

# **INEOS Derivatives France Limited**

**Annual report and financial statements**

**Registered number 6674365**

**31 December 2019**

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## Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

### Review of business and future developments

INEOS Derivatives France Limited ("the Company") is engaged in the procurement of raw materials and sale of petrochemical products manufactured at the petrochemical sites in Italy and France. The Company has tolling contracts with INEOS Manufacturing Italy SpA, INEOS Chemicals Lavera SAS and INEOS Polymers Sarralbe SAS for the manufacture of its products; and distribution agreements with Limited Risk Distributors in the UK and Europe for the sale of product for which it pays a small margin.

European polymer demand was solid in a balanced market with good volumes. Margins saw some further reductions over the year versus 2018 as markets lengthened with increased levels of imported products, mainly high density polyethylene from outside Europe.

The European economies and the demand for polymers is expected to grow albeit modestly. Consequently, the Company expects to remain profitable and to maintain its market position in Europe. Additional imports from competitors based in America and the Middle-East will make the European business environment more challenging. The Company will respond to these challenges by continuing to deliver high product quality, excellent customer service and focus on key markets and applications. The Company also continues to generate and develop sales outside Europe.

The business operates and trades within the EU, purchasing materials and equipment as well as selling finished products into European countries via UK Limited Risk Distributors in both the UK and Europe. The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has developed plans to mitigate the impact of the end of the Brexit transition period on its activities in the European Union.

### Financing Arrangements

In June 2019, the Company entered into an inventory monetisation agreement with J Aron & Company LLC. The 12 month facility is for an amount of €45,000,000 secured against inventory.

### Results and dividends

The profit for the financial year before taxation was €12,861,000 (2018: €13,146,000). The directors do not propose the payment of a dividend (2018: *Nil*).

### Strategy

The longer term objective is to achieve sustained revenue growth and to generate profits by charging competitive prices, delivering quality products and providing a high level of customer service.

### Section 172(1) statement

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

## Strategic report for the year ended 31 December 2019 *(continued)*

### Long-term factors

The Company's strategy is to grow its business portfolio through maintaining and increasing its customer base.

To achieve these objectives, the Company has the following key strategies

- Maintain health, safety, security and environmental excellence;
- Reduce costs and realise synergies;
- Maximise utilisation of assets;
- Access advantaged energy opportunities;
- Develop and implement a sustainable business.

The directors believe these are critical long-term factors for the success of the Company.

We aim to operate and develop our business in a way that supports both our current and future needs, taking into account relevant economic, environmental and social factors. This enables us to sustain our business for the long term. We strongly believe that sustainable business management and practices will contribute to our long-term business success.

The directors ensure that the Company has sufficient resources to support its long-term growth strategy and to fund its investments. An important element is the Company's long-term cash and operational planning in relation to the capital requirements needed to extend the life span of the pipeline. The directors consider available and required funds as a basis for any dividend under its distribution policy.

### Stakeholder considerations

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

Key stakeholders contribute to our economic, social and environmental performance. Stakeholders include our customers, suppliers, employees, investors, financial experts and rating agencies, local communities and industry association.

As a major producer of petrochemicals in Europe, the Company adopts a holistic approach looking at its entire value chain – from procurement, development and production to transport, sales, integration into customer processes, final intended use and recycling. Together with industry associations and our business partners, we strive to achieve high and well-acknowledged sustainability standards into the chemical industry.

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

The Company is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its employees, contractors, suppliers, customers, visitors and the communities in which it operates. Compliance with all legislation intended to protect people, property and the environment is one of the Company's fundamental priorities and applies to our products as well as to our processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

### Act fairly between members

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

## Strategic report for the year ended 31 December 2019 *(continued)*

### COVID-19 coronavirus

In early March 2020 the Company developed contingency plans for the COVID-19 pandemic, with the primary objectives of maintaining safety of personnel and reliable operation of the plants.

Following lockdown amendments from European governments, a number of changes to standard working practices were implemented, the intent of which was to reduce personnel on site to those defined as operationally critical. This included immediately stopping any non-critical projects and amending shift patterns to enable achieving the social distancing rules.

Any safety critical activity was formally risk assessed to take cognisance of additional controls necessary to protect core personnel from COVID-19, hence safeguarding safety critical work at all times.

The business produces polymers which are widely used in food and drinks packaging. The demand for these consumable products has increased significantly due to COVID-19. Our polymers are also used in the manufacturing of medical equipment including face masks, ventilators and eye visors. These consumable products represent the majority of our product portfolio and the increased demand is offsetting the reduced demand in our other durable sectors such as automotive and construction.

Although the directors cannot predict the extent and duration of COVID-19 crisis, the directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its products and the impact on margins for over 12 months from the date of signing these financial statements. The directors expect the total demand to be largely unaffected by the COVID-19 with the switch from durable to consumables applications. The large reduction in feedstock pricing due to reduction in oil prices has improved our product margins considerably, however, it is realistic to assume gradual reduction in these strong margins given the recessionary environment. The one off inventory losses in recent months due to this reduction in feedstock prices will only be partly compensated by the expected gradual increase of oil prices over the coming quarters. Throughout the 4 month period from March to June 2020 all the polymer plants in both France and Italy continued to operate at normal levels. In addition, the directors have implemented a series of programmes to preserve cash including a review of timing of turnarounds, reductions in spend against provisions, a cut-back of non-essential capital expenditure and cut-back of non-essential fixed cost expenditure. The covenant on the third party loan has also been reset to eliminate the impact of inventory losses.

In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Company would still have sufficient cash flow to meet all of its obligations as they fall due. Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of the assessment described above, together with a strong balance sheet and access to liquidity, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

### Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of INEOS Chemicals France Holdings Limited which includes the Company, are discussed in the group's annual report which does not form part of this report.

## **Strategic report for the year ended 31 December 2019 (continued)**

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties INEOS Chemicals France Holdings Limited which include those of the Company are discussed in the group's annual report.

Approved by the Board of Directors and signed on behalf of the Board of Directors.



**G. W. Leask**  
**Director**

17 July 2020

Registered number 6674365

## Directors' report for the year ended 31 December 2019

The directors present their report and audited financial statements of the Company for the year ended 31 December 2019.

### Principal activities

The Company is engaged in the procurement of raw materials and sale of petrochemical products manufactured at the petrochemical sites in Italy and France, which are sold through a network of Limited Risk Distributors in the UK and across Europe for which the Company pays a small margin.

### Results and dividends

Results and dividends are discussed in the Strategic report.

### Future developments

Future developments are discussed in the Strategic report.

### Post balance sheet event

Post balance sheet events are discussed in the Strategic report.

### Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company where appropriate. The Company is exposed to commodity price risk as a result of its operations. The Company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The Company is funded by its parent company INEOS Chemicals France Holdings Limited and therefore has no direct exposure to liquidity or debt market risk.

### Directors

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

I T Hogan  
G W Leask  
D Smeeton

### Health and safety

Our facilities and operations are subject to a wide range of health, safety, security and environmental ("HSSE") laws and regulations in all of the jurisdictions in which we operate. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions, noise emissions, human health and safety, process safety and risk management and the clean-up of contaminated sites. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

Our operations are currently in material compliance with all HSSE laws, regulations and permits. We actively address compliance issues in connection with our operations and properties and we believe that we have systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on us.

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

### **Business relationships**

The business relationships with suppliers and customers are of strategic importance to the directors of the Company and their decision-making process. The business relationships of the Company are described in the Section 172(1) statement in the Strategic report.

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic report and the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.



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

### **Independent auditor**

During the year Deloitte LLP were appointed as auditor and have expressed their willingness to continue in office as auditor pursuant to Section 485-488 of the Companies Act 2006. Appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board of Directors.



**G.W. Leask**  
**Director**

17 July 2020  
Registered number 6674365

## **Independent auditor's report to the members of INEOS Derivatives France Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, INEOS Derivatives France Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 21.

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of the above matters.

## **Independent auditor's report to the members of INEOS Derivatives France Limited (*continued*)**

### **Other information**

The other information comprises all of the information in the Annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in respect of these matters.

### ***Responsibilities of the directors***

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

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

### ***Auditor's responsibilities for the audit of the financial statements***

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

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

## **Report on other legal and regulatory requirements**

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report the directors' report have been prepared in accordance with applicable legal requirements.

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

## **Independent auditor's report to the members of INEOS Derivatives France Limited (*continued*)**

### **Report on other legal and regulatory requirements (*continued*)**

#### **Matters on which we are required to report by exception**

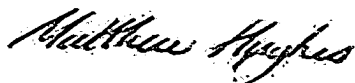
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion

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

We have nothing to report in respect of these matters.

#### ***Use of this report***

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



**Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)**  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
20 July 2020

## Profit and Loss Account

for the year ended 31 December 2019

	Note	2019 €000	2018 €000
<b>Turnover</b>	2	<b>774,891</b>	823,138
Cost of sales		(754,486)	(796,867)
<b>Gross profit</b>		<b>20,405</b>	26,271
Distribution costs		(38,574)	(37,542)
Administrative expenses		(4,890)	(4,374)
Other operating income	3	13,724	7,363
<b>Operating loss</b>	4	<b>(9,335)</b>	(8,282)
Interest receivable and similar income	6	22,878	22,071
Interest payable and similar expenses	7	(682)	(643)
<b>Profit before taxation</b>		<b>12,861</b>	13,146
Tax on profit	8	(3,093)	(2,248)
<b>Profit for the financial year</b>		<b>9,768</b>	10,898

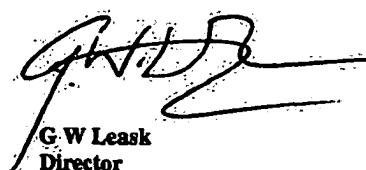
The Company has no recognised other comprehensive income and therefore no separate statement of comprehensive income has been presented.

All activities of the Company relate to continuing operations.

**Balance Sheet**  
as at 31 December 2019

	Note	2019 €000	2018 €000
<b>Fixed assets</b>			
Tangible assets	9	4,409	4,481
		<u>4,409</u>	<u>4,481</u>
<b>Current assets</b>			
Stocks	10	99,420	95,261
Debtors (including €486,729,000 (2018: €483,884,000) due after 1 year)	11	554,309	536,584
Deferred tax asset	12	3,755	3,755
Cash at bank and in hand		30,121	17,411
		<u>687,605</u>	<u>653,011</u>
Creditors: amounts falling due within one year	13	(386,590)	(362,040)
		<u>301,015</u>	<u>290,971</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<u>305,424</u>	<u>295,452</u>
Creditors : amounts falling due after more than one year	14	(1,219)	(1,015)
		<u>304,205</u>	<u>294,437</u>
<b>Net assets</b>			
Capital and reserves			
Called up share capital	17	304,205	294,437
Profit and loss account		<u>304,205</u>	<u>294,437</u>
<b>Total equity</b>		<u>304,205</u>	<u>294,437</u>

These financial statements on pages 11 to 34 were approved by the Board of Directors on 17 July 2020 and were signed on its behalf by:

  
G. W. Leask  
Director

Registered number 6674365

## Statement of Changes in Equity

for the year ended 31 December 2019

	Called up share capital €000	Profit and loss account €000	Total equity €000
Balance at 1 January 2018		283,539	283,539
<b>Total comprehensive income for the year, comprising:</b>			
Profit for the financial year		10,898	10,898
		<hr/>	<hr/>
Total comprehensive income for the year		10,898	10,898
		<hr/>	<hr/>
<b>Balance at 31 December 2018</b>		<b>294,437</b>	<b>294,437</b>
		<hr/>	<hr/>

	Called up share capital €000	Profit and loss account €000	Total Equity €000
Balance at 1 January 2019		294,437	294,437
<b>Total comprehensive income for the year, comprising:</b>			
Profit for the financial year		9,768	9,768
		<hr/>	<hr/>
Total comprehensive income for the year		9,768	9,768
		<hr/>	<hr/>
<b>Balance at 31 December 2019</b>		<b>304,205</b>	<b>304,205</b>
		<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements)

### 1 Accounting policies

INEOS Derivatives France Limited (the “Company”) is a private limited Company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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

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

The financial statements are expressed in euros as the Company primarily generates income, incurs expenditure and has the majority of their assets and liabilities denominated in euros. The exchange rate as at 31 December 2019 was €1.17055/£1 (2018: €1.10939/£1).

The Company’s parent undertaking, INEOS Chemicals France Holdings Limited includes the Company in its consolidated financial statements. INEOS Chemicals France Holdings Limited is a company incorporated in the UK. The consolidated financial statements of INEOS Chemicals France Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of INEOS Chemicals France Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*;
- Certain disclosures required by IFRS 15 *Revenue from Contracts with Customers*; and
- Certain disclosures required by IFRS 16 *Leases* in respect of leases for which the Company is a lessee.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 20.



## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments and financial assets classified as fair value through the profit or loss or fair value through comprehensive income.

#### 1.2 Going concern

The Company meets its day-to-day working capital requirements through its inter-company loan facility. The Company's forecasts and projections including a rigorous assessment of the potential impact of COVID-19 show that the Company should be able to operate within the levels of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### 1.3 Foreign currency

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

#### 1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are tested for classification as per IFRS 9. If the trade debtors satisfy the criteria for cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost they are recognised at fair value through profit or loss.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Interest-bearing borrowings*

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

#### 1.5 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent re-measurement to fair value is recognised immediately in profit or loss.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Lease assets being depreciated over the shorter of the lease term and their useful lives. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Plant and equipment 4-20 years
- Right-of-use assets 1-24 years

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

#### 1.8 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

#### 1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.10 Impairment of financial assets

##### Trade and other debtors

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade debtors and contract assets. This approach requires the Company to recognise the lifetime expected loss provision for all trade debtors taking in consideration historical as well as forward-looking information.

Financial assets which are considered low risk are not provided for impairment by the Company.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

#### 1.11 Impairment of non-financial assets excluding inventories and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are assessed at the end of the reporting period to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.11 Impairment of non-financial assets excluding inventories and deferred tax assets (continued)

##### *Calculation of recoverable amount*

The recoverable amount is the greater of fair value less cost to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### *Reversals of Impairment*

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.13 Turnover

Turnover represents the invoiced value of products and services sold or services provided to third parties net of sales discounts, value added taxes and duties. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from the standalone selling prices for goods and services, allocated to the performance obligations. Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are dispatched or delivered depending on the relevant delivery terms and point at which the control of the good or service is transferred to the customer.

Services provided to third parties include administrative and operational services provided to other chemical companies with facilities on our sites revenue is recognised at a point in time or over-time depending on whether the over-time revenue recognition criteria is met.

#### 1.14 Interest receivable and interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). 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. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.15 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 profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.16 Changes in accounting policies

From 1 January 2019, the Company has applied IFRS 16 for the first time along with a number of other new standards, although only IFRS 16 has had a material effect on the Company's financial statements.

##### IFRS 16 Leases

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

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

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

The Company has applied IFRS 16 on 1 January 2019 using the 'modified retrospective approach' without restatement of comparative information. The details of the changes in accounting policies are disclosed below.

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

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

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.16 Changes in accounting policies (continued)

##### IFRS 16 Leases (continued)

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

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

As at 1 January 2019, the Company has recognised additional lease liabilities of €1,209,000. The table below provides a reconciliation between operating lease commitments disclosed as at 31 December 2018 and the lease liability recognised as at 1 January 2019.

	2019 €000
Operating lease commitments disclosed as at 31 December 2018	1,359
Impact of discounting using the Company's incremental borrowing rates at the date of initial application	(150)
<b>Additional lease liability recognised on 1 January 2019</b>	<b>1,209</b>
Add finance lease liabilities recognised as at 31 December 2018	
<b>Lease liability recognised as at 1 January 2019</b>	<b>1,209</b>
<i>Of which are:</i>	
Current lease liabilities	511
Non-current lease liabilities	698
	<b>1,209</b>

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.84%.

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

- Right-of use assets – increase of €1,209,000.
- Lease liabilities – increase of €1,209,000. From 1 January 2019 all lease liabilities have been categorised within "Creditors" on the balance sheet.

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

#### (ii) Practical expedients applied

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

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting Policies (continued)

#### 1.16 Changes in accounting policies (continued)

##### IFRS 16 Leases (continued)

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

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

##### Lease policies applicable from 1 January 2019

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

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

##### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### *Lease liabilities*

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

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.16 Changes in accounting policies (continued)

##### Lease policies applicable from 1 January 2019 (continued)

##### IFRS 16 Leases (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### Short-term leases and leases of low-value assets

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

##### Policies applicable prior to 1 January 2019

##### Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

##### Finance lease payments

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

##### New amendments for 2019

The Company has applied the following amendments to accounting standards for the first time in 2019 with effect from 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments for annual periods beginning on or after 1 January 2019 - IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) for annual periods beginning on or after 1 January 2019 - The IASB has changed IFRS 9's requirements in two areas of financial instruments accounting - financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9; and companies that have modified or exchanged fixed rate financial liabilities face a significant change in the accounting for non-substantial modifications that do not result in de-recognition.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) for annual periods beginning on or after 1 January 2019 - The amendment addresses equity-accounted loss absorption by long-term interests, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.17 Changes in accounting policies (continued)

##### New amendments for 2019 (continued)

- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) for annual periods beginning on or after 1 January 2019 - This amendment clarifies that - on amendment, curtailment or settlement of a defined benefit plan, a Company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).



## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 2 Turnover

	2019 €000	2018 €000
Sale of goods	774,891	823,138
<b>Total turnover</b>	<b>774,891</b>	<b>823,138</b>
	2019 €000	2018 €000
By activity:		
Olefins and Polymers	774,891	823,138
By geographical market:		
UK	142,332	176,946
Rest of Europe	571,214	584,715
Rest of World	61,345	61,477
	<b>774,891</b>	<b>823,138</b>

All turnover is derived from operations from the Rest of Europe.

The timing of revenue recognition for the vast majority of the Company's sale transactions is at a point in time. Revenues for goods or services transferred over time are immaterial.

No contract assets and liabilities have been recognised in the Balance Sheet of the Company. Its impact, if any, was deemed immaterial. The performed analysis has concluded that the right of payment of the goods and services sold by the Company is unconditional, except for the passage of time. Therefore, all rights of payment have been booked as trade debtor.

No assets related to costs to obtain or fulfil a contract have been recognised.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 3 Other operating income

	2019 €000	2018 €000
<b>Other operating income</b>		
Intercompany profit share income	18,687	7,363
<b>Other operating expense</b>		
Intercompany profit share expense	(4,963)	
<b>Net other operating income</b>	<u>13,724</u>	<u>7,363</u>

From the beginning of 2017, profit sharing agreements were entered into between INEOS Derivatives France Limited (IDFL) and INEOS Olefins S.A. (IOSA).

In return for management of investment and capital expenditure decisions IDFL receive a share of IOSA's net operating income or loss. IOSA provide sales and marketing services for which IDFL pay a fee based on their operating income or loss.

### 4 Operating loss

*Included in loss are the following:*

	2019 €000	2018 €000
Hire charges under operating leases – plant and machinery	-	116,334
Depreciation of owned tangible fixed assets (Note 9)	750	365
Depreciation of right-of-use tangible fixed assets	554	
Exchange gain	(81)	
<b>Auditor's remuneration:</b>		
	2019 €000	2018 €000
Audit of these financial statements	<u>105</u>	<u>98</u>

The total in 2019 includes fees paid to Deloitte LLP for the audit of the financial statements of the Company. Auditor's remuneration for services provided during the year ended 31 December 2018 relates to amounts paid to PricewaterhouseCoopers LLP.

### 5 Directors and employees

The Company had no employees during the year (2018: none). No Directors received any fees or remuneration in respect of their services as a Director of the Company during the financial year (2018: none).

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 6 Interest receivable and similar income

	2019 €000	2018 €000
Interest income on financial assets measured at amortised cost	22,816	22,071
Net foreign exchange gain	62	-
	<hr/>	<hr/>
<b>Total interest receivable and similar income</b>	<b>22,878</b>	<b>22,071</b>
	<hr/>	<hr/>

Interest receivable and similar income includes income from group undertakings of €22,816,000 (2018: €22,071,000).

### 7 Interest payable and similar expenses

	2019 €000	2018 €000
Interest expense on financial assets measured at amortised cost	655	643
Interest on lease liabilities	27	-
	<hr/>	<hr/>
<b>Total interest payable and similar expenses</b>	<b>682</b>	<b>643</b>
	<hr/>	<hr/>

Interest payable and similar expenses includes interest payable to group undertakings of €62,000 (2018: €601,000).

### 8 Tax on profit

#### Recognised in the profit and loss account

	2019 €000	2018 €000
<i>UK corporation tax</i>		
Current tax on profit for the year	2,513	2,567
Adjustments in respect of prior periods	580	349
	<hr/>	<hr/>
<b>Total current tax</b>	<b>3,093</b>	<b>2,916</b>
	<hr/>	<hr/>
<i>Deferred tax (Note 12)</i>		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	(668)
	<hr/>	<hr/>
<b>Total deferred tax</b>	<b>-</b>	<b>(668)</b>
	<hr/>	<hr/>
<b>Tax on profit</b>	<b>3,093</b>	<b>2,248</b>
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 8 Tax on profit (continued)

#### Reconciliation of effective tax rate

	2019 €000	2018 €000
Tax on profit	3,093	2,248
Profit before taxation	12,861	13,146
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19.00%)	2,444	2,498
Non-deductible expenses	69	69
Adjustments in respect of prior periods	580	(319)
<b>Total tax charge</b>	<b>3,093</b>	<b>2,248</b>

The UK Corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. The rate will reduce further to 17% from 1 April 2020. In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020 rather than reducing it to 17% from 1 April 2020. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

### 9 Tangible assets

	Plant and machinery €000	Assets under construction €000	Right-of-use assets €000	Total €000
<b>Cost</b>				
Balance at 1 January 2019	2,189	4,481	-	6,670
Impact of adopting IFRS 16	-	-	1,209	1,209
Additions	-	23	-	23
Disposals	(2,189)	-	(16)	(2,205)
Transfers	4,503	(4,503)	-	-
Balance at 31 December 2019	4,503	1	1,193	5,697
<b>Accumulated depreciation</b>				
Balance at 1 January 2019	(2,189)	-	-	(2,189)
Depreciation charge for the financial year	(750)	-	(554)	(1,304)
Disposals	2,189	-	16	2,205
Balance at 31 December 2019	(750)	-	(538)	(1,288)
<b>Net book value</b>				
At 31 December 2018	-	4,481	-	4,481
At 31 December 2019	3,753	1	655	4,409

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 9 Tangible assets (continued)

#### Leased plant and machinery

The Company leases several assets including transportation which are classified as right-of-use assets.

More information regarding the right-of-use assets is presented below

	Land and buildings €000	Plant and machinery €000	Right-of-use assets total €000
<b>Cost</b>			
Impact of adopting IFRS 16 (Note 1)	-	1,209	1,209
Additions	-	-	-
Disposals	-	(16)	(16)
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2019	-	1,193	1,193
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
Depreciation charge	-	(554)	(554)
Disposals	-	16	16
	<hr/>	<hr/>	<hr/>
	-	(538)	(538)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2019	-	655	655
	<hr/>	<hr/>	<hr/>

See note 16 for the leased obligations on right-of-use assets.

### 10 Stocks

	2019 €000	2018 €000
Raw materials and consumables	9,072	9,965
Finished goods	90,348	85,296
	<hr/>	<hr/>
	99,420	95,261
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €609,591,000 (2018: €644,872,000). The write-down of stocks to net realisable value amounted to €623,000 (2018: €1,693,000).

On 17 June 2019, the Company entered into an inventory monetisation agreement with J Aron & Company LLC. The 12 month facility is for an amount of €45,000,000 secured against inventory, and post year end was subsequently extended to 30 June 2021

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 11 Debtors

	2019 €000	2018 €000
Trade debtors	28	116
Amounts owed by group undertakings	548,045	531,482
Other debtors	975	2,554
Taxation and social security	4,631	2,382
Prepayments and accrued income	630	50
	<b>554,309</b>	<b>536,584</b>
Due within one year	<b>67,580</b>	<b>52,700</b>
Due after more than one year	<b>486,729</b>	<b>483,884</b>

Amounts owed by group undertakings due after more than one year are unsecured, attract interest at 4.50% – 5.00 % and are repayable in 2 to 5 years.

The amounts not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers. At 31 December 2018 and 2019 there were no significant trade, related party or other debtor balances not past due that were subsequently impaired.

#### *Credit risk of trade debtors*

	€000
Low	24
Medium	1
High	3
Impairment allowance	-
	<b>28</b>

During the year the Company has not experienced a significant deterioration in the quality of debtor balances due to the current economic conditions.

There were no allowances made against amounts due from other debtors during the year (2018: *€nil*).

There were no allowances made against amounts due from group undertakings during the year (2018: *€nil*).

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 12 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 €000	2018 €000	2019 €000	2018 €000	2019 €000	2018 €000
Tax value of loss carry-forwards	3,755	3,755	-	-	3,755	3,755
<b>Net tax assets</b>	<b>3,755</b>	<b>3,755</b>	<b>-</b>	<b>-</b>	<b>3,755</b>	<b>3,755</b>

#### Movement in deferred tax during the year

	1 January 2019 €000	Recognised in income €000	31 December 2019 €000
Tax value of loss carry-forwards utilised	3,755	-	3,755
	<b>3,755</b>	<b>-</b>	<b>3,755</b>

#### Movement in deferred tax during the prior year

	1 January 2018 €000	Recognised in income €000	31 December 2018 €000
Tax value of loss carry-forwards utilised	3,087	668	3,755
	<b>3,087</b>	<b>668</b>	<b>3,755</b>

There are no unrecognised deferred tax amounts.

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

	2019 €000	2018 €000
Trade creditors	19,777	25,736
Amounts owed to group undertakings	326,809	329,426
Taxation and social security	3,272	3,060
Accruals and deferred income	3,623	3,818
Lease liabilities (Note 16)	492	-
Other financial liabilities	32,617	-
	<b>386,590</b>	<b>362,040</b>

Amounts owed to group undertakings due within one year are unsecured, attract interest at commercial rates, have no fixed date of repayment and are repayable on demand.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 14 Creditors: amounts falling due after more than one year

	2019 €000	2018 €000
Accruals and deferred income	966	1,015
Lease liabilities (Note 16)	253	-
<b>Total creditors: amounts falling due after more than one year</b>	<b>1,219</b>	<b>1,015</b>

### 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.

	2019 €000	2018 €000
<b>Creditors falling due within one year</b>		
Intercompany loan	266,458	-
Inventory financing facility	32,617	-
	<b>299,075</b>	<b>-</b>

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 €000	Carrying amount 2019 €000	Face Value 2018 €000	Carrying amount 2018 €000
Intercompany loan	€	5% + LIBOR	2024	266,458	266,458	-	-
Inventory financing facility	€	EIONA - 0.15%	2020	32,617	32,617	-	-
				<b>299,075</b>	<b>299,075</b>	<b>-</b>	<b>-</b>

#### Inventory Financing Facility

On 17 June 2019 INEOS Derivatives France Limited entered into an inventory monetisation agreement with J Aron & Company LLC ('J Aron'), for an initial term of one year but extendable by mutual agreement. Under this arrangement, the Company sold certain inventory to J Aron and agreed to buy-back equivalent inventory at the end of the term at the same price. During the term, and subject to certain covenants and rights of J Aron, J Aron provides the Company with a just-in-time service for use of the inventory, and the ability to substitute used inventory with equivalent inventory, in return for a transaction fee. The arrangement is supported by a Group parent company guarantee and a cash collateral mechanism. The total amount outstanding at December 31, 2019 before issue costs was €32,850,000. Post year end the facility was subsequently extended to 30 June 2021.



## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 16 Lease obligations

	2019 €000
<i>Analysed as:</i>	
Current lease liabilities (Note 13)	492
Non-current lease liabilities (Note 14)	253
	<hr/>
	745
	<hr/>
	2019 €000
<i>Maturity analysis- contractual undiscounted cash flows:</i>	
Less than one year	505
Between one and five years	255
	<hr/>
<b>Total undiscounted lease liabilities at 31 December</b>	<b>760</b>
	<hr/>

The company leases items of equipment, the typical life of the leases vary between 1 and 2 years.

#### Prior to 1 Jan 2019

#### *Operating lease liabilities:*

Future aggregate minimum lease payments are as follows:

	2018 €000
Less than one year	118,835
	<hr/>

### 17 Called up share capital

	Ordinary shares 2019
Number of shares	
On issue at 1 January and 31 December 2019 - fully paid	1
	<hr/>
	2019 €000
	2018 €000
<i>Allotted, called up and fully paid</i>	
1 (2018:1) ordinary share of €1 each	
	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. As the reporting currency of the Company is the Euro the share capital has been converted to Euros at the effective rate of exchange ruling at the date of issuance.

#### *Dividends*

A dividend has not been paid or declared in the year (2018: €nil).

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 18 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow subsidiaries under common ownership. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	Sales to related party		Purchases from related party	
	2019 €000	2018 €000	2019 €000	2018 €000
Other related parties	-	-	22,482	886
	<u>-</u>	<u>-</u>	<u>22,482</u>	<u>886</u>

	Receivables outstanding		Creditors outstanding	
	2019 €000	2018 €000	2019 €000	2018 €000
Other related parties	-	-	1,425	2,970
	<u>-</u>	<u>-</u>	<u>1,425</u>	<u>2,970</u>

### 19 Controlling parties

The immediate parent undertaking is INEOS Chemicals France Holdings Limited, a company incorporated in the UK.

The ultimate parent company at 31 December 2019 was INEOS Limited, a company incorporated in the Isle of Man.

INEOS Chemicals France Holdings Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the financial statement of INEOS Chemicals France Holdings Limited can be obtained from the Company Secretary, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent undertakings INEOS Limited.

## Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

### 20 Accounting estimates and judgements

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework”, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The following areas are considered to involve a significant degree of judgement or estimation.

#### Critical judgements in applying the Company’s accounting policies

The directors do not consider there to be any critical judgements, apart from those involving estimations, which are presented separately below.

#### Key sources of estimation uncertainty

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

#### Taxation

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

The Company has, from time to time, contingent tax liabilities arising from trading and corporate transactions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

Details of amounts recognised with regard to taxation are disclosed in Notes 8 and 12.

#### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 9 for the carrying amount of the plant and equipment, and Note 1 for the useful economic lives for each class of assets.

#### Impairment of debtors

The bad debt provision is used to record any impairment loss unless the Company is satisfied that no recovery of the amount owing is probable; at that point the amounts considered irrecoverable are written off against the trade debtors directly. As of 1 January 2018, IFRS 9 replaced the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model in assessing the recoverability of trade debtors. Due to the quality of the Company’s trade debtors and its low history of bad debts the application of IFRS9 did not result in a material change to the allowance for impairment in respect of debtors. The impact was calculated considering past experience and management’s estimate of future developments. Management expects no considerable change in the future market situation. Consequently, the future credit losses in the ECL model are in the same range as the credit losses experienced in the past years. This is regarded as the future expectation of the inherent credit risk of the not impaired debtors outstanding. The Company will review the assumptions of the ECL model on a yearly basis.

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

(forming part of the financial statements) (continued)

### 21 Subsequent events

#### *United Kingdom withdrawal from the European Union ("Brexit")*

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has made significant plans to limit the impact of Brexit on its activities from liaising with employees, contingent planning for inventories and review ways of working for export sales.

#### *COVID-19 coronavirus*

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

#### *Inventory Financing Facility*

On 17 June 2019 INEOS Derivatives France Limited entered into an inventory monetisation agreement with J Aron & Company LLC ('J Aron'), for an initial term of one year but extendable by mutual agreement. Post year end the facility was subsequently extended to 30 June 2021.