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INEOS Chemicals Grangemouth Limited

Annual report and financial statements

Registered number 06981897

31 December 2022

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Strategic report for the year ended 31 December 2022

The directors present their Strategic report on the Company for the year ended 31 December 2022.

Review of business and future developments

INEOS Chemicals Grangemouth Limited ("the Company") operates a number of petrochemical manufacturing plants at the Grangemouth site in Scotland.

The Company manufactures under tolling arrangements with INEOS Commercial Services UK Limited for which it receives a fee.

INEOS Chemicals Grangemouth Limited together with INEOS Commercial Services UK Limited are wholly owned subsidiaries of INEOS Grangemouth Limited. INEOS Grangemouth Limited is also the majority shareholder of Grangemouth Energy Company Limited, and together this group of companies form the Grangemouth business of INEOS O&P UK ("the Group").

The Company has recognised an exceptional impairment charge of £123,490,000 for the year ended 31 December 2022, in relation to the tangible fixed assets. The recent trading performance of the O&P UK business has been challenging in the midst of market volatility that has seen very high natural gas prices. Consequently, operating rates have remained constrained. The impairment loss was based on a value in use calculation. The business valuation was negatively impacted by lower than expected cash flows within the current business plan, reflecting the challenging economic and competitive conditions expected in the near term for the site.

The Company encountered various challenges during the year, the effects of high inflation, the Ukraine war and reduced market demand due to reduced consumer confidence in demand from their customers. During the first 6 months of the year, although challenging, the business continued to see high demand and profitability. However, the second 6 months were difficult as a result of market volatility. Demand for the business' products declined as a result of reduced consumer demand and cheaper imports into Europe being available particularly from the U.S. The impact of the Ukraine war, which broke out in February 2022, saw energy prices escalate beyond the very high level already seen in Q4 2021 which had a profound impact on the business due to the Company's high steam and power demand, resulting in significant exposure to natural gas prices.

During September and November 2022, there were planned turnaround events (TAR) on the Polymer plants. During a TAR, the plant is shutdown to perform critical maintenance activities and the production volume of the site is reduced during the outage period. The TAR was delivered safely, on time and on budget.

During the year, the Company invested £38,926,000 in assets under construction. This mainly related to the new energy plant, the TAR on the Polymer assets and an additional furnace on the gas cracker to increase production capacity.

Looking forward into 2023 the business expects the natural gas price to remain high although at lower levels experienced in 2022. Demand is expected to grow during the first half of 2023 as customer re-stock, however levels of imports from the U.S. will remain a challenge. The business also expects to commission the additional furnace on the gas cracker thus enabling higher utilisation levels subject to demand. The new energy project will continue to be temporarily suspended during 2023 and the business will continue to manage its cost base and capital expenditure in line with affordability.

Results and dividends

The loss for the financial year before taxation was £115,495,000 (2021: profit of £6,461,000). The directors do not propose the payment of a dividend (2021: £nil).

Strategic report for the year ended 31 December 2022 (continued)

Strategy

The Company's strategic aim is to use the benefits of our advantaged feedstock for the KG ethylene cracker to grow the Grangemouth base and our long-term profitability. Long-term supply contracts are in place to provide a secure source of advantaged feedstock from the USA and the North Sea, to eliminate the feedstock constraints the business had been operating under in previous years and allow the assets to be operated at full capacity to maximise production and profitability.

During the year, the Company announced its 'Road Map' to achieving Net Zero. Emission savings of more than 60% (compared to 2006 when INEOS acquired the site) across the site are targeted by 2030, through a series of investments, partnerships and innovative engineering. The Road Map involves a proposed move to the production and use of hydrogen by all businesses at the Grangemouth site accompanied by carbon capture and storage of at least 1 million tonnes per annum of CO₂ by 2030. This will include capturing CO₂ from existing hydrogen production and the construction of a carbon capture enabled hydrogen production plant.

In addition, the regeneration programme on the site has already remediated large areas, on which we hope to attract both internal INEOS and external investment. This investment will utilise the utilities and services already available with the intention to grow the Grangemouth manufacturing base.

Section 172(1) statement

The directors have the duty under section 172 to promote the success of the Company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment. In the performance of its duty to promote the success of the Company and fairness in decision making the Board have regard (amongst other matters) for:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The Company's governance and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term success, which are discussed below.

Long-term factors (a)

The Company's principal objectives are to maintain its position as a key global supplier of its products and to increase the value of INEOS by generating strong, sustainable, and growing cash flows across industry cycles. To achieve these objectives, the Company has the following key strategies:

- a) Maintain health, safety, security, and environmental excellence;
- b) Maintain and grow the Company's leadership positions to enhance competitiveness;
- c) Reduce costs and realise synergies;
- d) Maximise utilisation of assets;
- e) Access advantaged feedstock and energy opportunities; and
- f) Develop and implement a sustainable business.

Strategic report for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Long-term factors (a) (continued)

The Company aims to operate and develop its business in a way that supports both the current and future needs, taking into account relevant economic, environmental, and social factors. This enables the Company to sustain the business for the long-term. The directors strongly believe that sustainable business management and practices will contribute to long-term business success and will strengthen the Company's leading position in the market and also in a circular world. The directors ensure that the Company has sufficient resources to support its long-term growth strategy and to fund its investments. An important element is the Company's long-term cash and operational planning in relation to the capital requirements needed to grow and to extend the life span of the assets. The directors consider available and required funds as a basis for any dividend under its distribution policy.

Stakeholder considerations (b – e)

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The Company engages in regular, open, and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns, and needs. For example, in many instances suppliers are located on the same chemical parks which helps develop partnerships, facilitate discussions as well as reduce waste inefficiency. The Company also works with trade unions and have open and constructive discussions as well as investing in training programmes to continue to develop employees at all levels of the organisation. In this way, the Company is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Company the opportunity to explain its clear and committed approach to sustainability as well as the value of the Company's work, products and services for society.

Key stakeholders contribute to the Company's economic, social, and environmental performance. Stakeholders include customers, suppliers, employees, investors, financial experts and rating agencies, local communities, industry associations, NGOs, scientific institutions, universities, government, and value chain partners. The Company is very conscious of having a sustainable business, so INEOS produces an annual sustainability report which aligns with the Global Reporting Initiative ("GRI") framework and focuses on the issues most material to the Company and its stakeholders. The report focuses on seven key areas, being:

- 1) Climate change – advancing the transition to net zero;
- 2) Circular economy – maximising resource efficiency and eliminating waste;
- 3) Zero pollution – driving progress towards sustainable chemical value chains;
- 4) Our people – prioritising workplace health and safety (SHE) and fairness;
- 5) People in our value chain – safeguarding conditions and human rights;
- 6) People in our communities – respecting and supporting local communities;
- 7) Governance – maintaining the highest standard of ethics and compliance.

These matters are considered by the directors in making decisions and in assessing the long-term viability of the business.

The Company is committed to maintaining a workplace that is safe, professional, and supportive of teamwork and trust. The Company is committed to creating and sustaining a work environment of mutual trust where all employees are treated with respect and dignity, compensated fairly based on local market conditions, and are entitled to adequate working hours. The Company values diversity of its people and each of its employees is recognised as an important member of the team.

Strategic report for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Stakeholder considerations (b – e) (continued)

The Company is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its employees, contractors, suppliers, customers, visitors, and the communities in which it operates. For example, INEOS is a signatory to the 'International Council of Chemical Associations' ("ICCA") Responsible Care Global Charter which demonstrates the Company's commitment to strengthening chemicals management systems, safeguarding people and the environment, and working towards sustainable solutions through our value chain. Compliance with all legislation intended to protect people, property and the environment is one of the Company's fundamental priorities and applies to its products as well as to its processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

The need to act fairly as between members of the Company (f)

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

Principal decisions

There were no principal decisions that management took in the year ending 31 December 2022

Key performance indicators ("KPIs")

The Company uses a number of financial and non-financial key performance indicators ("KPIs") to measure performance, which are monitored against budget and the prior year.

The main financial KPI for the business is earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA before exceptional items"). EBITDA before exceptional items for the Company for the year ending 31 December 2022 was £76,407,000 (2021: £74,824,000). The Company also closely monitors fixed costs against budget and prior year.

The Company uses a number of other non-financial key performance indicators to measure performance including health, safety and environmental ("SHE") metrics such as Occupational Safety and Health Administration ("OSHA") incident and injury rates to measure the safe working of employees and contractors. Other KPIs include monitoring the reliability of operating assets and working capital ratios of the Company.

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 of INEOS Grangemouth Limited which include those of the Company are discussed in the Group's annual report.

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



C G Mound
Director
4 July 2023
Registered number 06981897

Directors' report for the year ended 31 December 2022

The directors present their report and financial statements of the Company for the year ended 31 December 2022.

Principal activities

The Company is engaged in the toll manufacture of petrochemical products and provision of services to third parties and other INEOS companies located in Grangemouth. Under the tolling contract, INEOS Chemicals Grangemouth Limited is provided with raw materials to be converted into specified products, for which the Company charges a toll fee. The main product manufactured on site by the olefins business is ethylene through the operation of a gas cracker. The ethylene produced can be sold by INEOS Commercial Services UK Limited into the market or processed further by the polymer or ethanol assets on the Grangemouth site to produce polyethylene, polypropylene or ethanol. The crackers also produce a number of by-products which are either processed further in the onsite assets or sold to external customers. The petrochemical assets are integrated with the refinery located at the Grangemouth site.

Results and dividends

Results and dividends are discussed in the Strategic report.

Future developments

Future developments are discussed in the Strategic report.

Post balance sheet events

In January 2023, an agreement was made with PetroIneos to write off a number of open debtor and creditor balances that had been in dispute for a number of years. There was no cash settlement between the parties and this write-off has been adjusted for in the December 2022 results.

Covid-19 and the Ukraine conflict

The Company continues to implement contingency plans for the COVID-19 pandemic, with the primary objective of maintaining the safety of personnel and the reliable operation of the Company's plants.

The chemical industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Company plants have continued to operate fully and supply chains have operated without significant disruption. Protecting employees and ensuring that they remain healthy has been the first priority of the Company. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

The Company does not have operations in Belarus, Russia or Ukraine. During 2021 and 2022 revenue generated in these countries was not material to the Company. The Company is not currently experiencing any material disruption to its operations and does not foresee any direct impact as a result of the conflict, but will continue to monitor the evolving situation closely.

Whilst there is still uncertainty due to the COVID-19 pandemic and the disruption on the energy market resulting from the conflict in Ukraine, the directors have undertaken a rigorous assessment of the potential impact on demand for the Company products and services and the impact on margins for the next 12 months and the directors do not expect a material impact on the Company's ability to operate as a going concern.

Directors' report for the year ended 31 December 2022 (continued)

Going concern

The directors have considered the Company's projected future cash flows and working capital requirements for a period of at least 12 months from signing of these financial statements. As at 31 December 2022, the Company had net assets of £161,728,000 (2021: £294,280,000). The Company held cash of £738,000 (2021: £2,380,000) and loans and borrowings of £422,638,000 (2021: £440,732,000). The loss for the year was £94,439,000 (2021: profit £3,887,000). The directors have stress tested the projected future cash flows through taking account of reasonable possible changes in performance to determine the level of support that may be required from the parent company. The directors have received confirmation that the parent, INEOS Industries Limited, will continue to support the Company for at least the 12 months from signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the parent's going concern assessment confirms that there is sufficient forecast committed liquidity headroom for the parent to provide this support and the Company will therefore have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Financial risk management

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are discussed in the context of the Group as a whole, and are provided in the annual report of parent company INEOS Grangemouth Limited which does not form part of this report.

Directors

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

S M Collings

P Q Grant

C G Mound

M Plevoets (resigned 1 May 2022)

A T Hughes (appointed 1 May 2022)

Employees

The Company has developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Company encourages this approach to provide information and consultation and believes that this promotes a better understanding of the issues facing the individual business in which the employee works. 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 by issuing communications on the company intranet, holding information meetings hosted by the Board and operating a bonus scheme linked to the business performance. The Company consults employees or their representatives through the works council on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

The Company prohibits acts of discrimination whereby one individual is treated less favourably than another on grounds of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. 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.

Directors' report for the year ended 31 December 2022 (continued)

Streamlined Energy and Carbon Reporting ("SECR")

The SECR disclosures relating to the Company are included within the SECR disclosures made in the annual report of INEOS Industries Limited, the parent undertaking of the largest group of undertakings to consolidate these financial statements. The Company has taken advantage of the exemption from the requirement to make SECR disclosures in these financial statements

Health & 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, 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.

Business relationships

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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.

Directors' report for the year ended 31 December 2022 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

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



C G Mound

Director

4 July 2023

Registered number 06981897

Profit and Loss Account

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	2	366,890	298,796
Cost of sales		(346,524)	(276,796)
Exceptional cost of sales	3	(123,490)	-
Total cost of sales		(470,014)	(276,796)
Gross (loss)/profit		(103,124)	22,000
Other operating income		740	777
Distribution costs		(3,982)	(3,715)
Administrative income		2,179	63
Operating (loss)/profit	4	(104,187)	19,125
Interest receivable and similar income	7	1,095	440
Interest payable and similar expenses	8	(12,403)	(13,104)
(Loss)/profit before taxation		(115,495)	6,461
Tax on (loss)/profit	9	21,056	(2,574)
(Loss)/profit for the financial year		(94,439)	3,887

All activities of the Company relate to continuing operations.

Statement of Comprehensive Income

for the year ended 31 December 2022

	Note(s)	2022 £000	2021 £000
(Loss)/profit for the financial year		(94,439)	3,887
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (loss)/gain recognised in the pension scheme	15	(50,817)	36,141
Deferred tax arising on actuarial (loss)/gain in the pension scheme	9, 14	12,704	(6,655)
Other comprehensive (expense)/income for the year, net of income tax		(38,113)	29,486
Total comprehensive (expense)/income for the year		(132,552)	33,373

Balance Sheet

as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	10	10,749	4,702
Tangible assets	11	443,039	582,800
		<u>453,788</u>	<u>587,502</u>
Current assets			
Stocks	12	11,627	14,087
Debtors (including £29,816,000 (2021:£76,445,000) due after more than one year)	13	186,810	245,915
Deferred tax asset	14	26,645	-
Cash at bank and in hand		738	2,380
		<u>225,820</u>	<u>262,382</u>
Creditors: amounts falling due within one year	16	<u>(497,262)</u>	<u>(520,687)</u>
Net current liabilities		<u>(271,442)</u>	<u>(258,305)</u>
Total assets less current liabilities		<u>182,346</u>	<u>329,197</u>
Creditors: amounts falling due after more than one year	17	<u>(20,618)</u>	<u>(30,121)</u>
Provisions for liabilities			
Deferred tax liabilities	14	-	(4,796)
		<u>(20,618)</u>	<u>(34,917)</u>
Net assets		<u>161,728</u>	<u>294,280</u>
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account		161,728	294,280
Total equity		<u>161,728</u>	<u>294,280</u>

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Balance Sheet

as at 31 December 2022 (continued)

These financial statements on pages 9 to 42 were approved by the Board of Directors on 4 July 2023 and were signed on its behalf by:



C G Mound
Director
Registered number 06981897

Statement of Changes in Equity

for the year ended 31 December 2022

	Note(s)	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021		-	260,907	260,907
Profit for the financial year		-	3,887	3,887
Other comprehensive income for the year, comprising				
Actuarial gain in the pension scheme	15	-	36,141	36,141
Deferred tax arising on actuarial gain in the pension scheme	9,14	-	(6,655)	(6,655)
Other comprehensive income		-	29,486	29,486
Total comprehensive income for the year		-	33,373	33,373
Balance at 31 December 2021		-	294,280	294,280

		Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022		-	294,280	294,280
Loss for the financial year		-	(94,439)	(94,439)
Other comprehensive expense for the year, comprising				
Actuarial loss in the pension scheme	15	-	(50,817)	(50,817)
Deferred tax arising on actuarial loss in the pension scheme	9,14	-	12,704	12,704
Other comprehensive expense		-	(38,113)	(38,113)
Total comprehensive expense for the year		-	(132,552)	(132,552)
Balance at 31 December 2022		-	161,728	161,728

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements)

1 Accounting Policies

INEOS Chemicals Grangemouth Limited (the "Company") is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, 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 UK, 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 Company's parent undertaking, INEOS Grangemouth Limited includes the Company in its consolidated financial statements. INEOS Grangemouth Limited is a company incorporated in the UK. The consolidated financial statements of INEOS Grangemouth Limited 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 capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of INEOS Grangemouth 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; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Certain disclosures required by IFRS 15 *Revenue from Contracts with Customers*; and
- Certain disclosures required by IFRS 16 *Leases* in respect of leases for which the Company is a lessee.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in 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 25.

Notes to the financial statements for the year ended 31 December 2022 (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 fair value through other comprehensive income.

1.2 Going concern

The directors have considered the Company's projected future cash flows and working capital requirements for a period of at least 12 months from signing of these financial statements. As at 31 December 2022, the Company had net assets of £161,728,000 (2021: £294,280,000). The Company held cash of £738,000 (2021: £2,380,000) and loans and borrowings of £422,638,000 (2021: £440,732,000). The loss for the year was £94,439,000 (2021: profit £3,887,000). The directors have stress tested the projected future cash flows through taking account of reasonable possible changes in performance to determine the level of support that may be required from the parent company. The directors have received confirmation that the parent, INEOS Industries Limited, will continue to support the Company for at least the 12 months from signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the parent's going concern assessment confirms that there is sufficient forecast committed liquidity headroom for the parent to provide this support and the Company will therefore have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company 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 currency 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.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.4 Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

1.6 Intra-group financial instruments

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

1.7 Tangible fixed assets

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

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

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

- Buildings 20 years
- Plant and equipment 3-25 years
- Right-of-use assets 1-29 years

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

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.8 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date, other intangible assets are amortised from the date they are available for use. The estimated useful lives for intangible assets with finite lives are as follows:

- Licence fees 5 years

1.9 Stocks

Stock is valued at cost to the Company mainly using the weighted average method or net realisable value, whichever is lower. Where necessary provision is made for obsolete, slow-moving and defective stocks.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

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 debt 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.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

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 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 profit and loss account.

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.

Reversals of impairment

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

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

1.13 Post-employment benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan is recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.13 Post-employment benefits (continued)

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value; and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from the defined benefit plan comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.14 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.15 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.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.16 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. Turnover 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). Turnover 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 and services under tolling arrangements. Under tolling arrangements, customers provide raw materials to be converted into certain specified products, for which the Company charges a tolling fee. Turnover is recognised at a point in time or over-time depending on whether the over-time revenue recognition criteria is met.

1.17 Interest receivable and Interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. 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.

1.18 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.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.19 Emission trading scheme

The Company participates in the UK Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the UK Emissions Trading Scheme is recognised in the profit and loss account once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Company recognises the revenue from such permits upon their sale to third parties.

The Company accrues for emissions produced. The accrual is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

Emissions allowances purchased from third parties are recognised as an intangible asset based on the cost associated with the purchase. The emission allowances are subject to impairment under the indefinite lived intangible asset impairment model. There is no amortisation of these allowances. The costs of the allowances are recognised as a disposal and released to the profit and loss along with the accrual as they are utilised.

1.20 Exceptional items

The presentation of the Company's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment and the reversal of impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Company's ongoing business.

1.21 IFRS 16 Leases

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

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.21 IFRS 16 Leases (continued)

Company as a lessee

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, a change in the assessment of whether the Company is reasonably certain to exercise an option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way and there has been no change in the scope of the lease, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.21 IFRS 16 Leases (continued)

Short-term leases and leases of low-value assets

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

1.22 Impact of new standards and interpretations

There are no amendments to accounting standards that are effective for the year ended 31 December 2022 which have had a material impact of the Company.

2 Turnover

Turnover represents the recovery of costs from INEOS Commercial Services UK Limited under the terms of the tolling contract between the companies. Under the tolling contracts, raw materials are provided to be converted into specified products, for which the Company charges a toll fee. All turnover relates to activities in the UK.

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

No contract assets and liabilities have been recognised in the Balance Sheet of the Company. The right of payment of the goods and services sold by the Company is unconditional, except for the passage of time. Therefore, all rights of payment have been booked as trade debtor.

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

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

3 Exceptional cost of sales

The Company has recognised an exceptional impairment charge of £123,490,000 for the year ended 31 December 2022, in relation to the tangible fixed assets. The recent trading performance of the O&P UK business has been challenging in the midst of market volatility that has seen very high natural gas prices. Consequently, operating rates have remained constrained. On 5 April 2022, due to escalating costs of the new energy project, the directors took the decision to temporarily suspend the project. At the date of signing the financial statements the length of the subsequent delay and the impact to the ultimate operational date of the plant is unknown. The business valuation was negatively impacted by lower than expected cash flows within the current business plan, reflecting the challenging economic and competitive conditions expected in the near term for the site. The impairment loss was based on a value in use calculation.

4 Operating (loss)/profit

Included in operating (loss)/profit are the following:

	2022 £000	2021 £000
Expenses relating to short-term leases	2,157	1,227
Expenses relating to leases of low values	6	11
Depreciation of owned tangible fixed assets (Note 11)	55,865	54,879
Impairment of owned tangible fixed assets (Note 11)	123,490	-
Depreciation of right-of-use tangible fixed assets (Note 11)	892	795
Income from sub-leasing right-of-use asset	(481)	(309)
Amortisation of intangible assets (Note 10)	347	25
Exchange loss/(gain)	49	(248)
Government grants (Note 17)	(740)	(740)
Other operating income	-	(37)

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	-	41

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

5 Staff numbers and costs

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Operations	288	288
Maintenance	86	85
Other – support services	219	242
	<hr/>	<hr/>
	593	615

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	34,513	40,941
Social security costs	4,299	3,638
Other pension costs - defined contribution plan (Note 15)	2,841	2,776
Other pension costs - defined benefit plan (Note 15)	431	571
	<hr/>	<hr/>
	42,084	47,926

6 Directors' remuneration

No directors received any fees or remuneration for services as a director of the Company during the financial year (2021: none). The directors are remunerated for their qualifying services by another group company for contributions to the Group as a whole and it is not possible to apportion this to the Company.

Notes to the financial statements for the year ended 31 December 2022
(forming part of the financial statements) *(continued)*

7 Interest receivable and similar income

	2022	2021
	£000	£000
Net foreign exchange gain	6	139
Net interest on net defined benefit pension plan asset <i>(Note 1.5)</i>	1,089	301
Total interest receivable and similar income	1,095	440

8 Interest payable and similar expenses

	2022	2021
	£000	£000
Interest expense on financial liabilities measured at amortised cost	12,001	12,759
Interest on lease liabilities	402	345
Total interest payable and similar expenses	12,403	13,104

Interest payable and similar expenses includes interest payable to group undertakings of £12,001,000 (2021: £12,691,000).

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

9 Tax on (loss)/profit

Recognised in the profit and loss account

	2022 £000	2021 £000
<i>UK corporation tax</i>		
Tax on (loss)/profit of the year	(6,249)	(9,401)
Adjustments in respect of prior years	3,930	16,659
Total	(2,319)	7,258
<i>Deferred tax (Note 14)</i>		
Origination and reversal of temporary differences	(15,660)	10,664
Impact of rate change	(4,945)	6,640
Adjustments in respect of prior years	1,868	(21,988)
Total deferred tax	(18,737)	(4,684)
Tax (credit)/charge on (loss)/profit	(21,056)	2,574

Income tax recognised in other comprehensive income

	2022 £000	2021 £000
Remeasurement of defined benefit asset	12,704	(6,655)

Reconciliation of effective tax rate

	2022 £000	2021 £000
Tax on (loss)/profit	(21,056)	2,574
(Loss)/profit before taxation	(115,495)	6,461
(Loss)/profit before taxation multiplied by the standard rate of tax in the UK of 19.00 % (2021: 19.00%)	(21,944)	1,228
Non-deductible expenses/tax exempt revenues	35	35
Adjustments in respect of prior years	5,798	(5,329)
Increase in rate on deferred tax balances	(4,945)	6,640
Permanent timing differences	-	-
Total tax (credit)/charge	(21,056)	2,574

The Finance Bill 2021 which increased the rate of corporation tax to 25% on profits over £250,000 from April 2023 was substantively enacted on 24 May 2021. As a result, deferred tax in the United Kingdom at 31 December 2022 are measured at 25%.

Notes to the financial statements for the year ended 31 December 2022

(forming part of the financial statements) (continued)

10 Intangible assets

	Environmental Certificates £000	Licence Fees £000	Total £000
Cost			
Balance at 1 January 2022	3,193	1,534	4,727
Additions	12,746	173	12,919
Disposal	(6,525)	-	(6,525)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	9,414	1,707	11,121
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment			
Balance at 1 January 2022	-	(25)	(25)
Amortisation charge for the financial year	-	(347)	(347)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	-	(372)	(372)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2021	3,193	1,509	4,702
	<hr/>	<hr/>	<hr/>
At 31 December 2022	9,414	1,335	10,749
	<hr/>	<hr/>	<hr/>

Amortisation

The amortisation charge is recognised in administrative expenses in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

11 Tangible assets

	Land and buildings £000	Plant and equipment £000	Assets under construction £000	Right-of- use assets £000	Total £000
Cost					
Balance at 1 January 2022	19,523	1,300,201	97,990	10,336	1,428,050
Additions	-	-	38,976	816	39,772
Reclassifications	-	1,815	-	-	1,815
Transfers	-	22,400	(22,400)	-	-
Disposals	-	-	-	(175)	(175)
Balance at 31 December 2022	19,523	1,324,416	114,516	11,007	1,469,462
Accumulated depreciation and impairment					
Balance at 1 January 2022	(5,926)	(837,947)	-	(1,377)	(845,250)
Depreciation charge for the financial year	(926)	(54,939)	-	(892)	(56,757)
Exceptional impairment charge	-	(123,490)	-	-	(123,490)
Reclassifications	-	(1,081)	-	-	(1,081)
Disposal	-	-	-	155	155
Balance at 31 December 2022	(6,852)	(1,017,457)	-	(2,114)	(1,026,423)
Net book value					
At 31 December 2021	13,597	462,254	97,990	8,959	582,800
At 31 December 2022	12,671	306,959	114,516	8,893	443,039

The exceptional impairment charge of £123,490,000 for the year ended 31 December 2022 reflects the impairment of the tangible fixed assets relating to O&P UK business located at the Grangemouth site (see note 3).

Security

All assets included within property, plant and equipment form security against the Senior Term Loan and Revolving Facilities agreement (2021: all assets).

Land and buildings

The net book value of land and buildings comprises:

	2022 £000	2021 £000
Freehold	12,671	13,597

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

11 Tangible assets (continued)

Right-of-use assets

The Company leases assets including land, transportation and plant and machinery which are classified as right-of-use assets.

	Land and buildings £000	Plant and machinery £000	Right-of-use assets total £000
Cost			
Balance at 1 January 2022	9,294	1,042	10,336
Additions	-	846	846
Disposals	-	(175)	(175)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2022	9,294	1,713	11,007
Accumulated depreciation			
Balance at 1 January 2022	(875)	(502)	(1,377)
Depreciation charge for the financial year	(493)	(399)	(892)
Disposals	-	155	155
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2022	(1,368)	(746)	(2,114)
Net book value			
At 31 December 2021	8,419	540	8,959
At 31 December 2022	7,926	967	8,893

See Note 19 for the lease obligations related to right-of-use assets.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

12 Stocks

	2022 £000	2021 £000
Raw materials and consumables	11,627	14,087

Raw materials and consumables recognised as cost of sales in the year amounted to £1,871,000 (2021: £1,913,000). The write-down of stocks to net realisable value amounted to £352,000 (2021: £352,000).

Security

All assets included within stocks form security against the Senior Term Loan and Revolving Facilities agreement (2021: all assets).

13 Debtors

	2022 £000	2021 £000
Trade debtors	7,806	12,423
Amounts owed by group undertakings	52,349	136,566
Other debtors	118	2,264
Prepayments	1,618	2,443
Accrued income	28,992	27,976
Taxation and social security	90,041	8,938
Pension scheme asset (Note 15)	5,886	55,305
	186,810	245,915
Due within one year	156,994	169,470
Due after more than one year	29,816	76,445

Amounts owed by group undertakings attract interest at commercial rates that are either subject to standard trading terms or are repayable on demand.

The amounts not yet due after impairment losses as of the end of the reporting period are deemed to be collectable 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 2021 and 2022 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. The Company applies the forward-looking 'expected credit loss' (ECL) model in line with IFRS 9 in assessing the recoverability of trade debtors. The ECL is calculated considering past experiences 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 receivables outstanding. The Company reviews the assumptions of the ECL model on a yearly basis.

Notes to the financial statements for the year ended 31 December 2022

(forming part of the financial statements) (continued)

13 Debtors (continued)

Credit risk of trade debtors

	2022 £000	2021 £000
Low	7,806	12,423
Medium	-	-
High	-	-
Impairment allowance	-	-
	<hr/> 7,806	<hr/> 12,423

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 (2021: £nil).

There were no allowances made against amounts owed by group undertakings during the year (2021: £nil).

Security

All assets included within trade debtors form security against the Senior Term Loan and Revolving Facilities agreement (2021: all assets).

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Tangible fixed assets	22,345	3,256	-	-	22,345	3,256
Short term timing differences	139	141	-	-	139	141
Tax value of loss carry-forwards	5,633	5,633	-	-	5,633	5,633
Employee benefits	-	-	(1,472)	(13,826)	(1,472)	(13,826)
Net tax assets/(liabilities)	28,117	9,030	(1,472)	(13,826)	26,645	(4,796)

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	Recognised in equity £000	31 December 2022 £000
Tangible fixed assets	3,256	19,089	-	22,345
Short term timing differences	141	(2)	-	139
Losses	5,633	-	-	5,633
Employee benefits	(13,826)	(350)	12,704	(1,472)
	(4,796)	18,737	12,704	26,645

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Tangible fixed assets	(3,769)	7,025	-	3,256
Short term timing differences	105	36	-	141
Losses	4,281	1,352	-	5,633
Employee benefits	(3,442)	(3,729)	(6,655)	(13,826)
	(2,825)	4,684	(6,655)	(4,796)

There are no unrecognised deferred tax amounts.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered based upon business forecasts.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

15 Post-employment benefits

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the years shown.

	2022 £000	2021 £000
Total defined benefit asset	221,748	428,069
Total defined benefit liability	(215,862)	(372,764)
Net asset for defined benefit obligations (see following table)	5,886	55,305
Total post-employment benefits	5,886	55,305

Movements in net defined benefit asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 January	372,764	381,834	(428,069)	(399,951)	(55,305)	(18,117)
Included in profit or loss						
Current service cost	431	571	-	-	431	571
Interest cost/(income)	6,933	5,979	(8,022)	(6,280)	(1,089)	(301)
	7,364	6,550	(8,022)	(6,280)	(658)	270
Included in Other comprehensive income						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic assumptions	4,265	(700)	-	-	4,265	(700)
- Change in financial assumptions	(179,008)	1,331	-	-	(179,008)	1,331
- Experience adjustment	24,608	(230)	-	-	24,608	(230)
Return on plan assets excluding interest income	-	-	200,952	(36,542)	200,952	(36,542)
	(150,135)	401	200,952	(36,542)	50,817	(36,141)
Other						
Contributions paid by the employer	-	-	(740)	(1,317)	(740)	(1,317)
Benefits paid	(14,131)	(16,021)	14,131	16,021	-	-
Balance at 31 December	215,862	372,764	(221,748)	(428,069)	(5,886)	(55,305)

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

15 Post-employment benefits (continued)

Plan assets	2022 £000	2021 £000
Cash and cash equivalents	9,625	39,095
Equities (fund manager portfolio)	58,451	147,984
Bonds	113,930	188,874
Real estate	33,725	43,102
Other assets	6,017	9,014
Total	221,748	428,069

The Company operates a defined benefit pension scheme. The scheme covers employees of INEOS Chemicals Grangemouth Limited. The scheme operates under trust law and is managed and administered by Trustees, who are directors of INEOS Chemicals Pension Plan which has a trust deed in favour of INEOS Chemicals Grangemouth Limited. The scheme is now closed to new entrants and frozen to future accrual. The contributions paid to the scheme is set every three years based on a funding agreement between the Company and Trustees after taking actuarial advice.

Pension charges in relation to the INEOS Chemicals Pension Plan have been accounted for under IAS 19 "Revised Employee 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.

Pension plan assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages);

	2022	2021
Discount rate at 31 December	5.00%	1.90%
Rate of price inflation	3.20%	3.20%
Rate of pension increases (in-payment)	3.00%	3.00%
Rate of increase in deferred benefits	3.20%	3.20%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2022 Years	2021 Years
Longevity at aged 65 for current pensioners	22.98-24.85	22.41-24.28
Longevity at aged 65 for future retirees	23.89-25.98	23.32-25.43

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

15 Post-employment benefits (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting year would have increased/(decreased) as a result of a change in the respective assumptions by 1%.

	2022 £000	2021 £000
Discount rate	42,308	98,470
Inflation (RPI, CPI)	14,260	30,127

In valuing the liabilities of the pension fund at £215,862,000 (2021: £372,764,000), mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities would be £220,184,000 (2021: £385,740,000) having increased by £4,322,000 (2021: £12,976,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2020 and are applied to adjust the defined benefit obligation at the end of the reporting year for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to contribute £322,000 to its closed defined benefit scheme in 2023.

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £2,841,000 (2021: £2,776,000).

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

16 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	36,584	38,659
Amounts owed to group undertakings	424,139	441,533
Taxation and social security	10	1
Other creditors	1,548	1,574
Accruals	33,475	37,518
Deferred income	740	740
Lease liabilities (Note 19)	766	662
	<u>497,262</u>	<u>520,687</u>

Further information on deferred income is included in Note 17.

Amounts owed to group undertakings attract interest at commercial rates that are either subject to standard trading terms or are repayable on demand.

17 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Accruals	1,216	9,991
Deferred income	10,775	11,515
Lease liabilities (Note 19)	8,627	8,615
	<u>20,618</u>	<u>30,121</u>

Deferred income relates to Regional Selective Assistance Scotland Scheme grants received by the Company. The income on these grants is released to the profit and loss account in line with the life of the underlying fixed assets that these grants were received in relation to.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

18 Interest-bearing loans and borrowings

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

	2022 £000	2021 £000
Creditors falling due within one year		
Intercompany loan	422,638	440,732
	<u>422,638</u>	<u>440,732</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2022 £000	Carrying amount 2022 £000	Face Value 2021 £000	Carrying amount 2021 £000
Intercompany loan	£	2.50%-3.25%	2023	422,638	422,638	440,732	440,732
				<u>422,638</u>	<u>422,638</u>	<u>440,732</u>	<u>440,732</u>

19 Lease obligations

	2022 £000	2021 £000
<i>Analysed as:</i>		
Current lease liabilities (Note 16)	766	662
Non-current lease liabilities (Note 17)	8,627	8,615
	<u>9,393</u>	<u>9,277</u>

	2022 £000	2021 £000
<i>Maturity analysis- contractual undiscounted cash flows:</i>		
Less than one year	1,075	968
Between one and five years	3,439	3,025
More than 5 years	8,396	9,142
Total undiscounted lease liabilities at 31 December	<u>12,910</u>	<u>13,135</u>

	2022 £000	2021 £000
Total cash outflow for leases	<u>1,103</u>	859

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

20 Called up share capital

	Ordinary shares 2022	
On issue at 1 January and 31 December 2022 – fully paid		1
	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i> 1 (2021:1) ordinary shares of £1 each	-	-

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.

Dividends

A dividend has not been paid or declared in the year (2021: £nil).

21 Contingencies

The Company was party to a covenanted agreement dated 14 June 2019 and was a guarantor under this agreement. The total outstanding indebtedness under the covenanted agreement at 31 December 2022 was €305,000,000 (2021: €305,000,000). These obligations were secured by fixed and floating charges over the assets of the Company. On 10 January 2023, the Senior Term and Revolving loan facilities were repaid in full and the securities discharged.

22 Capital commitments

Outstanding capital expenditure on property, plant and equipment authorised by the Board and for which contracts had been placed as at 31 December 2022 by the Company amounted to approximately £10,019,000 (2021: £5,344,000).

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

23 Related parties

Related parties comprise of entities controlled by the shareholders of INEOS Limited, the ultimate parent company of INEOS Chemicals Grangemouth Limited.

Trading transactions

During the year, the Company entered into the following trading transactions with related parties:

	Sales of goods and services and recovery of costs		Purchases of goods and services	
	2022	2021	2022	2021
	£000	£000	£000	£000
INEOS Group Holdings S.A. related parties	16,266	18,734	10,462	17,298
INEOS Infrastructure (Grangemouth) Limited	49,557	35,008	239,116	183,290
INEOS Enterprise Holdings Limited related parties	-	-	-	4
Petroineos related parties	6,381	5,576	1,124	401
	72,204	59,318	250,702	200,993

Outstanding balances

At the year end, the Company had the following balances with related parties:

	Amounts owed by related parties		Amounts owed to related parties	
	2022	2021	2022	2021
	£000	£000	£000	£000
INEOS Group Holdings S.A. related parties	2,370	2,342	32	42
INEOS Infrastructure (Grangemouth) Limited	4,152	4,921	24,403	27,326
Petroineos related parties	945	4,502	172	22
	7,467	11,765	24,607	27,390

In general, any trading balances with related parties are priced based on contractual arrangements and are to be settled in cash. The transactions are made on terms equivalent to those that prevail in arm's length transactions.

The Company had no non-trading balances with related parties as at 31 December 2022 (2021: £nil).

None of the related party balances are secured and no guarantees have been given or received. There were no provisions for doubtful debt related to any related parties as at 31 December 2022 (2021: £nil).

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

24 Controlling parties

The immediate parent undertaking is INEOS Grangemouth Limited.

The ultimate parent company at 31 December 2022 was INEOS Limited, a company incorporated in the Isle of Man.

INEOS Grangemouth Limited, a company incorporated in the UK, is the smallest group of undertakings to consolidate these financial statements. Copies of the financial statements of INEOS Grangemouth Limited can be obtained from the Company Secretary at the registered office: Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

INEOS Industries Limited, a company incorporated in the UK, is the parent undertaking of the largest group of undertakings to consolidate these financial statements. Copies of the financial statements of INEOS Industries Limited can be obtained from the Company Secretary at the registered office: 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 undertaking INEOS Limited.

25 Accounting estimates and judgements

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

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

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

Post-employment benefits

The Company operates a defined benefit post-employment scheme. Under IAS 19 Revised Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each defined benefit scheme. The costs and year end obligations under the defined benefit scheme is determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Inflation rate projections;
- Discount rate for scheme liabilities; and
- Expected rates of return on the scheme assets.

Details of post-employment benefits including the major assumption and the sensitivity of the post-retirement benefits to the assumptions: pension plan assumptions, are set out in Note 15.

Notes to the financial statements for the year ended 31 December 2022 (forming part of the financial statements) (continued)

25 Accounting estimates and judgements (continued)

Impairment Reviews

FRS 101 require management to test for the impairment of tangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

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

- growth rates of various revenue streams
- long term growth rates
- future margins
- the selection of an appropriately risk adjusted discount rate; and
- the determination of terminal values.

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

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as planned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sale of products with capitalised intellectual property rights could result in shortened lives or impairment. Changes in discount rates could also lead to impairment (*Note 11*).

26 Subsequent events

In January 2023, an agreement was made with PetroIneos to write off a number of open debtor and creditor balances that had been in dispute for a number of years. There was no cash settlement between the parties and this write-off has been adjusted for in the December 2022 results.