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# **INEOS Compounds Aycliffe Limited**

**Annual report and financial statements**

**Registered number 08651343**

**Year ended - 31 December 2021**

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## **Strategic report for the year ended 31 December 2021**

The directors present their strategic report of INEOS Compounds Aycliffe Limited (the “Company”) for the year ended 31 December 2021.

### **Review of the business**

During 2020, to support the Government’s COVID-19 response, INEOS Enterprises established INEOS Hygienics which was dedicated to the manufacture and sale of high-quality ethanol-based sanitisation products for medical, industrial and retail consumption. On 1 June 2021, the Company disposed of the INEOS Hygienics business to separate, dedicated legal entities for a consideration equal to book value of the assets and liabilities. In addition, certain historic land and buildings were sold by the Company to INEOS Hygienics Manufacturing Limited generating a profit on disposal of £3.1m. The 2020 profit and loss account and associated notes of the Company have been restated to present the Hygienics business as a discontinued operation throughout this report. Profit from discontinued operations increased by £0.8 million to £0.4 million for the 5 month period ended 1 June 2021 compared a loss of £0.4 million for the year ended 31 December 2020.

The results of the Company are set out in the profit and loss account and show that revenue from continuing operations increased by £41.3 million to £102.4 million for the year ended 31 December 2021 compared to £61.1 million for the same period in 2020. As the World’s economies recovered from the impact of COVID-19, the Company experienced strong demand for PVC products, particularly those used in construction, leading to an increase in volume of products sold year on year. Rising global commodity costs resulted in price increases of raw materials, particularly PVC resin and plasticisers. Due to the buoyant market, the Company successfully passed these through to customers. Operating profit from continued operations increased by £1.4 million to £3.0 million for the year ended 31 December 2021 compared to £1.6 million in 2020. This increase was due to both increased sales volumes and stronger margins achieved on PVC compounds products, driven by healthy customer demand. Profit before tax from continuing operations increased by £7.9 million to a profit of £6.9 million for the year ended 31 December 2021 compared to a loss of £1.0 million for the same period in 2020. This increase was due to both an improved operating profit, plus favourable movement in finance income due to unrealised exchange gains associated with intercompany loan balances with fellow group undertakings.

Management of the Company business performance is measured by reference to earnings before interest, tax, depreciation, amortisation, profits on sale of fixed assets and subsidiary undertakings, and exceptional items “EBITDA before exceptional items”. EBITDA for the year was £4.4 million (2020: £2.9 million). The Company has net assets of £5.7 million (2020: £5.8 million) and net current liabilities of £4.5 million (2020: £3.9 million).

### **Strategy and future developments**

The focus of the business for 2022 continues to be the growth of cash flows and profitability by leveraging existing resources to expand sales and optimise costs within the Company. The exit of the United Kingdom (UK) from the European Union (EU) upon the end of the transition period as at 31 December 2020 has not had a significant impact on the business. In the short term, there may still be further volatility due to foreign exchange movements, but the impact of such changes has been and are expected to continue to be limited. The free-trade agreement negotiated mitigates the impact of any potential duties which would have been applicable on product supplied between the UK and the EU also. We have observed minor disruption in logistics and transport between the UK and the EU but this has not had any significant impact on our business. In the longer term, there is not expected to be significant impact to demand for our products or the cost of our supplies.

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 production facilities. The chemical industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Company production facilities 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 production facilities have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic. Whilst there is still uncertainty due to the COVID-19 pandemic the Directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for the Company’s products and the impact on margins for the next 12 months.

**Strategic report for the year ended 31 December 2021 (continued)**

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. Management meet monthly to review the performance of the business and assess risks which are identified, including a review of those risks which are relevant from month to month. As part of this review, management also consider if new risks are developing and ensure that business strategy is developed to best mitigate the impact from these risks. The key business risks affecting the Company are set out below:

- Operating within the chemical industry, our businesses are highly regulated, with Environmental, Health and Safety laws and regulations governing our operations and providing our licence to operate. The Company places compliance with these laws and regulations as the number one priority.
- Raw materials and suppliers — if the Company is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected.
- International operations and currency fluctuations — the Company is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability.
- Competition — significant competition in the Company's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations.
- Inability to maximise utilisation of assets — the Company may be adversely affected if it is unable to implement its strategy to maximise utilisation of assets.
- Outbreaks of disease — the outbreak of contagious diseases may have a negative impact on the Company's business and performance, and an adverse impact on the global economy generally. During the course of 2021 and into 2022, the Company has managed the outbreak of the COVID-19 coronavirus by implementing various measures to ensure the safety of employees and the ongoing operation of the plants.
- Cyber security — a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

**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:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- 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.

**Strategic report for the year ended 31 December 2021 (continued)**

**Section 172(1) statement (continued)**

*Long term factors*

The Company's principal objectives are to maintain its position as a key 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:

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

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*

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. 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 changing attitudes to climate change, and monitors its impact on the environment, including emissions arising from operation of its assets, use of power and feedstocks and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. These matters are considered by the 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 value diversity of its people and each of its employees is recognised as an important member of the team.

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

**Strategic report for the year ended 31 December 2021 (continued)**

**Section 172(1) statement (continued)**

*The need to act fairly as between members of the Company*

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*

In the year ended 31 December 2021 the Directors engaged with the shareholders on the sale of the INEOS Hygienics business. It was agreed to dispose of the Hygienics business to fellow INEOS companies and to sell some of the Company's land and buildings to INEOS Hygienics to facilitate the ongoing operations of that business.

**Key Performance Indicators**

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 profits on sale of fixed assets and subsidiary undertakings, and exceptional items ("EBITDA before exceptional items"). EBITDA before exceptional items for the Company for the year ending 31 December 2021 was £4.4 million (2020: £2.9 million). 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.

Approved and signed on behalf of the Board



A Brown  
Director  
10 June 2022

## **Directors' report for the year ended 31 December 2021**

The directors present their annual report and the audited financial statements of INEOS Compounds Aycliffe Limited (the "Company") for the year ended 31 December 2021.

### **Review of the business**

A review of the business is provided in the strategic report (page 1).

### **Principal activities**

The principal activities of the Company are the manufacture and sale of a range of PVC Compounds. During 2020 the Company also established the INEOS Hygienics business for the manufacture and sale of ethanol based sanitisation products. This business was disposed of on 1 June 2021 to related party INEOS companies at book value and has therefore been classified as a discontinued operation throughout this report.

### **COVID-19**

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 the Company's plant has 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.

Whilst there is still uncertainty due to the COVID-19 pandemic the Directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for the Company's products and services and the impact on margins for the next 12 months.

### **Going concern**

The directors have considered the Company's projected future cash flows and working capital requirements and are confident that the Company has sufficient cash flows to meet its working capital requirements for the next twelve months from the date of signing the financial statements. At 31 December 2021, the Company had net current liabilities of £4.5 million (2020: £3.9 million) and net assets of £5.7 million (2020: £5.8 million). The profit for the year was £6.0 million (2020: loss of £1.1 million). The directors have received confirmation that the parent will continue to support the Company for at least the next 12 months from the date of signing these financial statements.

After making enquiries, the directors have a reasonable expectation that the parents 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. According, the Company continues to adopt the going concern basis in preparing its financial statements.

### **Future developments**

As noted in the strategic report, the directors consider the Company to be well placed to take advantage of the opportunities that are expected to arise in 2022.

### **Dividends**

During the year the Company issued a dividend £607 per ordinary share totalling £6,070,000 (2020: £nil). The Company's parent INEOS Compounds Holdings Limited agreed to offset the dividend to be paid, against an intercompany loan owing to the Company and therefore the dividend was not paid in cash.

**Directors' report for the year ended 31 December 2021 (continued)**

**Financial risk management**

The Company's operations expose it primarily to foreign exchange 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. Foreign exchange losses arise from balances with other group companies or normal trading balances. The Company makes use of natural hedge relationships which limits its exposure to movements in foreign exchange rates. The Company is exposed to commodity price risk as a result of its operations. The Company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties.

**Research and development**

The nature of our development is to continually look for opportunities to develop new or current products to meet the changing needs of customers. Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the profit and loss account. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

**Subsequent events**

The Company does not have any subsequent events to report.

**Donations**

The Company made no charitable donations (2020: £0.3 million being the cost of hand sanitiser donated to local health authorities). The Company no political contributions (2020: £nil).

**Directors**

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

A Brown  
A Hogan  
P Rands

**Health and safety**

The Company continually strives to meet, and where possible, exceed strict health, safety and environmental performance targets. It is committed to continuous improvement in all aspects of its operations. Through its Safety, Health, Environment Quality ("SHEQ") Policy, the Company aims to be amongst the chemical industry leaders in health, safety, environmental protection and customer satisfaction, ensuring our products meet society's increasing environmental requirements. Specifically, the Company works to two guiding principles. The first being to protect the health and safety of its employees; the communities in which it operates; and the users of its products. Secondly, the Company seeks to minimise the effects on the environment from its operations; storage; transport; use and disposal of its products. The Company manages SHE as an integral part of its activities through a formal management system. This includes defining SHE standards and targets and monitoring of performance against them. It requires all members of staff (and others who work on its behalf) to adhere to the standard in the SHE Management System and to exercise personal responsibility to prevent harm to themselves, others and the environment. Comprehensive SHE information and training is provided to all employees, with SHE objectives set for every individual each year through the performance appraisal process. SHE targets also feature in the Company's discretionary Business Bonus Scheme.



**Directors' report for the year ended 31 December 2021 (continued)**

**Employees**

The Company places considerable importance on communication with employees. This is to ensure that employees at all levels of the organisation are kept aware of key business developments, and in particular financial performance, so as to focus attention on key performance metrics. This is achieved through the monthly distribution to every employee of a business results "snapshot" report covering headline safety, health and environment ("SHE") and financial performance. Business news items are also communicated to the organisation either via cascade or direct to individuals via email, Bulletin Boards and Intranet facilities. Work groups in the manufacturing areas have daily "toolbox talks" that cover SHE, critical operational items for the day and business developments.

The Company operates in full accordance with prevailing employment legislation including formal consultation with employees and their representatives on matters affecting their interests. Outside of any necessary formal consultation process, there are regular briefings between the Company and the Works Councils/Trade Union bodies in each region, as well as via a Group Employee Forum that operates at an INEOS level.

The Company facilitates a number of schemes designed to encourage employees to deliver key business targets. This includes a discretionary Business Bonus Scheme, which is designed to focus attention on key areas of performance such as SHE, EBITDA, working capital, plant reliability and fixed costs. The discretionary Business Bonus Scheme incentivises employees to meet key targets each year through the potential to receive a bonus pay-out. Each individual also has a set of personal review targets that are used as the basis of rewarding individual performance through pay increases or one-off special bonuses.

**Energy and carbon reporting**

The reporting boundary for this Energy and Carbon report is the company as laid out in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

	<b>Current reporting year 2021</b>	<b>Prior reporting year 2020</b>
Total energy consumption used to calculate emissions in KWh	<b>20,872,207</b>	19,453,621
Emissions from combustion of gas (tCO <sub>2</sub> e) – Scope 1	<b>204</b>	211
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (tCO <sub>2</sub> e) – Scope 3	<b>7</b>	7
Emissions from purchased electricity (tCO <sub>2</sub> e) – Scope 2	<b>4,608</b>	4,264
Total gross CO <sub>2</sub> e based on the above (tCO <sub>2</sub> e)	<b>4,819</b>	4,482
tCO <sub>2</sub> e per £1 million of revenue	<b>47.08</b>	56.34

**Directors' report for the year ended 31 December 2021 (continued)**

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

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

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

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

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

**Directors' report for the year ended 31 December 2021 (continued)**

**Disclosure of information to auditor**

For each person who is a director at the time of approval of this report:

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

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

**Independent auditor**

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

**Registered address**

INEOS Compounds Aycliffe Limited  
School Aycliffe Lane  
Newton Aycliffe  
Co. Durham  
DL5 6EA

Approved and signed on behalf of the Board



A Brown  
Director  
10 June 2022

**Independent auditors' report to the members of INEOS Compounds Aycliffe Limited.**

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

**Opinion**

In our opinion the financial statements of INEOS Compounds Aycliffe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

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

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

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

**Independent auditors' report to the members of INEOS Compounds Aycliffe Limited (continued)**

**Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

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

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

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

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

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included International Financial Reporting Standards, UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

**Independent auditors' report to the members of INEOS Compounds Aycliffe Limited (continued)**

**Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Manual adjustments to revenue: a sample of revenue items have been agreed to supporting evidence and the business rationale of any significant transactions that are unusual or outside the normal course of business have been evaluated along with consideration of whether any material manual adjustments to revenue are appropriate.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

**Report on other legal and regulatory requirements**

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

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

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

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

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

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

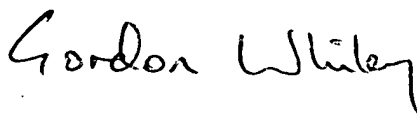
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

**Independent auditors' report to the members of INEOS Compounds Aycliffe Limited (continued)**

**Use of our report**

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



Gordon Whiley FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
10 June 2022

**Profit and loss account**  
**for the year ended 31 December 2021**

	Note	2021 Continuing Operations	2021 Discontinued Operations £'000	2021 Total
<b>Revenue</b>	2	102,368	3,437	105,805
Cost of sales		(93,987)	(828)	(94,815)
<b>Gross profit</b>		<b>8,381</b>	<b>2,609</b>	<b>10,990</b>
Distribution costs		(3,695)	(320)	(4,015)
Administrative expenses		(1,693)	(2,048)	(3,741)
<b>Operating profit</b>	3	<b>2,993</b>	<b>241</b>	<b>3,234</b>
Profit on disposal of fixed assets		3,144	-	3,144
<b>Profit before net finance income / (costs)</b>		<b>6,137</b>	<b>241</b>	<b>6,378</b>
Finance income	5	2,421	149	2,570
Finance costs	5	(1,624)	-	(1,624)
Net finance income / (costs)	5	797	149	946
<b>Profit / (loss) before tax</b>		<b>6,934</b>	<b>390</b>	<b>7,324</b>
Tax charge / (credit)	6	(1,309)	(65)	(1,374)
<b>Profit / (loss) for the financial year</b>		<b>5,625</b>	<b>325</b>	<b>5,950</b>

The notes on pages 18 to 36 are an integral part of these financial statements.



**Profit and loss account**  
**for the year ended 31 December 2020**

	Note	2020 Continuing Operations Restated	2020 Discontinued Operations Restated	2020 Total
			£'000	
<b>Revenue</b>	2	61,100	11,100	72,200
Cost of sales		<u>(55,536)</u>	<u>(3,670)</u>	<u>(59,206)</u>
<b>Gross profit</b>		5,564	7,430	12,994
Distribution costs		(2,848)	(399)	(3,247)
Administrative expenses		<u>(1,099)</u>	<u>(7,167)</u>	<u>(8,266)</u>
<b>Operating profit from</b>	3	1,617	(136)	1,481
Finance income	5	423	-	423
Finance costs	5	<u>(3,051)</u>	<u>(453)</u>	<u>(3,504)</u>
<b>Net finance income / (costs)</b>	5	<u>(2,628)</u>	<u>(453)</u>	<u>(3,081)</u>
<b>Profit / (loss) before tax</b>		(1,011)	(589)	(1,600)
Tax charge / (credit)	6	<u>305</u>	<u>155</u>	<u>460</u>
<b>Profit / (loss) for the financial year</b>		<u>(706)</u>	<u>(434)</u>	<u>(1,140)</u>

Following the disposal of the INEOS Hygienics business on 1 June 2021, the comparative period and associated notes have been restated to reflect the continuing operations of the Company.

The notes on pages 18 to 36 are an integral part of these financial statements.

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

**Balance sheet**  
**at 31 December 2021**

	Note	2021	2020
		<u>£'000</u>	
<b>Non-Current assets</b>			
Intangible assets	7	1,089	1,089
Property, plant and equipment	8	9,113	8,842
Deferred tax	9	249	257
		<u>10,451</u>	<u>10,188</u>
<b>Current assets</b>			
Inventories	10	14,708	13,345
Trade and other receivables	11	26,690	39,943
Cash and cash equivalents		2,779	3,261
		<u>44,177</u>	<u>56,549</u>
Non-current assets held-for-sale		-	4,571
		<u>44,177</u>	<u>61,120</u>
<b>Creditors: amounts falling due with one year</b>	13	<u>(48,661)</u>	<u>(65,003)</u>
<b>Net current liabilities</b>		<u>(4,484)</u>	<u>(3,883)</u>
<b>Total assets less current liabilities</b>		<u>5,967</u>	<u>6,305</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(288)</u>	<u>(506)</u>
<b>Net assets</b>		<u>5,679</u>	<u>5,799</u>
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Capital contribution reserve		-	1,316
Other reserves		-	-
Merger reserve		-	4,754
Retained earnings / (accumulated losses)		5,679	(271)
<b>Total shareholders' funds</b>		<u>5,679</u>	<u>5,799</u>

The notes on pages 18 to 36 are an integral part of these financial statements.

These financial statements on pages 14 to 36 were authorised and approved by the board of directors on 10 June 2022 and were signed on its behalf by:



A Brown  
 Director  
 Company registered number: 08651343

**Statement of changes in equity**  
**for the year ended 31 December 2021**

	Called up share capital	Capital contribution reserve	Other reserves	Merger reserve	(Accumulated losses) / retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	-	1,316	(569)	4,754	1,438	6,939
Loss for the financial year and total comprehensive expense	-	-	-	-	(1,140)	(1,140)
<b>Transactions recorded directly in equity:</b>						
Amounts recycled through accumulated losses / retained earnings	-	-	569	-	(569)	-
Total	-	-	569	-	(1,709)	(1,140)
Balance at 31 December 2020	-	1,316	-	4,754	(271)	5,799
Profit for the financial year and total comprehensive expense	-	-	-	-	5,950	5,950
<b>Transactions recorded directly in equity:</b>						
Bonus shares issued	6,070	(1,316)	-	(4,754)	-	-
Capital reduction	(6,070)	-	-	-	6,070	-
Dividend issued	-	-	-	-	(6,070)	(6,070)
Total	-	(1,316)	-	(4,754)	5,950	(120)
Balance at 31 December 2021	-	-	-	-	5,679	5,679

The notes on pages 18 to 36 are an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2021

### 1 Accounting policies

#### Overview

INEOS Compounds Aycliffe Limited (the "Company") is a private company, limited by shares, incorporated, registered and domiciled in England, UK. The nature of the operations of the Company is the manufacture and sale of PVC Resin Compounds which are used in a variety of applications. During 2020 the Company also established the INEOS Hygienics business for the manufacture and sale of ethanol based sanitisation products. This business was disposed of to separate, dedicated legal entities on 1 June 2021.

#### Basis of preparation

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using 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 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. Following the disposal of the INEOS Hygienics business on 1 June 2021 and the reporting of this business as a discontinued operation, certain comparative information has been restated in the profit and loss account and notes to the financial statements.

The Company's parent undertaking, INEOS Compounds Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of INEOS Compounds Holdings Limited are prepared in accordance with International Financial Reporting Standards (IFRS), are available to the public and can be obtained from INEOS Compounds Holdings Limited, School Aycliffe Lane, Newton Aycliffe, County Durham, United Kingdom, DL5 6EA.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- 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 Compounds Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets*;
- Certain disclosures required by IFRS 15 *Revenue*;
- Certain disclosures required by IFRS 16; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements under the historic cost convention.

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 are discussed in note 21.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

***Changes in accounting policies***

There are no amendments to accounting standards that are effective for the year ended 31 December 2021 which have had a material impact on the company.

The Company financial statements have been prepared using accounting policies that are consistent with those of the previous financial year. The Company has adopted the following amendments to accounting standards for the first time in 2021, with effect from 1 January 2021, although there has been no material effect on the Company's financial statements:

- Amendment to IFRS 16- COVID-19- Related Rent Concessions - beyond 30 June 2021 (effective date 1 April 2021). The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19.
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 has been adopted and has been applied retrospectively. The amendments introduce a practical expedient relating to modifications of financial instruments and lease contracts and specific hedge accounting requirements which is triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

***Going concern***

The directors have considered the Company's projected future cash flows and working capital requirements and are confident that the Company has sufficient cash flows to meet its working capital requirements for the next twelve months from the date of signing the financial statements. At 31 December 2021, the Company had net current liabilities of £4.5 million (2020: £3.9 million) and net assets of £5.7 million (2020: £5.8 million). The profit for the year was £6.0 million (2020: loss of £1.1 million). The directors have received confirmation that the parent will continue to support the Company for at least the next 12 months from the date of signing these financial statements. After making enquiries, the directors have a reasonable expectation that the parents 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. According, the Company continues to adopt the going concern basis in preparing its financial statements.

***Foreign currency***

The functional currency of the Company is the local currency of its principal operating environment, being GBP. The financial statements are presented in presentational currency of GBP.

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

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

***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. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

***Interest-bearing borrowings***

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

***Property plant and equipment***

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Capital work in progress is held as assets under construction until fully commissioned and transferred into active use. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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 property, plant and equipment. 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:

Land and buildings	-	10 to 50 years
Plant and equipment	-	2 to 30 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Company makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit and loss account in the period in which the item is derecognised.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

***Intangible assets and goodwill***

***Goodwill***

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. Negative goodwill arising on acquisition is recognised immediately in the profit and loss account.

***Research and development***

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

***Other intangible assets***

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

***Amortisation***

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

Patents and customer lists	5 years
----------------------------	---------

***Non current assets held-for-sale***

A non-current asset is classified as held-for-sale when its carrying amount will be recovered principally through a sale transaction and the asset is available for immediate sale in its present condition with sale being highly probable. On classification of an asset as held-for-sale, depreciation of this asset immediately ceases and the asset is valued at the lower of its carrying amount and its fair value less costs to sell.

***Inventories***

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

Items owned by the Company that are held on consignment at another entity's premises are included as part of the Company's inventory. Provision is made for obsolete, slow-moving or defective items where appropriate.

***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.

***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 recognized 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.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

**IFRS 16 Leases (continued)**

**Company as a lessee (continued)**

**Right-of-use assets (continued)**

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.

**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.

**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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

The Company is exposed to environmental and remediation liabilities relating to its past operations. Provision for these costs is made when the Company has a legal or constructive obligation to carry out remediation works and costs can be estimated within a reasonable range of possible outcomes.



**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

***Revenue Recognition***

Revenue 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, allocated to the performance obligations. Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good to a customer.

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

Services provided to third parties include administrative and operational services provided to other chemical companies with facilities on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into certain specified products, for which the Company charges a toll fee. The Company only recognises toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which the control of the service is transferred to the buyer. For all other services, revenue is recognised at a point in time. There are no arrangements of significance which transfer goods or services over time.

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

Revenue for contracts with volume discounts will only be recognised to the extent that it is highly probable that a significant reversal to cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

***Finance income and expense***

Interest income and interest payable is recognised in the profit and loss account 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.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives, net interest on employee benefit liabilities and net foreign exchange losses that are recognised in the profit and loss account (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested and from related party loans, net fair value gain on derivatives and net foreign exchange gains.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**1 Accounting policies (continued)**

***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, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2 Revenue**

**Analysis of revenue by category:**

	<b>2021</b>	<b>2020 (Restated)</b>
	<b>£'000</b>	
<b>Analysis of revenue by geographical market:</b>		
United Kingdom	<b>67,512</b>	41,618
Europe	<b>29,381</b>	15,791
The Americas	<b>188</b>	320
Rest of World	<b>5,287</b>	3,371
<b>Total revenue from continuing operations</b>	<b>102,368</b>	61,100
Sales from discontinued operations	<b>3,437</b>	11,100
<b>Total Sales</b>	<b>105,805</b>	72,200

All revenue is derived from the sale of goods.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**3 Operating profit**

Included in operating profit are the following:

	2021	2020 (Restated)
	£'000	
<b>Raw materials, consumables and changes in finished goods and work in progress recognised as expense:</b>		
Stock value recognised as cost of sales (note 10)	51,808	40,696
<b>Depreciation and impairment of property, plant and equipment (note 8):</b>		
Owned assets	1,082	1,077
Right of use assets	169	159
<b>Other operating expenses:</b>		
Employee benefit expense (note 4)	10,605	9,277
Amortisation of intangible assets (note 7)	-	5
Short-term leases recognised on a straight-line basis as expense	11	106
Other expenses	35,739	8,207
Foreign exchange income on trading balances	(39)	(44)
<b>Total cost of sales, distribution, and administrative expenses from continuing operations</b>	<b>99,375</b>	<b>59,483</b>
Expenses from discontinued operations	3,196	11,236
<b>Total cost of sales, distribution, and administrative expenses</b>	<b>102,571</b>	<b>70,719</b>

**Auditor's remuneration**

	2021	2020
	£'000	
Audit of these financial statements	31	30
	<b>31</b>	<b>30</b>

**4 Employees and directors**

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

	Number of employees	
	2021	2020 (Restated)
Operations	180	175
Administration	34	36
	<b>214</b>	<b>211</b>

The aggregate payroll costs of these persons were as follows:

	2021	2020 (Restated)
	£'000	
Wages and salaries	8,818	7,834
Social security costs	916	809
Other pension costs	871	634
	<b>10,605</b>	<b>9,277</b>

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**4a Directors' remuneration**

	2021	2020
	<b>£'000</b>	
Aggregate remuneration	<u>226</u>	<u>137</u>
	<u>226</u>	<u>137</u>

No directors have benefits accruing under a defined benefit pension scheme with respect to the Company (2020: none).

**Highest paid director information:**

	2021	2020
	<b>£'000</b>	
Aggregate remuneration	<u>226</u>	<u>83</u>
	<u>226</u>	<u>83</u>

**5 Finance income and expense**

	2021	2020 (Restated)
	<b>£'000</b>	
Interest receivable from group undertakings	349	423
Net foreign exchange gain	<u>2,072</u>	<u>-</u>
<b>Total finance income from continuing operations</b>	<u>2,421</u>	<u>423</u>
Bank interest payable	(3)	(7)
Interest payable to group undertakings	(1,059)	(1,169)
Other interest payable	(546)	(372)
Interest payable on lease liabilities	(16)	(18)
Net foreign exchange loss	<u>-</u>	<u>(1,485)</u>
<b>Total finance expense from continuing operations</b>	<u>(1,624)</u>	<u>(3,051)</u>
<b>Net finance income / (expense) from continuing operations</b>	<u>797</u>	<u>(2,628)</u>
Finance income from discontinued operations	<u>149</u>	<u>-</u>
Finance expense from discontinued operations	<u>-</u>	<u>(453)</u>

**6 Tax on profit / (loss)**

**Recognised in the Profit and loss account**

	2021	2020 (Restated)
	<b>£'000</b>	
<i>UK corporation tax</i>		
Current tax on profit / (loss) in the year	(1,366)	294
Adjustments in respect of previous periods	<u>-</u>	<u>71</u>
<b>Total current tax (charge) / credit</b>	<u>(1,366)</u>	<u>365</u>
<i>Deferred tax (see note 9)</i>		
Origination and reversal of temporary differences	(8)	95
<b>Total deferred tax</b>	<u>(8)</u>	<u>95</u>
Tax (charge) / credit on profit / (loss) from continuing operations	(1,309)	305
Tax (charge) / credit on profit / (loss) from discontinued operations	<u>(65)</u>	<u>155</u>
<b>Tax (charge) / credit on profit / (loss)</b>	<u>(1,374)</u>	<u>460</u>

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**6 Tax on profit / (loss) (continued)**

**Factors affecting the tax charge for the year**

The tax on the Company's profit / (loss) before tax is lower (2020: higher) than the theoretical amount that would arise using the UK tax rate applicable to profits / (losses) of the Company as follows:

	2021	2020
	£'000	
(Profit) / loss before taxation from continuing operations	(6,934)	1,011
(Profit) / loss before taxation from discontinued operations	(390)	589
Total (profit) / loss before taxation	(7,324)	1,600
(Profit) / loss before taxation multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(1,392)	304
Adjustments in respect of prior years	-	156
Non-deductible expenses	18	-
<b>Tax (charge) / credit</b>	<b>(1,374)</b>	<b>460</b>

**Factors affecting the tax charge for the year**

The Finance Act 2021 included legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. This rate was enacted when the Finance Bill 2021 passed by the House of Commons in May 2021. Management has therefore remeasured the deferred tax assets and liabilities at this higher rate of tax where these are expected to be realised or settled on or after 1 April 2023.

**7 Intangible assets**

	Goodwill	Other	Total
	£'000		
<b>Cost</b>			
<b>Balance at 1 January 2020 and 31 December 2021</b>	<b>1,089</b>	<b>1,638</b>	<b>2,727</b>
<b>Accumulated amortisation</b>			
Balance at 1 January 2020	-	(1,633)	(1,633)
Amortisation for the year	-	(5)	(5)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>(1,638)</b>	<b>(1,638)</b>
<b>Amortisation for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2021</b>	<b>1,089</b>	<b>-</b>	<b>1,089</b>
<b>Net book value</b>			
At 31 December 2020	1,089	-	1,089
<b>At 31 December 2021</b>	<b>1,089</b>	<b>-</b>	<b>1,089</b>

**Amortisation charge**

Amortisation charges are recognised within administrative expenses in the profit and loss account.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**7 Intangible assets (continued)**

***Impairment***

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows:

	<u>2021</u>	<u>2020</u>
	<b>£'000</b>	
INEOS Compounds Aycliffe Limited	<u>1,089</u>	<u>1,089</u>

The INEOS Compounds Aycliffe business is classified as one CGU as the cash flows are relatively dependent on one another with assets not always separately identifiable.

No impairment charge has been recorded in these financial statements as a result of the annual impairment review. The growth rate selected is consistent with the longer-term growth rate for the businesses and takes into account inflation. The key assumptions underlying the value in use calculation are shown below:

	<u>2021</u>	<u>2020</u>
Period on which management approved forecasts are based	<b>5 years</b>	5 years
Discount rate	<b>8.0%</b>	7.5%
Growth rate	<b>1.0%</b>	1.0%

When determining the discount rate the pre-tax weighted average cost of capital of the Company is considered at each respective period end.

The growth rate used includes inflationary growth across our various markets.

The estimated recoverable amount exceeded the carrying amount for all cash generating units.

Sensitivity analysis on the recoverable amount was performed based on a 1% change in the discount rate and a 1% change in the growth rate, both of which are considered reasonable. Neither of these changes resulted in the recoverable amount being lower than the carrying amount.

Intangible assets have been reviewed for impairment as at the year end and the directors have noted no impairment concerns.

Notes to the financial statements for the year ended 31 December 2021 (continued)

**8 Property, plant and equipment**

	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Under construction</b>	<b>Total</b>
	£'000			
<b>Cost</b>				
Balance at 1 January 2020	3,137	11,752	127	15,016
Additions	-	2,158	3,517	5,675
Disposals	-	(60)	-	(60)
Assets held for sale	-	(2,164)	(2,548)	(4,712)
Transfers	-	186	(186)	-
<b>Balance at 31 December 2020</b>	<b>3,137</b>	<b>11,872</b>	<b>910</b>	<b>15,919</b>
Additions	-	-	8,452	8,452
Disposals	(457)	-	(6,724)	(7,181)
Transfers	67	676	(743)	-
<b>Balance at 31 December 2021</b>	<b>2,747</b>	<b>12,548</b>	<b>1,895</b>	<b>17,190</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2020	(1,188)	(4,654)	-	(5,842)
Depreciation charge for the year	(139)	(1,297)	-	(1,436)
Disposals	-	60	-	60
Assets held for sale	-	141	-	141
<b>Balance at 31 December 2020</b>	<b>(1,327)</b>	<b>(5,750)</b>	<b>-</b>	<b>(7,077)</b>
Depreciation charge for the year	(129)	(1,242)	-	(1,371)
Disposals	251	120	-	371
<b>Balance at 31 December 2021</b>	<b>(1,205)</b>	<b>(6,872)</b>	<b>-</b>	<b>(8,077)</b>
<b>Net book value</b>				
At 31 December 2020	1,810	6,122	910	8,842
<b>At 31 December 2021</b>	<b>1,542</b>	<b>5,676</b>	<b>1,895</b>	<b>9,113</b>

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**8 Property, plant and equipment (continued)**

***Leased plant and machinery***

The Company leases assets including land and buildings and plant and machinery which are classified as right-of-use assets. The Company had no assets held under hire purchase and finance leases.

More information regarding the right-of-use assets are presented below.

**Right-of-use (ROU) assets**

	<b>Plant and Machinery</b>
	<b>£'000</b>
<b>Cost</b>	
Balance at 1 January 2020	947
Additions	50
Balance at 31 December 2020	997
Disposals	(50)
Balance at 31 December 2021	947
<b>Accumulated depreciation</b>	
Balance at 1 January 2020	(184)
Depreciation charge for the year	(164)
Balance at 31 December 2020	(348)
Depreciation charge for the year	(175)
Disposals	6
Balance at 31 December 2021	(517)
<b>Net book value</b>	
At 31 December 2020	649
At 31 December 2021	430

See note 17 for the leased obligations on right-of-use assets.

**9 Deferred tax assets**

***Recognised deferred tax assets***

Deferred tax assets are attributable to the following:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	
Tangible fixed assets	218	241
Other	31	16
<b>Net tax assets</b>	<b>249</b>	<b>257</b>

***Movement in deferred tax during the year***

	<b>As at 1 January 2021</b>	<b>Recognised in profit and loss</b>	<b>Recognised in equity</b>	<b>As at 31 December 2021</b>
		<b>£'000</b>		
Tangible fixed assets	241	(23)	-	218
Other	16	15	-	31
<b>Net tax assets</b>	<b>257</b>	<b>(8)</b>	<b>-</b>	<b>249</b>



**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**9 Deferred tax assets (continued)**

	As at 1 January 2020	Recognised in profit and loss	Recognised in equity	As at 31 December 2020
		£'000		
Tangible fixed assets	310	(69)	-	241
Other	-	16	-	16
Net tax assets	310	(53)	-	257

Management consider it probable that future taxable profits will be available against which the deferred tax can be utilised.

**10 Inventories**

	2021	2020
	£'000	
Raw materials and consumables	7,190	9,068
Finished goods	7,518	4,277
	14,708	13,345

Raw materials, consumables, changes in finished goods and WIP recognised as cost of sales in the year amounted to £51.8 million (2020: £40.7 million). The write-down of stocks to net realisable value amounted to £0.0 million (2020: £1.1 million). The utilisation of previous write downs amounted to a reversal of £0.5 million (2020: £0.7 million). The write-down and reversal are included in cost of sales.

**11 Trade and other receivables**

	2021	2020
	£'000	
Trade receivables	123	1,596
Amounts owed by group undertakings	25,523	36,229
Amounts owed by related parties (note 19)	58	73
Corporation tax receivable	-	569
Other receivables	-	546
Prepayments and accrued income	986	930
<b>Total current trade and other receivables</b>	<b>26,690</b>	<b>39,943</b>

Trade receivable balances totalling £13.9 million (2020: £10.5 million) have been pledged as security against amounts drawn down under the INEOS Enterprises Group Receivables Securitisation Facility totalling £nil (2020: £nil).

Amounts owed by group undertakings includes a loan to the parent company INEOS Compounds Holdings Limited of £10.1m (2020: £15.3m) which is unsecured and interest bearing. Interest on this loan is calculated monthly and is based on 3-month LIBOR plus 2%. The interest is capitalised monthly. Amounts owed by group undertakings also include current account balances with INEOS Compounds Sweden AB and INEOS Compounds Switzerland AG.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**12 Discontinued Operations**

On 1 June 2021 the Company disposed of the INEOS Hygienics business to fellow INEOS Enterprises Group companies INEOS Hygienics Limited and INEOS Hygienics Manufacturing Limited.

*Effect of the disposal on individual assets and liabilities*

	<b>2021</b>
	<b>£'000</b>
Property plant and equipment	11,386
Inventory	5,452
Trade and other receivables	13,526
Trade and other payables	(990)
Loans due to Group undertakings	(29,523)
Net identifiable assets and liabilities disposed of	(149)
Consideration received	-
Cash and settlement of loans	149
<b>Difference between consideration and net assets disposed of</b>	<b>-</b>

In addition to the disposal of the INEOS Hygienics business, land and buildings assets with a net book value of £236,000 were sold to INEOS Hygienics Manufacturing Limited for a consideration of £3,350,000. This resulted in a gain on disposal of fixed assets of £3,144,000.

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	
Trade creditors	7,343	7,618
Loans due to group undertakings (note 15)	32,669	49,155
Trade amounts owed to group undertakings	281	28
Trade amounts owed to related parties (note 19)	5,323	3,571
Corporation tax payable	1,039	-
Other creditors	1,541	2,139
Lease liabilities (note 17)	168	168
Accruals and deferred income	297	2,324
<b>Total current trade and other payables</b>	<b>48,661</b>	<b>65,003</b>

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	
Lease liabilities (note 17)	211	429
Accruals	77	77
<b>Total non current trade and other payables</b>	<b>288</b>	<b>506</b>

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**15 Interest-bearing loans and borrowings**

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

	2021	2020
	£'000	
<b>Creditors falling due less than one year:</b>		
Loans due to group undertakings	32,669	49,155
	<u>32,669</u>	<u>49,155</u>

No amounts relate to convertible debt.

*Loans due to group undertakings*

Borrowings payable to group undertakings represents loans payable totalling £32.7 million (2020: £49.2 million) payable to INEOS Enterprises Holdings II Limited and INEOS Compounds Sweden A.B. (2020: INEOS Enterprises Holdings II Limited and INEOS Compounds Sweden A.B), fellow INEOS group companies. Interest on these loans is calculated monthly and is based on three-month EURIBOR plus 2% or on EURIBOR plus a variable margin. The interest is capitalised monthly, and the notes are unsecured and have no fixed repayment terms.

*Terms and debt repayment schedule*

	Currency	Nominal interest rate	Period of maturity
Borrowings payable to group undertakings	€	Variable	-

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**16 Called up share capital**

	2021	2020
	£	
Allotted and fully paid		
2021: 10,000 (2020: 10,000) Ordinary shares of £0.01 each	100	100

During the year, the Company's merger reserve and capital contribution reserve, together totalling £6,070,000 were capitalised and used to pay up in full 607,000,000 ordinary shares of £0.01 which were issued to the Company's parent INEOS Compounds Holdings Limited. These 607,000,000 ordinary shares were subsequently cancelled and extinguished, resulting in a sum of £6,070,000 being credited to the profit and loss reserves of the Company.

**Dividends**

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. An interim dividend of £607 per ordinary share of £0.01 was declared and paid in the year via offset against an intercompany loan owing to the Company from its parent.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**17 Lease obligations**

*Analysed as:*

	2021	2020
	<b>£'000</b>	
Current lease liabilities (note 13)	<b>168</b>	168
Non-current lease liabilities (note 14)	<b>211</b>	429
	<b>379</b>	597

*Maturity analysis – contractual undiscounted cash flows:*

	2021	2020
	<b>£'000</b>	
Less than one year	<b>176</b>	210
Between one and five years	<b>281</b>	517
Total undiscounted lease liabilities at 31 December 2021	<b>457</b>	727

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

**18 Contingencies**

The Company is party to a Senior Term Loan agreement dated 30 August 2019. The Senior Secured Term Loans outstanding indebtedness at 31 December 2021 was €1,306.5 million (2020: €1,321.1 million). The Company is a guarantor under the Senior Secured Term Loans agreement. These obligations are secured by fixed and floating charges over the assets of the Company.

**Notes to the financial statements for the year ended 31 December 2021 (continued)**

**19 Related parties**

Related parties comprise other (parent companies and their subsidiaries that are not included within the consolidated financial statements of INEOS Enterprises Holdings Limited) entities controlled by the shareholders of INEOS Limited and jointly controlled entities and associated undertakings held by INEOS Limited and their subsidiaries which are not included in the consolidated financial statements of INEOS Enterprises Holdings Limited.

INEOS Limited owns and controls a number of subsidiaries that are not included in the consolidated financial statements of INEOS Enterprises Holdings Limited, including, but not limited to, the INEOS Group Holdings S.A. group and the INEOS Industries Limited group.

Material trading transactions with these entities are as follows:

Related party – year ended 31 December 2021	Sales and cost recoveries	Purchases	Trade balance owed to the Company at 31 December 2021	Trade balance owed by the Company at 31 December 2021
			£'000	
INEOS Group holdings SA and its subsidiaries	58	97	-	26
INEOS Industries and its subsidiaries	590	55,442	58	5,297
			Trade balance owed to the Company at 31 December 2020	Trade balance owed by the Company at 31 December 2020
Related party – year ended 31 December 2020	Sales and cost recoveries	Purchases	£'000	
INEOS Group holdings SA and its subsidiaries	34	784	-	187
INEOS Industries and its subsidiaries	601	25,848	73	3,384

All transactions occurred in the normal course of business.

**20 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of INEOS Compounds Holdings Limited which is the immediate parent company incorporated in England and Wales. The ultimate parent company is INEOS Limited, a company incorporated in the Isle of Man. 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.

The smallest group in which the results of the Company are consolidated is that headed by INEOS Compounds Holdings Limited, incorporated in England and Wales. The consolidated financial statements of INEOS Compounds Holdings Limited can be obtained from School Aycliffe Lane, Newton Aycliffe, County Durham, DL5 6EA.

The largest group in which the results of the Company are consolidated is that headed by INEOS Enterprises Holdings Limited, incorporated in England and Wales. The consolidated financial statements of INEOS Enterprises Holdings Limited can be obtained from Unit 14 Evenwood Close, Runcorn, WA7 1LZ.

**Notes to the financial statements for the year ended 31 December 2021** *(continued)*

**21 Accounting estimates and judgements**

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), which requires 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 year in which the estimates change and in any future years. There are no areas within the financial statements that involve a significant degree of judgement or estimation.

**22 Subsequent events**

The Company does not have any subsequent events to report.