

# **INEOS Derivatives France Limited**

**Annual report and financial statements**

**Registered number 6674365**

**31 December 2018**



## **Contents**

Strategic report	1
Directors' report	2
Independent auditors' report to the members of INEOS Derivatives France Limited	5
Profit and Loss Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements)	11

## Strategic report for the year ended 31 December 2018

The directors present their strategic report on the Company for the year ended 31 December 2018.

### 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.

During Q4 2018, the manufacturing plants located in Lavera had planned turnaround events, production at the site is reduced during these events while the plants undergo critical maintenance activities.

European polymer demand was firm in a balanced market with good volumes and solid margins during the year, although there was some deterioration in the second half as markets lengthened.

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 petrochemicals 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 UK has voted to leave the EU and during the course of 2018/19 the UK government has been negotiating the terms of a deal for BREXIT. O&P South has identified the potential impact to the business which would result from the various BREXIT scenarios, assessed the risks that will affect the business and has developed mitigating action plans to be implemented once the outcome of BREXIT is known.

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 €13,146,000 (2017: €56,338,000). The directors do not propose the payment of a dividend (2017: *€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)

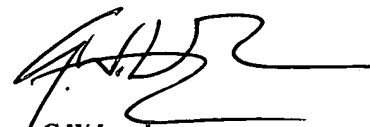
Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of INEOS Chemicals France Holdings Limited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

## **Strategic report for the year ended 31 December 2018 (*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.

On behalf of the board



**G W Leask**  
**Director**  
27 June 2019

## Directors' report for the year ended 31 December 2018

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

### 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 2018 *(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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Statement of disclosure information to auditors

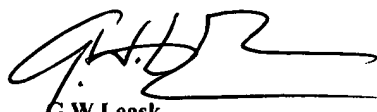
In the case of each director in office at the date the Directors' report is approved:

- 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

27 June 2019

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:

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

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the 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**

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

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

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

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

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

### **Report on the audit of the financial statements (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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Responsibilities for the financial statements and the audit (continued)**

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

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

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

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

27 June 2019

## **Profit and Loss Account**

*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>€000</b>	<b>2017</b> <b>€000</b>
<b>Turnover</b>	<b>2</b>	<b>823,138</b>	<b>864,794</b>
Cost of sales		<b>(796,867)</b>	<b>(781,476)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>26,271</b>	<b>83,318</b>
Distribution costs		<b>(37,542)</b>	<b>(37,603)</b>
Administrative expenses		<b>(4,374)</b>	<b>(5,237)</b>
Other operating income/(expense)	<b>3</b>	<b>7,363</b>	<b>(5,363)</b>
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	<b>4</b>	<b>(8,282)</b>	<b>35,115</b>
Other interest receivable and similar income	<b>6</b>	<b>22,071</b>	<b>21,252</b>
Interest payable and similar expenses	<b>7</b>	<b>(643)</b>	<b>(29)</b>
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>13,146</b>	<b>56,338</b>
Tax on profit	<b>8</b>	<b>(2,248)</b>	<b>(10,422)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>10,898</b>	<b>45,916</b>
		<hr/> <hr/>	<hr/> <hr/>

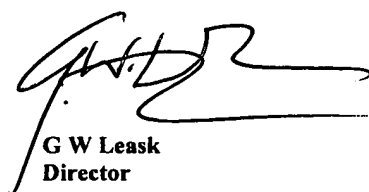
The Company has no recognised other comprehensive income and therefore no separate statement of comprehensive income has been presented.

All activities of the Company relate to continuing operations.

**Balance Sheet**  
as at 31 December 2018

	Note	2018 €000	2017 €000
<b>Fixed assets</b>			
Tangible assets	9	4,481	939
		<u>4,481</u>	<u>939</u>
<b>Current assets</b>			
Stocks	10	95,261	97,514
Debtors (including €483,884,000 (2017: €461,784,000) due after 1 year)	11	536,584	536,038
Deferred tax asset	12	3,755	3,087
Cash at bank and in hand		17,411	35,479
		<u>653,011</u>	<u>672,118</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(362,040)</u>	<u>(388,658)</u>
<b>Net current assets</b>		<u>290,971</u>	<u>283,460</u>
<b>Total assets less current liabilities</b>		<u>295,452</u>	<u>284,399</u>
<b>Creditors : amounts falling due after more than one year</b>	14	<u>(1,015)</u>	<u>(860)</u>
<b>Net assets</b>		<u>294,437</u>	<u>283,539</u>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account		294,437	283,539
<b>Total equity</b>		<u>294,437</u>	<u>283,539</u>

These financial statements on pages 8 to 28 were approved by the board of directors on 27 June 2019 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 2018

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

	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/>	<hr/>
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>294,437</b>	<b>294,437</b>

## Notes to the financial statements for the year ended 31 December 2018 (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 2018 was €1.10939/£1 (2017: €1.12575/£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*.

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.

## Notes to the financial statements for the year ended 31 December 2018 (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 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 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 remeasurement to fair value is recognised immediately in profit or loss.

## Notes to the financial statements for the year ended 31 December 2018 (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.

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 2018 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.09 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.

#### 1.10 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.

#### 1.11 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.

#### 1.12 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.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

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.

##### 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.



## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

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

##### *Reversals of Impairment*

An impairment loss in respect of goodwill is not reversed.

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.

#### 1.13 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 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.

#### 1.15 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.

##### *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.

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

#### 1.15 Expenses (continued)

##### *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 Changes in accounting policies

From 1 January 2018 the Company has applied IFRS 9 and IFRS 15 for the first time along with a number of other new standards, although none have had a material effect on the Company's financial statements.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Company has adopted IFRS 15 using the retrospective method with the effect of initially applying the standard recognised at the date of the earliest comparative period (i.e. 1 January 2017). The Company has elected for the following practical expedients available under the retrospective transition method:

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

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

1. The Company does not restate completed contracts that begin and end within the same annual reporting period or restate contracts that are completed contracts at the beginning of the earliest comparative period presented.
2. The Company uses the transaction price at the date on which the contract was completed, rather than estimating the variable consideration amounts in each comparative reporting period.
3. The Company does not separately evaluate the effects of contract modifications before the beginning of the earliest reporting period presented using the contract modifications requirements in the new standard. Instead, the Company has reflected the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented in:
  - (i) identifying the satisfied and unsatisfied performance obligations;
  - (ii) determining the transaction price; and
  - (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.
4. The Company does not disclose for reporting periods presented before the date of initial application (i.e. 1 January 2018):
  - (i) the amount of the transaction price allocated to the remaining performance obligations; nor
  - (ii) an explanation of when the entity expects to recognise that amount as revenue.

The details and quantitative impact of the changes in accounting policies are disclosed below.

#### *Shipping and handling activities recognised as separate performance obligation*

The Company previously did not assess shipping and handling activities as separate performance obligations and recognised revenue on transfer of goods to the customer. Under IFRS 15, when shipping and handling activities are performed after the customer obtains control of the goods, they are treated as a separate performance obligation, and therefore a portion of the transaction price is allocated to shipping and handling and revenue is recognised as the shipping and handling performance obligation is satisfied.

#### *Volume discounts and early payment discounts*

The Company previously recognised revenue for contracts with volume discounts and early payment discounts when a reasonable estimate of the discount could be made, and provided that all other criteria for revenue recognition were met. Under IFRS 15, revenue will only be recognised for these contracts to the extent that it is highly probable that a significant reversal to cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company concluded that there is no material impact on the timing and amount of revenue recognised.

#### **IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements, which requires impairment of financial assets to be presented in a separate line item in the income statement and OCI.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been generally applied to comparative information

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 1 Accounting policies (continued)

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

##### (i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and debtors and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

All financial assets previously classified as loans and debtors under IAS 39 have been reclassified to amortised cost under IFRS 9.

##### (ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are now measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile; however due to the quality of the Company's trade debtors and its low history of bad debts the application of IFRS 9 has not resulted in a material change to the allowance for impairment in respect of trade debtors (see Note 12).

##### (iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.
- The new hedge accounting requirements have been applied prospectively.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as FVOCI.

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) *(continued)*

### 1 Accounting policies *(continued)*

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

##### *New amendments for 2018*

The Company has applied the following amendments to accounting standards for the first time in 2018 with effect from 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration mandatory for year commencing on or after 1 January 2018.

IFRIC 22 clarifies the transaction date used to determine the exchange rate for foreign currency transactions involving an advance payment or receipt.

Other amendments to be applied by companies in 2018 that are not applicable for the Company are the amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions; amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and the amendments to IAS 40 – Transfers of Investment Property.

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 2 Turnover

	2018 €000	2017 €000
Sale of goods	823,138	864,794
<b>Total turnover</b>	<b>823,138</b>	<b>864,794</b>
	2018 €000	2017 €000
By activity:		
Olefins and Polymers	823,138	864,794
By geographical market:		
UK	176,946	184,106
Rest of Europe	584,715	623,280
Rest of World	61,477	57,408
	<b>823,138</b>	<b>864,794</b>

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

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues.

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive. 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. Its impact, if any, was deemed immaterial.

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 3 Other operating income/(expense)

	2018 €000	2017 €000
<b>Other operating income</b>		
Intercompany profit share income	7,363	10,480
<b>Other operating expense</b>		
Intercompany profit share expense	-	(15,843)
	<hr/>	<hr/>
<b>Net other operating income/(expense)</b>	<b>7,363</b>	<b>(5,363)</b>
	<hr/>	<hr/>

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)/profit

Included in (loss)/profit are the following:

	2018 €000	2017 €000
Hire charges under operating leases – plant and machinery	116,334	121,491
Depreciation of owned tangible fixed assets (Note 9)	365	365
<b>Auditors' remuneration:</b>		
	2018 €000	2017 €000
Audit of these financial statements	98	97
	<hr/>	<hr/>

### 5 Directors and employees

The Company had no employees during the year (2017: none). No Directors received any fees or remuneration in respect of their services as a Director of the Company during the financial year (2017: none).

### 6 Other interest receivable and similar income

	2018 €000	2017 €000
Interest income on financial assets not at fair value through profit or loss	22,071	21,252
	<hr/>	<hr/>

Interest receivable and similar income includes income from group undertakings of €22,071,000 (2017: €21,227,000).

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 7 Interest payable and similar expenses

	2018 €000	2017 €000
Total interest expenses on financial liabilities measured at amortised cost	643	29

Interest payable and similar expenses includes interest payable to group undertakings of €601,000 (2017: €28,000).

### 8 Tax on profit

#### Recognised in the profit and loss account

	2018 €000	2017 €000
<i>UK corporation tax</i>		
Current tax on profit for the year	2,567	6,837
Adjustments in respect of prior periods	349	(1,767)
Total current tax	2,916	5,070
<i>Deferred tax (see Note 12)</i>		
Origination and reversal of temporary differences	-	4,114
Adjustments in respect of prior periods	(668)	1,238
Total deferred tax	(668)	5,352
Tax on profit	2,248	10,422

#### Reconciliation of effective tax rate

	2018 €000	2017 €000
Total tax charge	2,248	10,422
Profit before taxation	13,146	56,338
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2017: 19.25%)	2,498	10,845
Non-deductible expenses	69	106
Adjustments in respect of prior periods	(319)	(529)
Total tax charge	2,248	10,422



## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 8 Tax on profit (continued)

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 2018.

### 9 Tangible assets

	Plant and equipment €000	Under Construction €000	Total €000
<b>Cost</b>			
Balance at 1 January 2018	2,189	574	2,763
Additions	-	3,907	3,907
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	2,189	4,481	6,670
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
Balance at 1 January 2018	(1,824)	-	(1,824)
Depreciation charge for the financial year	(365)	-	(365)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	(2,189)	-	(2,189)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2017	365	574	939
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	4,481	4,481
	<hr/>	<hr/>	<hr/>

### 10 Stocks

	2018 €000	2017 €000
Raw materials and consumables	9,965	10,122
Finished goods	85,296	87,392
	<hr/>	<hr/>
	95,261	97,514
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €644,872,000 (2017: €639,881,000). The write-down of stocks to net realisable value amounted to €1,693,000 (2017: €nil).

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 11 Debtors

	2018 €000	2017 €000
Trade debtors	116	69,896
Amounts owed by group undertakings	531,482	461,990
Other debtors	2,554	1,274
Taxation and social security	2,382	996
Prepayments and accrued income	50	1,882
	<hr/> 536,584	<hr/> 536,038
	<hr/> <hr/>	<hr/> <hr/>
Due within one year	52,700	74,254
Due after more than one year	483,884	461,784

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.

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 2017 and 2018 there were no significant trade, related party or other debtor balances not past due that were subsequently impaired.

The allowance account for trade debtors is used to record any impairment unless the company is satisfied that no recovery of the amount owing is probable; at the 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 IFRS 9 did not result in a material change to the allowance for impairment in respect of trade 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 expectations of the inherent credit risk of the not impaired trade and other debts outstanding. The Company will review the assumptions of the ECL model on a yearly basis.

#### Credit risk of trade debtors

	€000
Low	82
Medium	15
High	19
Impairment allowance	-
	<hr/> 116

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 (2017: *€nil*).

There were no allowances made against amounts due from related parties during the year (2017: *€nil*).

## Notes to the financial statements for the year ended 31 December 2018 (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	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Tax value of loss carry-forwards	3,755	3,087	-	-	3,755	3,087
<b>Net tax assets</b>	<b>3,755</b>	<b>3,087</b>	<b>-</b>	<b>-</b>	<b>3,755</b>	<b>3,087</b>

#### Movement in deferred tax during the 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>

#### Movement in deferred tax during the prior 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)	-
	<b>8,439</b>	<b>(5,352)</b>	<b>3,087</b>

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

	2018 €000	2017 €000
Trade creditors	25,736	78,432
Amounts owed to group undertakings	329,426	304,654
Taxation and social security	3,060	1,707
Accruals and deferred income	3,818	3,865
	<b>362,040</b>	<b>388,658</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 2018**  
(forming part of the financial statements) (continued)

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

	2018 €000	2017 €000
Accruals and deferred income	1,015	860

**15 Called up share capital**

	Ordinary shares 2018
Number of shares	
On issue at 1 January and 31 December 2018 - fully paid	1

	2018	2017
	€000	€000
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each (2017:1)	-	-

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.

## 16 Operating leases

**Non-cancellable operating lease rentals are payable as follows:**

	2018	2017
	€000	€000
Less than one year	118,835	124,033

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 addition to the leases from the Tollco there are also third party leases relating to plant at the sites in Lavera and Rosignano.

## Notes to the financial statements for the year ended 31 December 2018 (forming part of the financial statements) (continued)

### 16 Operating leases (continued)

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 €118,563,000. Total charges under the agreements for the year were €116,239,000 (2017: €121,603,000).

### 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	
	2018 €000	2017 €000	2018 €000	2017 €000
Other related parties	-	-	886	6,911
	<hr/>	<hr/>	<hr/>	<hr/>
	Receivables outstanding		Creditors outstanding	
	2018 €000	2017 €000	2018 €000	2017 €000
Other related parties	-	-	2,970	1,627
	<hr/>	<hr/>	<hr/>	<hr/>

### 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 2018 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 2018 (forming part of the financial statements) (continued)

### 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.

#### 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 trade 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 trade and other debtors outstanding. The Company will review the assumptions of the ECL model on a yearly basis.