INEOS Derivatives France Limited

Annual report and financial statements

Registered number 6674365

31 December 2017

Contents

Strategic report for the year ended 31 December 2017

The directors present their strategic report on the Company for the year ended 31 December 2017.

Review of business and future developments

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.

The polymer market was healthy in 2017 and the Company improved its turnover compared to the previous year. However, the increase in raw material costs led to a moderate reduction in sales contribution on some markets.

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. Nevertheless, 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.

Results and Dividends

The profit for the financial year before taxation was €56,338,000 (*2016: €74,622,000*). The directors do not propose the payment of a dividend (*2016: €nil*).

Strategy

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

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.

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.

On behalf of the board

G W Leask
Director
27th July 2018

Directors' report for the year ended 31 December 2017

The directors present their report and audited financial statements of the Company for the year ended 31 December 2017.

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.

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 2017 *(continued)*

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure information to auditors

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Independent auditors

During the year PricewaterhouseCoopers LLP we re-appointed as auditors of the Company.

On behalf of the Board

G W Leask
Director
27th July 2018
Registered number 6674365

Independent auditors' report to the members of INEOS Derivatives France Limited

Report on the audit of the financial statements

Our opinion

In our opinion, INEOS Derivatives France 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of INEOS Derivatives France Limited *(continued)*

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditors' report to the members of INEOS Derivatives France Limited *(continued)*

Responsibilities for the financial statements and the audit (continued)

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Ian Marsden

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

27 July 2018

Profit and Loss Account

For the year ended 31 December 2017

	Note	2017 €000	2016 €000
Turnover	2	**864,794**	762,366
Cost of sales		**(781,476)**	(665,270)
Gross profit		**83,318**	97,096
Distribution costs		**(37,603)**	(34,052)
Administrative expenses		**(5,237)**	(2,921)
Other operating expense	3	**(5,363)**	-
Operating profit	4	**35,115**	60,123
Other interest receivable and similar income	6	**21,252**	23,290
Interest payable and similar expenses	7	**(29)**	(8,791)
Profit before taxation		**56,338**	74,622
Tax on profit	8	**(10,422)**	(13,866)
Profit for the financial year		**45,916**	60,756

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 2017

	Note	**2017**	2016
		€000	€000
Fixed assets			
Tangible assets	*9*	**939**	730
		939	730
Current assets			
Stocks	*10*	**97,514**	88,504
Debtors (including €461,784,000 (*2016: €440,530,000*) due after 1 year)	*11*	**536,038**	498,037
Deferred tax asset	*12*	**3,087**	8,439
Cash at bank and in hand		**35,479**	14,954
		672,118	609,934
Creditors: amounts falling due within one year	*13*	**(388,658)**	(373,041)
Net current assets		**283,460**	236,893
Total assets less current liabilities		**284,399**	237,623
Creditors : amounts falling due after more than one year	*14*	**(860)**	-
Net assets		**283,539**	237,623
Capital and reserves			
Called up share capital	*15*	**-**	-
Profit and loss account		**283,539**	237,623
Total equity		**283,539**	237,623

These financial statements on pages 7 to 24 were approved by the board of directors on 27th July 2018 and were signed on its behalf by:

G W Leask
Director

Company registered number: 6674365

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital €000	Profit and loss account €000	Total equity €000
Balance at 1 January 2016	-	176,867	176,867
Total comprehensive income for the year, comprising:			
Profit for the financial year	-	60,756	60,756
Balance at 31 December 2016	**-**	**237,623**	**237,623**

	Called up share capital €000	Profit and loss account €000	Total Equity €000
Balance at 1 January 2017	-	237,623	237,623
Total comprehensive income for the year, comprising:			
Profit for the financial year	-	45,916	45,916
Balance at 31 December 2017	**-**	**283,539**	**283,539**

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements)

1 Accounting policies

INEOS Derivatives France Limited (the "Company") is a private limited company limited by shares incorporated and domiciled in the United Kingdom. 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 2017 was €1.12575/£1 (*2016: €1.16564/£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 3 *Business Combinations* in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

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 19.

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 classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The Company meets its day-to-day working capital requirements through its intercompany current account facility. The Company's forecasts and projections, taking into account any reasonable changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, 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. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

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.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

1.5 Derivative financial instruments

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

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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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. 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 6 years

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

1.8 Business combinations

All unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

Acquisitions on or after 1 January 2013 (date of transfer to IFRSs)

For acquisitions on or after 1 January 2013, the Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value of the identifiable assets acquired and liabilities assumed).

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of acquisition.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

1.9 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included within fixed assets and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered, whether through depreciation or sale. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Acquisitions under common control

Acquisitions under common control are accounted for at book value. The difference in the book value of the assets acquired and consideration paid is recognised in the retained earnings.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.

1.10 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.

1.11 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.

1.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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 in respect of goodwill is not subsequently reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 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.

1.14 Turnover

Turnover represents the invoiced value of products sold to third parties net of value added tax and sales taxes. Sales are recognised when significant risks and rewards of ownership have passed to the buyer and sales can be reliably measured. This is either when goods are dispatched or delivered depending on the relevant delivery terms, when the prices are determined or when collectability is considered probable.

1.15 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) 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.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

1.15 Expenses (continued)

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. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and finance 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.

1.16 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.

1.17 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements) *(continued)*

1 Accounting policies *(continued)*

1.17 Non-current assets held for sale and discontinued operations (continued)

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

2 Turnover

	2017 €000	2016 €000
Sale of goods	864,794	762,366
Total turnover	**864,794**	762,366

	2017 €000	2016 €000
By activity:		
Polymers	864,794	762,366
By geographical market:		
UK	184,106	151,702
Rest of Europe	623,280	556,101
Rest of World	57,408	54,563
	864,794	762,366

All revenue is derived from operations in the Rest of Europe.

3 Other operating expense

	2017 €000	2016 €000
Other operating income		
Intercompany profit share income	10,480	-
Other operating expense		
Intercompany profit share expense	(15,843)	-
Net other operating expense	(5,363)	-

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.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

4 Operating profit

Included in profit are the following:

	2017 €000	2016 €000
Hire charges under operating leases – plant and machinery	**121,491**	99,446
Depreciation of owned tangible fixed assets (note 9)	**365**	365

Auditors' remuneration:

	2017 €000	2016 €000
Audit of these financial statements	**97**	98

5 Directors and employees

The Company had no employees during the year (*2016: none*). No Directors received any fees or remuneration in respect of their services as a Director of the Company during the financial year (*2016: none*).

6 Other interest receivable and similar income

	2017 €000	2016 €000
Interest income on financial assets not at fair value through profit or loss	**21,252**	23,290

Interest receivable and similar income includes income from group undertakings of €21,227,000 (*2016: €19,277,000*).

7 Interest payable and similar expenses

	2017 €000	2016 €000
Total interest expenses on financial liabilities measured at amortised cost	**29**	8,791

Interest payable and similar expenses includes interest payable to group undertakings of €28,000 (*2016: €164,000*).

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements) *(continued)*

8 Tax on profit

Recognised in the profit and loss account

	2017 €000	2016 €000
UK corporation tax		
Current tax on profit for the year	6,837	4,784
Adjustments in respect of prior periods	(1,767)	(551)
Total current tax	5,070	4,233
Deferred tax (see note 12)		
Origination and reversal of temporary differences	4,114	10,141
Adjustments in respect of prior periods	1,238	(508)
Total deferred tax	5,352	9,633
Tax on profit	10,422	13,866

Reconciliation of effective tax rate

	2017 €000	2016 €000
Total tax charge	10,422	13,866
Profit before taxation	56,338	74,622
Profit before taxation multiplied by the standard rate of tax in the UK of 19.25% *(2016:20%)*	10,845	14,925
Non-deductible expenses	106	-
Adjustments in respect of prior periods	(529)	(1,059)
Total tax charge	10,422	13,866

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. Any deferred tax expected to reverse after 1 April 2020 has been re-measured using the rates substantively enacted at 31 December 2017.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

9 Tangible assets

	Plant and equipment €000	Under Construction €000	Total €000
Cost			
Balance at 1 January 2017	2,189	-	2,189
Additions	-	574	574
Balance at 31 December 2017	2,189	574	2,763
Accumulated depreciation			
Balance at 1 January 2017	(1,459)	-	(1,459)
Depreciation charge for the financial year	(365)	-	(365)
Balance at 31 December 2017	(1,824)	-	(1,824)
Net book value			
At 31 December 2016	730	-	730
At 31 December 2017	**365**	**574**	**939**

10 Stocks

	2017 €000	2016 €000
Raw materials and consumables	**10,122**	11,302
Finished goods	**87,392**	77,202
	97,514	88,504

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €639,881,000 *(2016: €531,536,000)*. The write-down of stocks to net realisable value amounted to €nil *(2016: €nil)*. The reversal of write-downs amounted to €nil *(2016: €nil)*.

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements) *(continued)*

11 Debtors

	2017 €000	2016 €000
Trade debtors	69,896	55,149
Amounts owed by group undertakings	461,990	440,653
Other debtors	1,274	1,318
Taxation and social security	996	748
Prepayments and accrued income	1,882	169
	536,038	498,037
Due within one year	74,254	57,507
Due after more than one year	461,784	440,530

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

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	
	2017 €000	2016 €000	2017 €000	2016 €000	2017 €000	2016 €000
Tax value of loss carry-forwards	3,087	8,284	-	-	3,087	8,284
Accelerated capital allowances	-	155	-	-	-	155
Net tax assets	3,087	8,439	-	-	3,087	8,439

Movement in deferred tax during the year

	1 January 2017 €000	Recognised in income €000	31 December 2017 €000
Tax value of loss carry-forwards utilised	8,284	(5,197)	3,087
Accelerated capital allowances	155	(155)	-
	8,439	(5,352)	3,087

Movement in deferred tax during the prior year

	1 January 2016 €000	Recognised in income €000	31 December 2016 €000
Tax value of loss carry-forwards utilised	18,027	(9,743)	8,284
Accelerated capital allowances	45	110	155
	18,072	(9,633)	8,439

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

13 Creditors: amounts falling due within one year

	2017 €000	2016 €000
Trade creditors	78,432	66,099
Amounts owed to group undertakings	304,654	304,680
Taxation and social security	1,707	1,367
Accruals and deferred income	3,865	895
	388,658	373,041

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.

14 Creditors: amounts falling due after more than one year

	2017 €000	2016 €000
Accruals and deferred income	860	-

15 Called up share capital

	Ordinary shares 2017
Number of shares	
On issue at 1 January and 31 December 2017 - fully paid	1

	2017 €000	2016 €000
Allotted, called up and fully paid		
1 ordinary share of £1 each *(2016: 1)*	-	-

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.

Notes to the financial statements for the year ended 31 December 2017

(forming part of the financial statements) *(continued)*

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 €000	2016 €000
Less than one year	**124,033**	101,435

The Company leases items of plant and machinery under operating leases with the Toll manufacturers (the Tollco's). The Tollco's are: INEOS Manufacturing Italia SpA, who owns the petrochemical site at Rosignano, Italy; INEOS Chemicals Lavera SAS who owns petrochemical plants at Lavera, France and INEOS Polymers Sarralbe SAS who owns the petrochemical site at Sarralbe, France. Toll processing agreements exist with the Company which specify that the Tollco will provide toll processing services to the Company. The agreements also specify that production schedules will be based on orders from the Company and that the Tollco will de facto be dedicated to this agreement.

In consideration for the Tollco's obligations under the tolling agreements, the Company pays processing fees. The processing fees are calculated based on the total fixed and variable actual costs incurred by the Tollco referable to the agreements, plus a fixed processing margin which is reviewed periodically. The monetary value of this tolling agreement over the next 12 months has been estimated to be €124,033,000. Total charges under the agreements for the year were €121,603,000 *(2016: €99,466,000).*

17 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	
	2017 €000	2016 €000	2017 €000	2016 €000
Other related parties	**844,644**	747,032	**434,820**	308,787

	Receivables outstanding		Creditors outstanding	
	2017 €000	2016 €000	2017 €000	2016 €000
Other related parties	**68,742**	51,210	**46,808**	44,313
	68,742	51,210	**46,808**	44,313

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements) *(continued)*

18 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 2017 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.

19 Accounting estimates and judgements

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.

Impairment reviews

IFRS require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Company's impairment evaluation and results.

Notes to the financial statements for the year ended 31 December 2017
(forming part of the financial statements) *(continued)*

19 Accounting estimates and judgements *(continued)*

Impairment reviews *(continued)*

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows.

Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

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