

**INEOS Runcorn (TPS) Limited**

**Annual report and financial statements**

**Registered number 06575668**

**31 December 2015**



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## Strategic report for the year ended 31 December 2015

The Directors present their Strategic report of INEOS Runcorn (TPS) Limited (the "Company") for the year ended 31 December 2015. In these financial statements, the company has adopted Financial Reporting Standard 102, for the first time.

### Review of the business

The Company's main activity is to design, build, finance and operate a combined heat and power energy from waste plant ("EfW plant"), under a 25 year private finance initiative ('PFI') contract with the Greater Manchester Waste Development Authority by way of a subcontract with the main PFI contractor Viridor Laing (Greater Manchester) Limited. The Company has no other activities.

The EfW plant has completed its commissioning phase and was handed over to the operator on 19 January 2015.

Waste was first processed on 7 March 2014. Turnover during the pre and post commissioning phases represent earnings from operations (sales revenue for waste processed and for energy exports); cost of sales represents process chemicals and variable operations costs. Other operating income includes the payment by the construction contractor of damages and reimbursement by the contractor of landfill tax payable by the Company.

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. More information is provided in the Notes to the financial statements on page 12.

The Company is a wholly owned subsidiary of INEOS Runcorn (TPS) Holdings Limited.

### Principal risks and uncertainties

The principal business of the Company is the operation of an EfW plant. Although the Company is a de-risked PFI SPV operating under long term supply (input of fuel) and sales (output-sales of energy) contracts, the management of the business and execution of the Company's strategy are still subject to a number of risks. The key business risks affecting the Company are set out below:

**Regulation** - the Company operates in a highly regulated environment. However, the Company has minimised this risk by employing a third party operating company who have a significant track record of successfully operating similar plants.

**Safety, health and the environment ("SHE")** - the Company's facilities are subject to operating risks, including the risk of environmental contamination and safety hazards. The Company and its operator set strict health, safety and environmental performance targets and are 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.

**Inability to process fuel** - the Company may be adversely affected if it is unable to implement its chosen strategy to maximise fuel processing. Risks are two-fold; the risk of plant failure (minimised by a carefully coordinated and well resourced programme of preventative maintenance, planned shutdown and overhauls, and offline storage of key operating components) and of logistics interruption (minimised by flexibility in the supply pipeline and regular planning meetings between supplier and plant management). The operator has experience in operating similar plants and its staff participate in a number of cross group teams that strive to share best practice to ensure plants are fully optimised. Engineering teams are also in place to react quickly and effectively when any issues do arise.

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

### **Key performance indicators**

In conjunction with the management of costs and working capital to improve profit and cash the Company uses a number of key performance indicators ("KPIs") to monitor performance. These KPIs are monitored and compared to budget and include:

- SHE - manufacturing performance and safety rates.
- Actual and Planned tonnes of fuel processed.
- Variable costs and margins per tonne of fuel processed.
- EBITDA-earnings before interest, tax, depreciation and amortisation and exceptional items.

### **Strategic future developments**

The plant successfully passed its commissioning tests and was taken over by the Company on 19 January 2015. The Company operates under long term (25 year) contracts and anticipates the successful completion of these contracts in due course.

By order of the board



Julie Taylorson  
Director  
18 August 2016

## Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of INEOS Runcorn (TPS) Limited (the 'Company') for the year ended 31 December 2015.

### Financial instruments

The Company has taken steps to minimise financial risks, commensurate with the nature of its business and its structure. Price risk is managed by long term supply (input of fuel) and sales (output - sales of energy) contracts. Credit risk is managed by a set of policies for ongoing credit checks on potential and current customers or counterparties. Interest rate risk is managed by long term hedge contracts.

### Proposed dividend

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

### Directors

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

J Heath

A Pearson (alternate for James Heath)

JD Taylorson (appointed 14 April 2015)

MJ Maher (resigned 14 April 2015) (appointed as alternate for JD Taylorson 14 April 2015)

Hiong LT (appointed 14 April 2015)

PM Ringham (appointed 25 June 2015)

SM Collings (appointed 18 December 2015)

G G J Decadt (resigned 14 April 2015)

AD Cumming (resigned 25 June 2015)

A Kirkman (alternate for AD Cumming terminated 25 June 2015) (alternate for PM Ringham appointed 25 June 2015) (terminated 2 October 2015)

K Metcalfe (resigned 14 April 2015)

L J Calviou (alternate for MJ Maher terminated 14 April 2015) (appointed 14 April 2015) (resigned 18 December 2015)

### 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

The Company had no employees, other than the directors, during the year or the previous year.

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2014: £Nil).

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

### **Going concern**

The directors are satisfied that the financial statements can be prepared on a going concern basis after considering the trading and cash flow projections.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.


### **Independent auditors**

The independent 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**

INEOS Runcorn (TPS) Limited  
Runcorn Site HQ  
South Parade  
P0Box9  
Runcorn  
Cheshire  
WA74JE  
United Kingdom

By order of the board



Julie Taylorson  
Director  
18 August 2016

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Independent auditors' report to the members of INEOS Runcorn (TPS) Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, INEOS Runcorn (TPS) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

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

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

We have no exceptions to report arising from this responsibility.



## **Independent auditors' report to the members of INEOS Runcorn (TPS) Limited (continued)**

### **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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report 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.



Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
18 August 2016

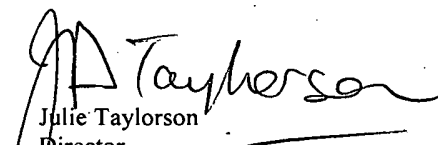
**Statement of Comprehensive Income**  
*for the year ended 31 December 2015*

	Note	2015 £'000	2014 £'000
Turnover	2	50,441	17,896
Cost of sales		<u>(18,219)</u>	<u>(3,420)</u>
<b>Gross profit</b>		<b>32,222</b>	<b>14,476</b>
Administrative expenses		(20,134)	(19,483)
Other operating income	3	<u>1,540</u>	<u>36,063</u>
<b>Operating profit</b>		<b>13,628</b>	<b>31,056</b>
Other interest receivable and similar income	7	28	108
Interest payable and similar charges	8	<u>(28,922)</u>	<u>(27,334)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(15,266)</b>	<b>3,830</b>
Tax on (loss) / profit on ordinary activities	9	<u>(651)</u>	<u>(766)</u>
<b>(Loss) / profit for the financial year</b>		<b>(15,917)</b>	<b>3,064</b>
<b>(Loss) / profit for the financial year</b>		<b>(15,917)</b>	<b>3,064</b>
<b>Other comprehensive (expense) / income</b>			
Effective portion of changes in fair value of cash flow hedges	17	(1,019)	(23,395)
Net change in fair value of cash flow hedges recycled to profit or loss	17	6,289	6,749
Income tax on other comprehensive (expense) / income	9	<u>(1,827)</u>	<u>3,329</u>
<b>Other comprehensive income / (expense) for the year, net of income tax</b>		<b>3,443</b>	<b>(13,317)</b>
<b>Total-comprehensive expense for the year</b>		<b>(12,474)</b>	<b>(10,253)</b>
<b>Total (loss) / profit attributable to:</b>			
Shareholders of the parent company		(15,917)	3,064
<b>Total comprehensive expense attributable to:</b>			
Shareholders of the parent company		(12,474)	(10,253)

**Balance Sheet**  
as at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible Fixed Assets	10	293,315	293,182
<b>Total fixed assets</b>		<b>293,315</b>	<b>293,182</b>
<b>Current assets</b>			
Debtors (including Nil (2014: Nil) due after more than one year)	11	19,042	28,782
Cash at bank and in hand	12	26,363	38,439
<b>Total Current Assets</b>		<b>45,405</b>	<b>67,221</b>
Creditors - amounts falling due within one year	13	(30,969)	(37,325)
<b>Net Current Assets</b>		<b>14,436</b>	<b>29,896</b>
<b>Total Assets less Current Liabilities</b>		<b>307,751</b>	<b>323,078</b>
Creditors - amounts falling due after more than one year	14	(346,553)	(349,405)
<b>Net Liabilities</b>		<b>(38,802)</b>	<b>(26,327)</b>
<b>Capital and reserves</b>			
Called up share capital	17	250	250
Cash flow hedging reserves		(31,705)	(35,148)
Profit and loss account		(7,347)	8,571
<b>Total equity</b>		<b>(38,802)</b>	<b>(26,327)</b>

These financial statements on pages 8 to 31 were approved by the board of directors on 18<sup>th</sup> August 2016 and were signed on its behalf by:

  
Julie Taylorson  
Director

Ineos Runcorn (TPS) Limited

Company registered number: 06575668

**Statement of Changes in Equity**  
for the year ended 31 December 2015

	Called up share capital £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2014	250	(21,831)	5,507	(16,074)
	<u>250</u>	<u>(21,831)</u>	<u>5,507</u>	<u>(16,074)</u>
Profit for the financial year	-	-	3,064	3,064
Other comprehensive expense for the year (see note 17)	-	(13,317)	-	(13,317)
<b>Total comprehensive (expense) / income for the year</b>	<u>-</u>	<u>(13,317)</u>	<u>3,064</u>	<u>(10,253)</u>
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2014</b>	<u>250</u>	<u>(35,148)</u>	<u>8,571</u>	<u>(26,327)</u>

	Called up share capital £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2015	250	(35,148)	8,571	(26,327)
	<u>250</u>	<u>(35,148)</u>	<u>8,571</u>	<u>(26,327)</u>
Loss for the financial year	-	-	(15,917)	(15,917)
Other comprehensive income for the year (see note 17)	-	3,443	-	3,443
<b>Total comprehensive income / (expense) for the year</b>	<u>-</u>	<u>3,443</u>	<u>(15,917)</u>	<u>(12,474)</u>
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2015</b>	<u>250</u>	<u>(31,705)</u>	<u>(7,347)</u>	<u>(38,802)</u>

**Cash Flow Statement**  
*for the year ended 31 December 2015*

	Note	2015 £'000	2014 £'000
<b>Cash flow from operating activities</b>			
(Loss) / profit for the financial year		(15,917)	3,064
<u>Adjustments for:</u>			
Depreciation	10	13,727	-
Interest receivable and similar income		(28)	(108)
Interest payable and similar charges		28,922	27,334
Taxation		651	766
Decrease / (increase) in trade and other debtors		7,263	(9,474)
Decrease in trade and other creditors		(8,342)	(11,974)
<b>Net Cash generated from Operating Activities</b>		<u>26,276</u>	<u>9,608</u>
<b>Cash flow from investing activities</b>			
Interest received		28	108
Acquisition of tangible fixed assets		(11,455)	(5,477)
<b>Net Cash used in Investing Activities</b>		<u>(11,427)</u>	<u>(5,369)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(18,495)	(18,896)
Repayment of borrowings		(8,430)	(7,352)
<b>Net Cash used in Financing Activities</b>		<u>(26,925)</u>	<u>(26,248)</u>
Net decrease in cash and cash equivalents		(12,076)	(22,009)
Cash and cash equivalents at 1 January		<u>38,439</u>	<u>60,448</u>
Cash and cash equivalents at 31 December		<u>26,363</u>	<u>38,439</u>

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Ineos Runcorn (TPS) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014 and in accordance with the Companies Act 2006. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 24.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements entered in prior to 1 January 2014 have not been restated.
- For hedging relationships which existed at 1 January 2014, the company has applied the hedge accounting provisions of Section 12 Other financial instruments issued from that date.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition or accounting estimates.

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 23.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except derivative financial instruments that are stated at their fair value.

#### 1.2 Going concern

The plant successfully passed its commissioning tests and was taken over by the Company on 19 January 2015. The annual target for the volume of waste processed has subsequently been met. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### 1.4 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### 1.5 Other financial instruments

##### *Financial instruments not considered to be Basic Financial Instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except hedging instruments in a designated hedging relationship which shall be recognised as set out below.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

## Notes (continued)

### 1 Accounting policies (continued)

#### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### 1.6 Tangible fixed assets

During the initial build and commissioning phases, all costs directly attributable to the construction of plant and equipment are capitalised as part of the cost of assets under construction, as incurred. The total value of assets under construction is transferred to plant and machinery, fixtures and fittings upon completion, from which time depreciation is charged. All further spend on plant and equipment post take-over are capitalised as plant and machinery, fixtures and fittings and depreciated with immediate effect.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its 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.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- plant and machinery, fixtures and fittings – until end of PFI contract in 2034.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Impairment excluding deferred tax assets

##### *Financial assets (including trade and other debtors)*

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

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

##### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than 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.

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

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 only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.8 Provisions

A provision is recognised in the balance sheet when the entity 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Turnover

Turnover represents the invoiced value of fees for waste processing and for the sale of energy, net of sales discounts, value added taxes and duties. Turnover 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 long term supply contracts. Turnover arising from sales is recognised when the waste has been processed or energy exported, depending on the relevant contract terms and the point at which risk and rewards have been transferred to the customer when the prices are determinable and when collectability is considered probable.

#### 1.10 Expenses

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income includes interest receivable on cash held.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### 1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. 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.

## Notes (continued)

### 2 Turnover

The Company's activities consist of the UK processing of waste for conversion into energy. All of the Company's turnover originates from and remains within the United Kingdom.

	2015	2014
	£'000	£'000
Rendering of services	50,441	17,896
Total turnover	<u>50,441</u>	<u>17,896</u>

#### Analysis of turnover by geography

	2015	2014
	£'000	£'000
United Kingdom	50,441	17,896

#### Analysis of turnover by category

	2015	2014
	£'000	£'000
Processing of waste	40,414	16,730
Sale of energy	10,027	1,166
	<u>50,441</u>	<u>17,896</u>

### 3 Other operating income

	2015	2014
	£'000	£'000
Other income	1,540	36,063

Other operating income includes the payment by the construction contractor of damages and reimbursement by the contractor of landfill tax payable by the Company.

### 4 Expenses and auditors' remuneration

	2015	2014
	£'000	£'000
Included in profit/loss are the following:		
Auditors' remuneration - Audit fees	12	3
Amortisation - Debt issue costs	1,200	1,200
	<u>1,212</u>	<u>1,203</u>

**Notes (continued)**

**5 Staff numbers and costs**

The company had no employees, other than directors, during the year or the previous year.

**6 Directors' remuneration**

None of the directors received any emoluments in respect of services to the company (2014: £Nil).

**7 Other interest receivable and similar income**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on cash held	28	108
Total interest receivable and similar income	<u>28</u>	<u>108</u>

**8 Interest payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on loans from fellow group undertakings	10,264	8,848
Interest payable on bank loans and overdraft	12,369	11,737
Net change in fair value of hedging instrument recycled from equity	6,289	6,749
Total other interest payable and similar charges	<u>28,922</u>	<u>27,334</u>

**Notes (continued)**

**9 Income tax**

**Tax expense included in profit or loss**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax on profits for the year	-	(762)
Adjustment in respect of prior periods	-	(52)
Total current tax	-	(814)
<b>Deferred tax (refer note 16):</b>		
Origination and reversal of timing differences	939	1,642
Impact of change in tax rate	(288)	(62)
Total deferred tax	651	1,580
Tax on profit on ordinary activities	651	766

**Tax expense / (income) included in other comprehensive income / (expense)**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	1,067	(3,329)
Impact of change in tax rate	760	-
Total deferred tax	1,827	(3,329)
Total tax expense / (income) included in other comprehensive income / (expense)	1,827	(3,329)

**Notes (continued)**

**9 Income tax (continued)**

**Tax expense / (income) included in equity**

	2015 £'000	2014 £'000
Current tax	-	-
Deferred tax	-	-
Total tax expense / (income) included in equity	-	-

**Reconciliation of tax charge**

	2015 £'000	2014 £'000
(Loss) / Profit on ordinary activities before tax	(15,267)	3,830
(Loss) / Profit multiplied by the standard rate of tax in the UK of 20.25% (2013: 21.5%)	(3,091)	823
Effects of:		
Income not subject to tax	-	-
Unrecognised deferred tax	4,030	-
Expenses not deductible for tax purposes	-	-
Adjustments to tax charge in respect of prior years	-	(52)
Re-measurement of deferred tax - change in UK tax rate	(288)	(62)
Consortium relief surrendered at marginal rate	-	57
Tax charge for the year	651	766

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. There would be no overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, on either the deferred tax asset or the tax expense for the period as any movement would be offset by an adjustment in the amount of unrecognised deferred tax assets.

## Notes (continued)

### 10 Tangible assets

	Plant and Machinery, fixtures and fittings £'000	Assets under construction £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2015	-	293,182	293,182
Additions	13,860	-	13,860
Transfer from assets under construction	293,182	(293,182)	-
Balance at 31 December 2015	<u>307,042</u>	<u>-</u>	<u>307,042</u>
<b>Depreciation and impairment</b>			
Balance at 1 January 2015	-	-	-
Depreciation charge for the year	13,727	-	13,727
Balance at 31 December 2015	<u>13,727</u>	<u>-</u>	<u>13,727</u>
<b>Net book value</b>			
At 1 January 2015	<u>-</u>	<u>293,182</u>	<u>293,182</u>
At 31 December 2015	<u>293,315</u>	<u>-</u>	<u>293,315</u>

#### Security

There is a fixed and floating charge over assets of the Company.

#### Tangible fixed assets under construction

Included within tangible fixed assets is capitalised interest of £47,759,000 (2014: £49,994,000) and amortisation of debt issue costs of £2,332,000 (2014: £2,441,000).

The amount of borrowing costs capitalised during the year was £Nil (2014: £Nil).

### 11 Debtors

	2015 £'000	2014 £'000
Trade debtors	1,123	61
Amounts owed by related parties	11,232	19,381
Other debtors	4,173	4,172
Deferred-tax assets (see note 16)	-	2,478
Prepayments and accrued income	2,514	2,690
	<u>19,042</u>	<u>28,782</u>
Due within one year	19,042	28,782
Due after more than one year	-	-
	<u>19,042</u>	<u>28,782</u>

The amounts owed by related party undertakings relate to current trading, and are interest free with no fixed date of repayment.

**Notes (continued)**

**12 Cash at bank and in hand**

Cash at bank includes restricted cash £15,988,000 (2014: £14,385,000). This constitutes cash that must be retained in a number of mandatory reserve accounts in line with lenders' requirements.

	2015 £'000	2014 £'000
Cash at bank and in hand	26,363	38,439
Cash and cash equivalents per cash flow statements	<u>26,363</u>	<u>38,439</u>

**13 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Bank loans and overdrafts (see note 15)	9,139	8,430
Trade creditors	83	700
Amounts owed to related parties	6,958	16,268
Other creditors	775	75
Accruals and deferred income	3,279	1,123
Derivative liabilities (see note 18)	6,130	6,381
Interest payable	4,605	4,348
	<u>30,969</u>	<u>37,325</u>

The amounts owed to related party undertakings relate to current trading, and are interest free with no fixed date of repayment.

**14 Creditors: amounts falling after more than one year**

	2015 £'000	2014 £'000
Bank loans and overdrafts (see note 15)	222,091	230,036
Amounts owed to related parties	91,927	81,815
Derivative liabilities (see note 18)	32,535	37,554
	<u>346,553</u>	<u>349,405</u>

The amounts owed to related party undertakings consist of secured shareholder loans which are sub-ordinate to the commercial debt. The loans incur interest at a fixed rate of 12% and have no fixed date of repayment.



## Notes (continued)

### 15 Interest bearing loans and borrowings

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

	2015 £'000	2014 £'000
<b>Creditors falling due after more than one year</b>		
Secured bank loans	222,091	230,036
Loans from related parties	91,927	81,815
	<u>314,018</u>	<u>311,851</u>
	2015 £'000	2014 £'000
<b>Creditors falling due within less than one year</b>		
Secured bank loans	9,139	8,430
Loans from related parties	-	-
	<u>9,139</u>	<u>8,430</u>
<b>Secured bank loans comprise of:</b>	2015 £'000	2014 £'000
European Investment Bank loan	76,783	79,492
Commercial bank loans	165,967	171,694
	<u>242,750</u>	<u>251,186</u>
Less: unamortised debt issue cost	<u>(11,520)</u>	<u>(12,720)</u>
	<u>231,230</u>	<u>238,466</u>

#### Terms and debt repayment schedule

The European Investment Bank loan was fully drawn by 2013 and is repayable from then until 2032. It bears interest at 5.859%.

The commercial bank loans were fully drawn by 2013 and are repayable from then until 2032. They bear a variable rate of interest, initially LIBOR plus 3.25% increasing thereafter by specific basis points at specified dates to LIBOR plus 4.5%. The loans have been hedged with an interest rate swap the net effect of which is a fixed rate, initially 8.09% and increasing thereafter by specific basis points at specified dates to 9.34%.

The related party loans bear a coupon rate of 12%. Interest continues to be added to the principal. Payment of interest and repayment of principal is dependent on the operating performance and cash flow of the Company and is subject to various restrictions under the European Investment Bank and Commercial Bank Loan facilities.

There is a fixed and floating charge over the assets of the Company.

The maturity of the bank loans is as follows:

	2015 £'000	2014 £'000
Due within one year	7,939	7,230
Due within two to five years	36,041	35,450
Due after more than five years	187,250	195,786
	<u>231,230</u>	<u>238,466</u>

All the debt falling due after more than five years is instalment debt.

## Notes (continued)

### 16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	22,521	23,316	(22,521)	(23,316)
Unused tax losses	15,561	17,007	-	-	15,561	17,007
Interest rate swaps	6,960	8,787	-	-	6,960	8,787
Tax assets / (liabilities)	<u>22,521</u>	<u>25,794</u>	<u>22,521</u>	<u>23,316</u>	<u>-</u>	<u>2,478</u>

In addition to the deferred tax balances above, the Company has additional unrecognised gross tax losses of £21,188,000 (2014: £Nil).

The forecast net reversal of deferred tax assets and liabilities expected to occur in the next reporting year is nil on the basis that any movement would be offset by an adjustment in the amount of unrecognised deferred tax assets.

### 17 Capital and reserves

Allotted, issued and fully paid	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary A Shares of £1 each	1,000	1	1,000	1
Ordinary B1 Shares of £1 each	186,750	186.75	186,750	186.75
Ordinary B2 Shares of £1 each	62,250	62.25	62,250	62.25
	<u>250,000</u>	<u>250</u>	<u>250,000</u>	<u>250</u>

The Ordinary A Shares carry all rights in relation to the Company other than the right to receive dividends and the right to a distribution on a winding up. The Ordinary A Shareholders are entitled to one vote for every Ordinary A Share held.

The Ordinary B Shares carry no rights in relation to the Company other than the right to receive dividends and the right to a distribution on a winding up. The Ordinary B Shares carry no voting rights. The Ordinary B Shares confer the rights and obligations to make subordinated shareholder loans to the Company, where the amounts of such loans are in pro-rata to the holdings of the Ordinary B Shares.

The Ordinary B Shares are subdivided into Ordinary B1 Shares and Ordinary B2 Shares. The Ordinary B2 Shares rank pari passu in all respects with the Ordinary B1 Shares, except that each Ordinary B2 Shareholder is granted an option to make additional loans to the Company under certain circumstances.

## Notes (continued)

### 17 Capital and reserves (continued)

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### Dividends

After the balance sheet date no dividends (2014: no dividends) were proposed by the directors.

#### Other comprehensive income for 2015

	Cash flow hedging reserve £'000	Profit and loss account £'000	Total Other comprehensive (expense) / income £'000
Effective portion of changes in fair value of cash flow hedges	(1,019)	-	(1,019)
Net change in fair value of cash flow hedges recycled to profit or loss	6,289	-	6,289
Income tax on other comprehensive income	(1,827)	-	(1,827)
Total other comprehensive income	<u>3,443</u>	<u>-</u>	<u>3,443</u>

#### Other comprehensive expense for 2014

	Cash flow hedging reserve £'000	Profit and loss account £'000	Total Other comprehensive (expense) / income £'000
Effective portion of changes in fair value of cash flow hedges	(23,395)	-	(23,395)
Net change in fair value of cash flow hedges recycled to profit or loss	6,749	-	6,749
Income tax on other comprehensive income	3,329	-	3,329
Total other comprehensive income	<u>(13,317)</u>	<u>-</u>	<u>(13,317)</u>

## Notes (continued)

### 18 Financial instruments

#### 18 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015 £000	2014 £000
Financial assets measured at amortised cost	16,528	23,614
Financial liabilities measured at fair value through profit or loss	(38,665)	(43,935)
Financial liabilities measured at amortised cost	<u>(335,578)</u>	<u>(341,672)</u>
	<u>(357,715)</u>	<u>(361,993)</u>

#### 18 (b) Financial instruments measured at fair value

##### Derivative financial instruments

The Company has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed rate of 4.821%. The swap is based on a principal amount of £173,826,000, the principal amount of the Company's variable sterling bank loan facilities, and matures in 2032 on the same date as the underlying loans.

The instrument is used to hedge the Company's exposure to interest rate movements on the bank loan facilities.

The fair value of interest rate swaps is based on broker quotes.

#### 18 (c) Hedge accounting

As described more fully in Note 18(b) above, the Company has designated interest rate swap contracts with third parties as a hedge of the variability in cash flows of interest expense on some of its bank loans which carry fixed rate of interest. The following table indicates the periods in which the cash flows associated with such cash flow hedging instruments are expected to occur as required by FRS 102 for the cash flow hedge accounting models.

	2015						2014					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Interest rate swaps:												
Liabilities	38,665	62,187	6,130	5,857	16,069	34,131	43,935	69,070	6,381	6,179	16,955	39,555

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

	2015						2014					
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Interest rate swaps:												
Liabilities	38,665	62,187	6,130	5,857	16,069	34,131	43,935	69,070	6,381	6,179	16,955	39,555

During the year, a hedging loss of £1,019,000 (2014: £23,395,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £6,289,000 (2014: £6,749,000) was reclassified from the hedge reserve to profit and loss.

## **Notes (continued)**

### **18 Financial instruments (continued)**

#### **18 (d) Fair values**

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	<b>Fair value 2015 £000</b>	<b>Fair value 2014 £000</b>
Derivative liabilities - Interest rate swaps	38,665	43,935

### **19 Commitments**

#### *Capital commitments*

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2015 amounted to £Nil (2014: £12,474,000).

### **20 Contingencies**

At 31 December 2015, the Company held £1,826,000 (2014: £11,330,000) of retention monies deducted from subcontractor payments, on trust in separate bank accounts. This amount has been excluded from the financial statements.

## Notes (continued)

### 21 Related Parties

#### *Identity of related parties with which the Company has transacted*

The Company is a subsidiary undertaking of INEOS Runcorn (TPS) Holdings Limited. The ultimate controlling parties are the shareholders in the immediate parent company undertaking, who are INOVYN Energy Limited, John Laing Investments Limited and Viridor Waste Management Limited. John Laing Investments Limited and Viridor Waste Management Limited are also the ultimate controlling parties of Viridor Laing (Greater Manchester) Limited. INOVYN ChlorVinyls Limited is the parent company of INOVYN Energy Limited.

#### *Related party transactions*

Related party transactions during the year were as follows:

	Sales		Purchases and Expenses	
	2015 £000s	2014 £000s	2015 £000s	2014 £000s
INOVYN ChlorVinyls Limited –				
Supply of steam and electricity	7,380	1,166	-	-
Purchase of water and electricity	-	-	2,287	1,816
Management services	-	-	3,582	9,148
Ash disposal costs	-	-	1,867	550
INOVYN Energy Limited –				
Funding and accrued interest	-	-	2,566	2,212
John Laing Investments Limited –				
Funding and accrued interest	-	-	3,849	3,318
Viridor Waste Management Limited –				
Project development fees	-	-	-	3,178
Funding and accrued interest	-	-	3,849	3,318
Income for fuel processing	1,755	1,136	-	-
Operator costs, maintenance & consumables	-	-	11,962	-
Ash disposal costs	-	-	2,147	615
Viridor Laing (Greater Manchester) Limited -				
Income for fuel processing	38,659	15,594	-	-
Fuel disposal costs	-	-	562	17,017
Change in Law compensation	253	-	-	-
Liquidated and Ascertained Damages	-	-	22	627
<b>Total</b>	<b>48,047</b>	<b>17,896</b>	<b>32,693</b>	<b>41,799</b>

## Notes (continued)

### 21 Related parties (continued)

	Receivables Outstanding		Creditors Outstanding	
	2015 £000s	2014 £000s	2015 £000s	2014 £000s
NOVYN ChlorVinyls Limited –				
Supply of steam and electricity	1,019	1,398	-	-
Purchase of water and electricity	-	276	1,066	-
Management services	-	-	109	9,148
Ash disposal costs	-	-	454	550
NOVYN Energy Limited –				
Funding and accrued interest	-	-	22,982	20,454
John Laing Investments Limited –				
Funding and accrued interest	-	-	34,473	30,681
Viridor Waste Management Limited –				
Project development fees	-	5,441	-	2,208
Funding and accrued interest	-	-	34,473	30,681
Income for fuel processing	360	1,136	-	-
Operator costs, maintenance & consumables	-	-	4,446	325
Ash disposal costs	-	-	232	708
Viridor Laing (Greater Manchester) Limited -				
Income for fuel processing	9,600	11,130	-	-
Fuel disposal costs	-	-	650	3,142
Change in Law compensation	253	-	-	-
Liquidated and Ascertained Damages	-	-	-	187
Total	<u>11,232</u>	<u>19,381</u>	<u>98,885</u>	<u>98,083</u>

### 22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of INEOS Runcorn (TPS) Holdings Limited. The ultimate controlling parties are the shareholders in the immediate parent company undertaking, who are NOVYN Energy Limited, John Laing Investments Limited and Viridor Waste Management Limited, none of these companies consolidate.

INEOS Runcorn (TPS) Holdings Limited is the smallest and largest group to consolidate these financial statements at 31 December 2015. The consolidated financial statements of INEOS Runcorn (TPS) Holdings Limited are available from the Company Secretary at Runcorn Site HQ, South Parade, POBox9, Runcorn, Cheshire, WA7 4JE.

### 23 Accounting estimates and judgements

#### Key sources of estimation uncertainty

#### Impairment of assets

The Company considers whether its tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating unit (CGU). This requires estimation of the future cash flows from the CGU and also selection of appropriate discount rate in order to calculate the net present value of those cash flows.

## Notes (continued)

### 24 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing their FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of equity

Note	1 January 2014			31 December 2014		
	UKGAAP	Effect of transition to FRS 102	FRS 102	UKGAAP	Effect of transition to FRS 102	FRS 102
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed assets</b>						
Tangible Assets	278,557	-	278,557	293,182	-	293,182
<b>Total fixed assets</b>	<u>278,557</u>	<u>-</u>	<u>278,557</u>	<u>293,182</u>	<u>-</u>	<u>293,182</u>
<b>Current assets</b>						
Debtors	b 16,016	729	16,745	26,305	2,477	28,782
Cash at bank and in hand	60,448	-	60,448	38,439	-	38,439
<b>Total Current Assets</b>	<u>76,464</u>	<u>729</u>	<u>77,193</u>	<u>64,744</u>	<u>2,477</u>	<u>67,221</u>
Creditors - amounts falling due within one year	a (36,592)	(6,748)	(43,340)	(30,945)	(6,381)	(37,325)
<b>Net Current Assets</b>	<u>39,872</u>	<u>(6,019)</u>	<u>33,852</u>	<u>33,799</u>	<u>(3,904)</u>	<u>29,896</u>
<b>Total Assets less Current Liabilities</b>	<u>318,429</u>	<u>(6,019)</u>	<u>312,410</u>	<u>326,981</u>	<u>(3,904)</u>	<u>323,078</u>
Creditors - amounts falling due after more than one year	a (307,943)	(20,541)	(328,484)	(311,851)	(37,554)	(349,405)
<b>Provisions for liabilities</b>						
Deferred tax liabilities	b (4,729)	4,729	-	(6,309)	6,309	-
<b>Net Assets /(Liabilities)</b>	<u>5,757</u>	<u>(21,831)</u>	<u>(16,074)</u>	<u>8,821</u>	<u>(35,148)</u>	<u>(26,327)</u>
<b>Capital and reserves</b>						
Called up share capital	250	-	250	250	-	250
Cash flow hedging reserves	a, b -	(21,831)	(21,831)	-	(35,148)	(35,148)
Profit and loss account	5,507	-	5,507	8,571	-	8,571
<b>Total equity</b>	<u>5,757</u>	<u>(21,831)</u>	<u>(16,074)</u>	<u>8,821</u>	<u>(35,148)</u>	<u>(26,327)</u>



## Notes (continued)

### 24 Explanation of transition to FRS 102 from old UK GAAP (continued)

- a) FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Company did not recognise these instruments in the financial statements. On transition to FRS 102 the Company has adopted cash flow hedging to manage its exposure to interest rate risk. Accordingly at transition current liabilities of £6,748,000 and non-current liabilities of £20,541,000 were recognised and a post-tax loss of £21,831,000 was recognised in other comprehensive income. Current liabilities of £6,381,000 and non-current liabilities of £37,554,000 were recognised at 31 December 2014 and a post-tax loss of £35,149,000 was recognised in other comprehensive income for the year ended 31 December 2014.
- b) The impact on deferred tax as a result of the adjustments above and the subsequent effect of the change in tax rates was to create net deferred tax assets as at 1 January 2014 and 31 December 2014 of £729,000 and £2,477,000 respectively by reducing the deferred tax liability to Nil, increase the other comprehensive income tax credit by £5,458,000 as at 1 January 2014 and by £3,329,000 for the year ended 31 December 2014.

#### Reconciliation of profit for 2014

		Effect of transition to FRS 102	
Note	UK GAAP £'000	£'000	FRS 102 £'000
Turnover	17,896	-	17,896
Cost of sales	(3,420)	-	(3,420)
<b>Gross profit</b>	<b>14,476</b>	<b>-</b>	<b>14,476</b>
Administrative expenses	(19,483)	-	(19,483)
Other operating income	36,063	-	36,063
<b>Operating profit</b>	<b>31,056</b>	<b>-</b>	<b>31,056</b>
Other interest receivable and similar income	108	-	108
Interest payable and similar charges	(27,334)	-	(27,334)
<b>Profit on ordinary activities before taxation</b>	<b>3,830</b>	<b>-</b>	<b>3,830</b>
Tax on Profit on ordinary activities	(766)	-	(766)
<b>Profit for the financial year</b>	<b>3,064</b>	<b>-</b>	<b>3,064</b>
Profit for the financial year	3,064	-	3,064

#### Notes to the reconciliation of profit

- a) No transition adjustments have been identified which affect profit for the financial year. However, the following adjustment has arisen which has had no effect on net equity or profit and loss account but which has affected the presentation of these items on the balance sheet. The adjustment is:
- i. Presentation of net changes in fair value of hedging instruments recycled to the profit and loss account and corresponding change in the interest expense to reflect the effective rate of interest on the underlying borrowings.