

INEOS Infrastructure (Grangemouth) Limited
Annual report
for the year ended 31 December 2012

Registered number 6981874

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INEOS Infrastructure (Grangemouth) Limited

Annual report

for the year ended 31 December 2012

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INEOS Infrastructure (Grangemouth) Limited

Directors' report for the year ended 31 December 2012

The directors present their report and audited financial statements of the company for the year ended 31 December 2012

Principal activities

The company is engaged in the provision of services and energy to the Grangemouth site

It is the intention of the directors that the above business of the company will continue for the foreseeable future

Review of business and future developments

The company operates a 140 MW powerstation which provides steam and power to INEOS Group, the INEOS/PetroChina JV at Grangemouth, BP businesses at Grangemouth and 3 jetties which are used to import and export raw materials and products to INEOS Group and INEOS/PetroChina JV businesses. Part of the Grangemouth sites' steam and electricity requirements are sourced from a stand alone CHP plant owned by Grangemouth Combined Heat and Power Limited, "GCHPL" via a back-to-back agreement with INEOS Manufacturing Scotland Limited which holds the contract with GCHPL.

Additionally, the company operates and provides maintenance to plants owned by INEOS Group and the INEOS/PetroChina JV such as jetties, the effluent treatment plant, cooling water systems, admiralty tankage and tank farms.

Following a working capital settlement adjustment in relation to the creation of the Petrochina / Ineos Joint Venture in 2011 a loan owing to INEOS European Holdings Limited for £6,820,986 was written off in full to exceptional administrative income during the year.

INEOS Infrastructure (Grangemouth) Limited aims to expand its customer base at Grangemouth as well as attracting new industrial and chemical developments in the area.

Results and dividends

The profit for the financial year before taxation was £7,052,291 (2011 loss £2,379,018). The directors do not propose the payment of a dividend (2011 £nil).

INEOS Infrastructure (Grangemouth) Limited

Directors' report for the year ended 31 December 2012 (continued)

Directors

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

J Dawson	(Appointed 12 July 2012)
G D Grant	
SB Laker	(Resigned 11 March 2013)
L Liu	(Appointed 12 July 2012)
B Si	(Appointed 12 July 2012)
T Traynor	(Appointed 12 July 2012)
L Yang	(Appointed 12 July 2012)
R Mann	(Appointed 11 March 2013)

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate

Employee involvement

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company

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 (e.g. by passing risks on to its customers in the relevant contractual agreements)

The exposure of the company to foreign exchange risks is very limited

Principal risks and uncertainties

The directors are confident that the company is structured and positioned in a manner that will enable it to meet the demands of its markets and business environment

The company is embedded in the risk management system of the global INEOS Group. Executive committee meetings take place on a regular basis, approximately six times per year, in which all aspects of business performance and all major decisions are discussed and agreed

Insurances are in place to mitigate financial disadvantages from potential liabilities and damages. The insurance cover is reviewed on an annual basis. The main risks are covered by the INEOS Group or the Petrolneos JVs' policies. The main policies are

- Property Damage & Business Interruption
- General and Products Liability
- Executive Risk
- Contractors' All Risk

INEOS Infrastructure (Grangemouth) Limited

Directors' report for the year ended 31 December 2012 (continued)

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

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

Independent auditors

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

By order of the board



D Devotta-Hill

Company secretary

25 September 2013

INEOS Infrastructure (Grangemouth) Limited

Independent auditors' report to the members of INEOS Infrastructure (Grangemouth) Limited

We have audited the financial statements of INEOS Infrastructure (Grangemouth) Limited for the year ended 31 December 2012 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INEOS Infrastructure (Grangemouth) Limited

Independent auditors' report to the members of INEOS Infrastructure (Grangemouth) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Steve Denison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
25 September 2013

INEOS Infrastructure (Grangemouth) Limited

Independent auditors' report to the members of INEOS Infrastructure (Grangemouth) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Steve Denison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
25 September 2013

INEOS Infrastructure (Grangemouth) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	1	255,850	145,009
Cost of sales		(255,274)	(147,172)
Gross Profit/(loss)	2	576	(2,163)
Exceptional administrative income	3	6,821	-
Operating Profit/(loss)		7,397	(2,163)
Interest receivable and similar income	4	93	1
Interest payable and similar charges	5	(8)	(26)
Other finance Cost	6	(430)	(191)
Profit/(loss) on ordinary activities before taxation		7,052	(2,379)
Tax on loss on ordinary activities	7	(738)	4,819
Profit for the financial year	17	6,314	2,440

All activities of the company relate to continuing operations

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

Statement of total recognised gains and losses for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		6,314	2,440
Actuarial gain/(loss) recognised in the pension scheme	15	1,708	(1,824)
Deferred tax arising on losses/gains in the pension scheme	14	(715)	456
Total recognised gains and (losses) relating to the year		7,307	1,072

INEOS Infrastructure (Grangemouth) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	64,180	58,812
Current assets			
Debtors amounts falling due within one year	10	30,344	20,000
Debtors amounts falling due after one year	11	348	764
Cash at bank and in hand		280	67
		30,972	20,831
Creditors: amounts falling due within one year	12	(35,064)	(38,224)
Net current liabilities		(4,092)	(17,393)
Total assets less current liabilities		60,088	41,419
Creditors amounts falling due after more than one year	13	(15,705)	(2,441)
Net assets excluding pension deficit		44,383	38,978
Pension deficit	15	(11,629)	(13,531)
Net assets including pension deficit		32,754	25,447
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	32,754	25,447
Total shareholders' funds	18	32,754	25,447

The financial statements on pages 6 to 25 were approved by the board of directors on 25 September 2013 and were signed on its behalf by

Mr Si
Director



INEOS Infrastructure (Grangemouth) Limited

Cash flow statement for the year ended 31 December 2012

		2012		2011	
	Note	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	1		18,697		15,610
Returns on investments and servicing of finance					
Interest received		93			1
Interest paid		(8)			(26)
Net cash outflow from returns on investments and servicing of finance			85		(25)
Taxation			-		-
Capital expenditure and financial investments					
Payments to acquire tangible fixed assets		(10,795)		(58,366)	
Receipts from sale of fixed assets		-		-	
Net cash outflow from capital expenditure and financial investments			(10,795)		(58,366)
Financing					
Share Issue				41,000	
Decrease in long-term amounts owed to group undertakings		(7,774)		1,848	
Net cash (outflow)/inflow from financing			(7,774)		42,848
Increase in cash			213		67

1 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£'000	£'000
Operating profit	7,397	(2,163)
Depreciation	6,292	3,961
Decrease/(Increase) in debtors	4,667	(15,791)
Decrease in creditors	341	29,603
Net cash inflow from operating activities	18,697	15,610

INEOS Infrastructure (Grangemouth) Limited

1 Notes to the cash flow statement (Continued)

Reconciliation of net cash flow to movement in net debt

	2012	2011
	£'000	£'000
Increase in cash in the year	213	67
Net cash outflow from long term amounts owed to group undertakings	7,774	1,848
Change in net debt	7,987	1,915
Net debt at 1 January 2012	1,915	-
Net debt at 31 December 2012	9,902	1,915

Analysis of net debt

	At 1 January 2012	Cash flows	At 31 December 2012
	£'000	£'000	£'000
Net cash			
Cash at bank and in hand	67	213	280
Debt			
Intercompany debt due after 1 year	1,848	7,774	9,622
Net debt	1,915	7,987	9,902

INEOS Infrastructure (Grangemouth) Limited

Statement of accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies, which have been applied consistently throughout the year, are set out below

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities

Government grants

Capital related government grants are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project. Revenue grants are credited to the profit and loss account in the same period as the items to which they relate

Foreign currency transactions

Foreign currency transactions in currencies other than sterling are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than sterling are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original cost of the asset and the cost attributable to bringing the asset to its working condition for its intended use. Assets are capitalised in recognition of future economic benefit or for Health and Safety Executive compliance

Capital work in progress is held as assets under construction until fully commissioned and transferred into active use

Depreciation is calculated so as to write off the cost of a fixed asset on a straight line basis over its estimated useful economic life, taking into account expected residual values, using the following rates

Freehold buildings -	20 years
Plant and machinery -	20 years

Assets under construction and freehold land are not depreciated

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

INEOS Infrastructure (Grangemouth) Limited

Statement of accounting policies (continued)

Turnover

Turnover, which is stated net of value added tax, represents the recovery of variable and fixed costs from its principal customers Petroineos Manufacturing Scotland Limited and INEOS Chemicals Grangemouth Limited under the terms of the various supply and services contracts between the companies. Additionally, the company has contractual energy supply and service agreements with 3rd parties in the area. Under these contracts, INEOS Infrastructure (Grangemouth) Limited provides energy (e.g. steam & power) as well as services (e.g. jetty import & export services, operating & maintenance services) for which the company charges a mark-up. These are charged on a monthly basis and are recognised on an accruals basis, as the services and supplies are delivered.

Pensions

The company participates in a defined benefit pension scheme providing benefits based on final pensionable pay for all employees. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. The operating costs of providing retirement benefits are recognised in the period in which they are earned, together with any related finance costs and charges in the value of related assets and liabilities.

Provisions

A provision is recognised in the balance sheet where the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax assets and liabilities which have been recognised have not been discounted.

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Turnover

Turnover, which is stated net of value added tax, represents the recovery of variable and fixed costs under the terms of various supply and services contracts. These are charged on a monthly basis and are recognised on an accruals basis, as the services and supplies are delivered.

2 Operating profit/(loss)

This is stated after charging

	2012 £'000	2011 £'000
Exchange loss/(gain) on foreign currency	241	(366)
Depreciation of owned assets (note 9)	6,292	3,961

The audit fee for INEOS Infrastructure (Grangemouth) Limited was £24,288 (2011 £10,000)

3 Exceptional administrative income

	2012 £'000	2011 £'000
Loan write off	6,821	-

Following the creation of the Petrochina / Ineos Joint Venture, the loan held by Ineos Infrastructure (Grangemouth) Limited, owing to INEOS European Holdings Limited was written off in full as part of a working capital settlement adjustment.

4 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest income from group undertakings	93	1

5 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable on loans from group undertakings	8	26

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Other finance costs

	2012 £'000	2011 £'000
Interest on pension scheme liabilities (note 15)	3,528	1,940
Expected return on pension scheme assets (note 15)	(3,098)	(1,749)
	430	191

7 Tax on loss on ordinary activities

(a) Analysis of charge in the year

The tax charge is made up as follows

	2012 £'000	2011 £'000
Current tax for the year		
Adjustment in respect of previous years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing difference	(48)	(810)
Current year rate change	(16)	36
Adjustment in respect of prior year	500	-
Adjustment in respect of transfer of business	-	(4,225)
	436	(4,999)
Pension cost relief in excess of pension cost charge	302	180
Total deferred tax (see note 14)	738	(4,819)
Tax on loss on ordinary activities	738	(4,819)

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Tax on loss on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Profit/(loss) before taxation	7,052	(2,379)
Current taxation at 24.5 % (2011 26.5%)	1,728	(630)
Expenses not deductible for tax purposes	(1,474)	
Accelerated capital allowances and other timing differences	48	810
Pension timing differences	(302)	(180)
Total current tax	-	-

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31st December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Directors and employees

(a) Remuneration of directors

	2012 £'000	2011 £'000
Directors' emoluments		
Aggregate emoluments	185	45
	2012 £'000	2011 £'000
Highest paid director		
Aggregate emoluments	185	45

One director had benefits accruing under a defined benefit pension scheme (2011 one)

No other directors received any fees or remuneration for services as a director of the company during the financial year

(b) Employee costs

The aggregate payroll costs of persons employed by the company (including directors) during the year was:	2012 £'000	2011 £'000
Wages and salaries	13,196	9,156
Social security costs	1,394	882
Other pension costs (see note 15)	3,331	1,871
	17,921	11,909

(c) Average monthly number of employees (including directors) during the year:

By activity	2012 Number	2011 Number
Operations	157	151
Other – support services	58	51
	215	202

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Tangible fixed assets

	Freehold land and Buildings £'000	Plant and Machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2012	50	55,925	6,798	62,773
Additions	-	-	11,660	11,660
Transfers		8,529	(8,529)	-
At 31 December 2012	50	64,454	9,929	74,433
Accumulated depreciation				
At 1 January 2012	(4)	(3,957)	-	(3,961)
Charge for the year	(4)	(6,288)	-	(6,292)
At 31 December 2012	(8)	(10,245)	-	(10,253)
Net book amount				
At 31 December 2012	42	54,209	9,929	64,180
At 31 December 2011	46	51,968	6,798	58,812

Included above is plant and machinery assets held under finance leases with a net book value of £4,183,000 (2011 £4,525,000) Depreciation for the year on these assets was £342,000 The assets are owned by BP Exploration with no lease charge payable

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Debtors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade debtors	1,855	1,996
Amounts owed by related parties (note 19)	24,805	11,902
Other debtors	81	-
Prepayments and accrued income	3,603	6,102
	30,344	20,000

11 Debtors: amounts falling due after one year

	2012	2011
	£'000	£'000
Deferred tax (note 14)	348	764

12 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	479	528
Amounts owed to related parties (note 19)	11,326	15,086
Other creditors	6,589	7,663
Accruals and deferred income	16,670	14,947
	35,064	38,224

13 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Accruals and Deferred Income	15,705	2,441

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Deferred tax

Deferred tax asset provided for as follows

	2012	2011
	£'000	£'000
Deferred tax relating to pension deficit	3,474	4,511
Accelerated capital allowances	348	764
	3,822	5,275

Analysis of movement in the year

	Accelerated Capital Allowances £'000	Deferred Tax Related to Pension Deficit £'000	Total £'000
At 1 January 2012	764	4,511	5,275
Debited to profit and loss account (note 7)	(416)	(322)	(738)
Debited to statement of recognised gains and losses	-	(715)	(715)
At 31 December 2012	348	3,474	3,822

The deferred tax asset of £3,474,000 has been deducted in arriving at the net pension deficit on the balance sheet

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset on accelerated capital allowances and short term timing differences. Where there is uncertainty of the reversal of such differences, these amounts remain unprovided.

15 Pension scheme

On 1 July 2011, a defined benefit pension scheme was set up for UK employees. This scheme covers employees of INEOS Infrastructure (Grangemouth) Limited. The scheme is managed by Trustees, who are directors of Innovene Pension Plan which has a trust deed in favour of INEOS Infrastructure (Grangemouth) Limited.

In accordance with UK GAAP, pension charges in relation to the Innovene Pension Plan have been accounted for under FRS 17 "retirement benefits" in these financial statements. The scheme is of a defined benefit type under which benefits are based on employees' years of service and final remuneration.

The most recent actuarial valuation of the scheme was carried out at December 2011.

The major financial assumptions used by the actuary to calculate scheme liabilities under FRS 17 are

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

15 Pension scheme (continued)

	2012	2011
Discount rate	4.70%	5.00%
Inflation assumption	3.00%	3.10%
Rate of increase in salaries	3.00%	4.10%
Rate of increase in pensions in payment	2.80%	2.90%
Rate of increase in deferred benefits during	3.00%	3.10%

The mortality assumptions used in the valuation of the defined benefit pension liabilities are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of those plans. This has been done by adjusting standard mortality tables which reflect recent research into mortality experience in the UK (PMA92 tables with the medium cohort effect)

	2012 Years	2011 Years
Longevity at age 65 for current pensioners		
- Men	20.00	19.90

The assets and the liabilities for the members of the scheme, and the expected rates of return were

	Long term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £'000	Long term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £'000
Equities (fund manager portfolios)	7.20%	41,039	8.10%	37,465
Bonds	3.80%	8,036	4.80%	14,826
Property	6.70%	4,756	-	-
Other assets	2.80%	6,913	4.20%	1,561
Total market value of assets		60,744		53,852
Present value of scheme liabilities		(75,847)		(71,894)
Deficit in the scheme		(15,103)		(18,042)
Related deferred tax asset		3,474		4,511
Net pension liability		(11,629)		(13,531)

Deferred tax asset in relation to pension liabilities have only been recognised where it is more likely than not that they will be recoverable in the foreseeable future

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Pension scheme (continued)

Reconciliation of present value of scheme liabilities

	2012	2011
	£'000	£'000
1 January	71,894	-
Effect of restructuring of plans	-	69,666
Current service cost	3,331	1,611
Member contributions	253	117
Interest cost	3,528	1,940
Benefits paid by the fund	(602)	(1,310)
Material and Immaterial Plans	(2,665)	(130)
Experience loss	108	-
Closing present value of liabilities at 31 December	75,847	71,894

Reconciliation of fair value of scheme assets

	2012	2011
	£'000	£'000
1 January	53,852	-
Effect of restructuring of plans	-	52,770
Expected return on scheme assets	3,098	1,749
Actuarial loss	(849)	(1,954)
Member contributions	253	117
Benefits paid	(602)	(1,310)
Company contributions	4,992	2,480
Closing fair value of assets at 31 December	60,744	53,852

Scheme assets do not include any of INEOS Infrastructure (Grangemouth) Limited's own financial instruments, or any property occupied by, or any other asset used by INEOS Infrastructure (Grangemouth) Limited

The company expects to contribute £3,769,000 to its defined benefit pension scheme in 2013

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Pension scheme (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in respective markets.

The actual return on scheme assets in the year was a profit of £2,249,000 (2011: loss £205,000).

The amounts recognised in the profit and loss are as follows:

Analysis of the amount charged to operating profit

	2012	2011
	£'000	£'000
Current service cost	3,331	1,611

Analysis of the amount charged to other finance costs

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	(3,098)	(1,749)
Interest on pension scheme liabilities	3,528	1,940
Net charge to other finance costs	430	191

Analysis of amount recognised in statement of total recognised gains and losses

	2012	2011
	£'000	£'000
Actual return less expected return on pension scheme assets	(849)	(1,954)
Experience loss on liabilities	(108)	-
Changes in assumptions underlying the present value of the scheme liabilities	2,665	130
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	1,708	(1,824)

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

Actuarial gains and losses

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £116,000 (2011 loss £1,824,000)

15 Pension scheme (continued)

History of experience gains and losses

	2012	2011
	£'000	£'000
Defined benefit obligation	(75,847)	(71,894)
Plan assets	60,744	53,852
Deficit	(15,103)	(18,042)
Experience adjustments on plan assets	(849)	(1,954)
Experience adjustments on plan liabilities	2,557	130
Total actuarial gains and losses recognised in the statement of total recognised gains	(1,708)	(1,824)

16 Called up share capital

	2012	2011
	£'000	£'000
Allotted and fully paid		
100 (2011 100) ordinary shares of \$1 each	-	-

As the reporting currency of the company is GBP the share capital has been converted to GBP at the effective rate of exchange ruling at the date of issuance

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Reserves

	Profit and Loss Account £'000
At 1 January 2012	25,447
Profit for the financial year	6,314
Actuarial gain recognised in the pension scheme	1,708
Deferred tax arising on actuarial gain in the pension scheme	(715)
At 31 December 2012	32,754

18 Reconciliation of the movement in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	6,314	2,440
Actuarial gain/(loss) recognised in the pension scheme	1,708	(1,824)
Deferred tax (charge)/credit arising on actuarial losses in the pension	(715)	456
Share Capital reduction	-	41,000
Pension Transfer	-	(16,625)
Net increase in shareholders' funds	7,307	25,447
Opening shareholders' funds	25,447	-
Closing shareholders' funds	32,754	25,447

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Related party transactions

There were a number of transactions with related parties during the year, all of which arose in the normal course of business. A summary of these transactions and the balances outstanding at 31 December 2012 is shown in the table below.

	Value of transactions 2012 £'000	Balance receivable at 31 December 2012 £'000	Value of transactions 2011 £'000	Balance receivable at 31 December 2011 £'000
Sales and cost recharges to related parties				
INEOS Commercial Services UK Limited	-	-	-	17
INEOS Manufacturing Scotland Limited	-	-	53,129	2,463
PETROINEOS Manufacturing Scotland Limited	30,207	2,451	-	-
INEOS ChlorVinyls Limited	26,542	-	-	-
INEOS Nitriles (UK) Limited	114	-	20	-
INEOS Chemicals Grangemouth Limited	107,398	8,448	53,958	1,490
INEOS Europe Limited	-	-	16,956	2,343
PETROINEOS Europe Limited	5,790	-	-	-
INEOS Europe AG	6,485	1,031	1,158	565
PetroIneos Trading Limited	22,068	12,875	-	5,024
	198,604	24,805	125,221	11,902

INEOS Infrastructure (Grangemouth) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Related party transactions (continued)

	Value of transactions 2012 £'000	Balance payable at 31 December 2012 £'000	Value of transactions 2011 £'000	Balance payable at 31 December 2011 £'000
Purchases from related parties				
INEOS European Holdings Limited	51	26	-	6,821
INEOS Commercial Services UK Limited	797	164	583	228
INEOS Manufacturing Scotland Limited	-	-	78,145	3,793
PETROINEOS Manufacturing Scotland Limited	77,584	7,093	-	-
PETROINEOS Trading Limited	6,512	-	-	-
INEOS ChlorVinyls Limited	22,197	58	363	45
INEOS Enterprises Limited	81	5	60	6
INEOS Chemicals Grangemouth Limited	60,988	3,380	22,535	2,510
PETROINEOS Europe Limited	2,094	-	-	-
INEOS Europe Limited	-	-	17,245	1,326
IEAG (Capital Division)	100	-	-	-
INEOS Europe AG	7,562	600	6,156	357
	177,966	11,326	125,087	15,086

Included within other debtors is a loan to G D Grant, a director of the company. The loan bears interest at 3% and is repayable upon demand although as at the date of these financial statements the amount remains unpaid. The maximum amount outstanding during the year and the balance at 31 December 2012 was £10,000 (2011 £10,000).

20 Ultimate parent undertaking

The immediate parent undertakings of the company are Petroineos Refining Limited and INEOS Investments (Jersey) Limited, companies incorporated in Jersey.

There is no ultimate parent company or controlling party since INEOS Infrastructure (Grangemouth) Limited is a joint venture between INEOS Investments (Jersey) Limited and Petroineos Refining Limited, by virtue of their respective 50% shareholding in the company.