5
Rate of increases in salaries	-	3.0	4.1	4.6
Rate of increase of pensions in payment	3.1	2.8	2.9	3.5
Rate of increase for deferred pensioners	2.4	2.3	2.1	2.9

Material demographic assumptions:

	2013 years	2012 years
Expected future lifetime at age 65 for a male currently aged 65	23.2	23.0

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 17 Retirement benefits (continued)

The assets and liabilities in the scheme and the expected rates of return were:

	31 December 2013		31 December 2012		31 December 2011	
	Expected rate of return % pa	Fair Value £'000	Expected rate of return % pa	Fair Value £'000	Expected rate of return % pa	Fair Value £'000
Equities	6.4	4,817	7.2	4,687	8.1	1,413
Bonds	3.9	1,600	3.8	932	4.8	302
Property	6.8	20	-	7	-	-
Other	3.1	1,848	7.2	1,176	8.1	265
Total fair value of assets		8,285		6,802		1,980
Actuarial value of scheme liabilities		(11,439)		(9,867)		(3,549)
Deficit in the scheme		(3,154)		(3,065)		(1,569)
Related deferred tax asset		630		706		392
Net pension liability		(2,524)		(2,359)		(1,177)

Reconciliation of present value of scheme liabilities	2013 £'000	2012 £'000
At 1 January	9,867	3,549
Interest cost	463	177
Current service cost	-	45
Actual member contributions	-	1
Actual benefits paid	(52)	(52)
Loss on change on assumptions	1,157	1,112
Experience loss	4	5,476
Curtailments	-	(441)
At 31 December	11,439	9,867

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 17 Retirement benefits (continued)

Reconciliation of fair value of scheme assets	2013 £'000	2012 £'000
At 1 January	6,802	1,980
Actual company contributions	94	122
Actual member contributions	-	1
Actual benefits paid	(52)	(52)
Expected return on plan assets	427	127
Actuarial gain/(loss)	1,014	4,624
<b>At 31 December</b>	<b>8,285</b>	<b>6,802</b>

Analysis of the amount charged to operating profit	2013 £'000	2012 £'000
Current service cost	-	45
<b>Total operating charge</b>	<b>-</b>	<b>45</b>

Analysis of the amount charged to other finance costs	2013 £'000	2012 £'000
Expected return on pension scheme assets	427	127
Interest on pension scheme liabilities	(463)	(177)
<b>Net charge</b>	<b>(36)</b>	<b>(50)</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.



# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 17 Retirement benefits (continued)

Analysis of amounts recognised in the statement of total recognised gains and losses	2013 £'000	2012 £'000
Actual return less expected return on pension fund assets	1,014	4,624
Experience (losses) arising on fund liabilities	(4)	(5,476)
(Losses) on change of financial and demographic assumptions	(1,157)	(1,112)
Actuarial loss recognised in the statement of total recognised gains and losses	(147)	(1,964)

Movement in deficit during the year	2013 £'000	2012 £'000
Deficit in the fund at beginning of year	(3,065)	(1,569)
Contributions paid	94	122
Current service cost	-	(45)
Curtailment gain	-	441
Other finance costs	(36)	(50)
Actuarial loss	(147)	(1,964)
Deficit in the fund at end of year, before allowance for deferred tax	(3,154)	(3,065)

History of experience gains and losses	2013	2012	2011	2010	2009
Difference between the actual and expected return on fund assets					
Amount	£1,014,000	£4,624,000	(£366,000)	£121,000	£63,000
% of fund assets at end of year	12.2%	68.0%	(18.5%)	5.3%	7.1%
Experience (losses)/gains on fund liabilities					
Amount	(£4,000)	(£5,476,000)	£139,000	£nil	£nil
% of fund liabilities at end of year	0.0%	55.5%	(3.9%)	-	-
Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses					
Amount	(£147,000)	(£1,964,000)	(£179,000)	(£81,000)	(£300,000)
% of fund liabilities at end of year	0.0%	19.9%	5.0%	2.5%	11.5%

# INEOS Manufacturing (Hull) Limited

## Notes to the financial statements (continued)

### 18 Commitments and contingent liabilities

#### (a) Annual operating lease commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases for assets expiring as follows:

	Other 2013 £'000	Other 2012 £'000
Leases which expire:		
Within one year	409	756
Between one and two years	-	-
	409	756

#### (b) Other contingent liabilities

The Company is party to a Senior Secured Term Loans agreement dated 27 April 2012 (as amended). The total outstanding indebtedness under the Senior Secured Term Loans agreement at 31 December 2013 was €2,987.5 million (2012: €2,278.9 million). The Company is a guarantor under the Senior Secured Term Loans agreement. These obligations are secured by fixed and floating charges over the assets of the Company.

The Company is party to the Senior Secured Notes due 2019 Indenture dated 10 February 2012 (as amended) and the Senior Secured Notes due 2020 Indenture dated 4 May 2012 (as amended). The total outstanding indebtedness under the Senior Secured Notes at 31 December 2013 was €2,775.5 million (2012: €2,573.4 million). The Company is a guarantor under the Senior Secured Notes Indentures. These obligations are secured by fixed and floating charges over the assets of the Company.

The Company is party to the Senior Notes due 2016 Indenture dated 7 February 2006 (as amended) and the Senior Notes due 2018 Indenture dated 14 May 2013 (as amended). The total outstanding indebtedness under the Senior Notes at 31 December 2013 was €1,032.1 million (2012: €2,044.5 million). The Company is a guarantor under the Senior Notes Indentures. These guarantees are on an unsecured senior subordinated basis. The 7.875% Senior Notes due 2016 were redeemed in full on 19 February 2014.

In February 2014 the INEOS Group issued \$590 million and €600 million of Senior Notes due 2019. The proceeds of the refinancing were used to redeem the Senior Notes due 2016.

# **INEOS Manufacturing (Hull) Limited**

## **Notes to the financial statements (continued)**

### **19 Related party transactions**

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

INEOS AG owns and controls a number of subsidiaries that are not included in the consolidated financial statements of INEOS Group Holdings SA group, including the Kerling plc group.

#### **Kerling PLC and subsidiaries combined**

Included in the financial statements are cost recoveries of £2,831,000 (2012: £3,289,000), purchases of £nil (2012:£nil) and a balance payable of £278,000 (2012: £630,000).

### **20 Ultimate parent company and ultimate controlling party**

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

The smallest and largest group that consolidates the Company's financial statements is INEOS Group Holdings SA, a subsidiary of INEOS AG. The consolidated financial statements of INEOS Group Holdings SA are available to the public and may be obtained from the Company Secretary at Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG, United Kingdom.

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