REGISTERED NUMBER: 09117971 (England and Wales)

**ANNUAL REPORT AND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**7 JULY 2014 TO 31 DECEMBER 2015**

**FOR**

**VYNOVA RUNCORN LIMITED**

## CONTENTS OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

# VYNOVA RUNCORN LIMITED

## COMPANY INFORMATION
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

| | |
|---|---|
| **DIRECTORS:** | G Jelschen<br>Dr P A H Prinz |
| **SECRETARY:** | M V Jevons |
| **REGISTERED OFFICE:** | Runcorn Site HQ South Parade<br>PO Box 9<br>Runcorn<br>Cheshire<br>WA7 4JE |
| **REGISTERED NUMBER:** | 09117971 (England and Wales) |
| **INDEPENDENT AUDITORS:** | PricewaterhouseCoopers LLP<br>101 Barbirolli Square<br>Lower Mosley Street<br>Manchester<br>M2 3PW |

# STRATEGIC REPORT
# FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

The directors present their strategic report for the period 7 July 2014 to 31 December 2015.

**GENERAL INFORMATION**

On 9 June 2015, INEOS and Solvay received clearance from the European Commission to form a 50:50 joint venture to be known as INOVYN. This was conditional on the implementation of an agreed remedy package under which INEOS ChlorVinyls Limited was required to sell the following businesses and related assets (collectively known as "the remedy business"):

- the chlorine plants, the EDC/ VCM plants and the KOH plant at Tessenderlo, Belgium,
- the PVC plant at Mazingarbe, France,
- the PVC plant at Beek, the Netherlands,
- the PVC and VCM plants at Wilhelmshaven, Germany, and
- the EDC plant at Runcorn, UK.

On the same date International Chemical Investors Group (ICIG) announced the completion of its acquisition of "the remedy business" to form a new "Chlorovinyls" platform within ICIG named VYNOVA Group with total sales in excess of €850 million:

- VYNOVA Tessenderlo NV
- VYNOVA Beek NV
- VYNOVA Mazingarbe SAS
- VYNOVA Wilhelmshaven GmbH
- VYNOVA Runcorn Ltd and 50% of Runcorn MCP Limited
- VYNOVA International NV and 99.9% VYNOVA LLC

This complemented ICIG's fine chemicals and custom manufacturing platform WeylChem Group (€670 million in sales), the pharmaceuticals platform CordenPharma Group (€330 million in sales) and ICIG Enterprises businesses (CarboTech, ENKA and Rütgers Organics; €110 million in sales).

In addition, the membrane chlorine plant at Runcorn was placed in a 50:50 joint venture between INOVYN and VYNOVA forming a new company called Runcorn MCP Limited. The acquisition also included a portion of the KOH business at Tessenderlo, with VYNOVA supplying INOVYN under a toll manufacturing arrangement for the proportion of the KOH business that INOVYN will retain.

International Chemical Investors Group (ICIG) is a privately owned industrial holding company focusing on chemicals and pharmaceutical businesses. Since inception in 2004, ICIG has acquired more than 24 businesses, all of which have origins in major global chemical or pharmaceutical corporations, and are independently managed. Including VYNOVA Group, ICIG companies will employ approximately 6,000 employees operating 28 manufacturing facilities in Europe and the United States with total sales in excess of €2 billion.

## STRATEGIC REPORT
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

### REVIEW OF BUSINESS

The company was incorporated on 7 July 2014 under the name Runcorn EDC Limited and was renamed VYNOVA Runcorn Limited on 1 July 2015 before acquisition by ICIG XII SA on 1 August 2015.

The company commenced trading activities on 1 May 2015 and became the principal entity of Vinyls Wilhelmshaven GmbH (renamed VYNOVA Wilhelmshaven GmbH on 1 July 2015) on the basis of a Toll Manufacturing Agreement and Distribution Agreement. These are the first financial statements of the company and the year-end was extended to 31 December 2015 to be co-terminous with the group.

The company has two revenue streams which are detailed below:

1) Production of caustic soda in Runcorn for sale within the UK market and to European and overseas customers;
2) Principal entity for the VCM and PVC business of VYNOVA Wilhelmshaven GmbH, Germany, which involves provision of base raw materials (Ethylene bought from INEOS and EDC produced by the company in Runcorn), stock holding of raw materials, intermediates and finished products and selling PVC to the external market via VYNOVA Wilhelmshaven GmbH who act as a low risk distributor.

In 2015 margins for PVC have increased as a result of the reduction in oil prices in combination with the weakening of the Euro which lead to lower prices for Ethylene as the major feedstock. Operating rates were increased following plant closures by competitors as well as some reductions in utilisation following an unusually high number of outages of Ethylene crackers in the second half of the year. The improvement of PVC margins has been maintained into early 2016.

The demand for caustic soda was stable in 2015 and at a similar level to 2014 with margins being improved as a result of lower energy costs. Ethylene as the prime base raw material is purchased by the company from INEOS at market rate on the basis of a long term supply agreement. Chlorine, which is the second raw material required for the production of EDC for supply to Wilhelmshaven and caustic soda as the bi-product, is produced by the 50% shareholding company Runcorn MCP Limited as a toll manufacturer of brine provided by the company.

Runcorn MCP Limited has been treated as a joint operation in these financial statements and so the results and KPIs provided below include a 50% share of the results of the joint operation, from the acquisition date of 1 August 2015.

Turnover for the period was £148.77m of which the majority represents sales of PVC to VYNOVA Wilhelmshaven GmbH for onward sale to external customers (75%). The remaining 25% of turnover relates to sales of caustic soda from Runcorn.

The company reported an overall loss (pre taxation adjustments) of £12.99m. The operating loss on ordinary activities before exceptional items was £4.44m and the net loss before exceptional items was £5.52m (see note below).

The Directors deem the main key performance indicators to be as follows:

Profit Ratios

- Gross profit – 9.79%
- Net loss – 9.04%
- Adjusted net loss – 3.71%

Liquidity Ratios

- Cover (current assets/current liabilities) – 251.00%
- Debtor days – 27.80 days
- Creditor (trade creditors/trade purchases) – 9.98%

Trading Ratios

- Turnover (stock/cost of sales) – 14.21%

The loss for the period is split between the company and the share in the joint operation (Runcorn MCP Limited) as follows:

| | Joint operation £ | Company £ |
|---|---|---|
| Operating profit/(loss) | 1,042,921 | (13,408,843) |
| Net profit/(loss) | 592,921 | (14,037,013) |

STRATEGIC REPORT
FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

The loss for the period is attributable to the challenges on prices and the need to position the relatively new company against its competitors in a highly competitive market. On the back of these challenges there are also uncontrollable factors to consider such as the weak European economy and macro-economic uncertainty that drives demand for PVC.

The Directors believe that the company has made progress during its first period. It is now positioned to take the next step in this tough market place.

**PRINCIPAL RISKS AND UNCERTAINTIES**

**Safety, Health and the Environment (SHE)**
The company's manufacturing assets are continually subjected to risks of operation, environmental contamination and safety hazards. Strict SHE performance targets are set by the Company together with a serious commitment to continuously improve all aspects of operations including meeting and exceeding wherever possible all relevant legislative requirements. SHE is managed as an integral part of activities through a formal management system.

**Cyclical nature of chemical and PVC industries**
The company's operating margins and cash flow can be negatively affected by ever changing market demands and prices. In turn this could affect business investment decisions. The business is highly affected by the cyclical nature of the PVC industry which is closely linked to economic activity in general and specifically to the construction trade.

The results of the company are mainly driven by factors like prices of base raw materials and prime energy, the global supply/demand balance for the products and environmental laws and regulations.

**Competition**
The company is a new player in the highly competitive PVC market and seeks to position itself against competitors not only on price but also on product innovation, product quality and distribution capability. Right across the production chain the company is continually focussing on reducing its variable and fixed cost base.

**Asset utilisation**
The inability to maximise utilisation of its assets could adversely affect the company. Sharing best practice using cross group teams ensures plants are fully optimised. Teams are in place to react quickly and effectively should issues arise.

**Raw materials and suppliers**
The company attempts to match raw material price increases with corresponding price increases to the final customer otherwise its operations results would be adversely affected. Continual assessment of raw material sources and supplier reviews is used to minimise exposure to price and supply.

**Currency fluctuations**
Where possible the company minimises foreign currency risk to protect the value of foreign cash flows, both committed and anticipated, from the negative impact of exchange rate fluctuations.

**Regulation**
As a responsible chemical manufacturer the company is committed to meeting all of its legal obligations relating to SHE in what is a highly regulated industry. Significant costs may be incurred to maintain compliance and the company works closely with various industry bodies to understand and prepare for any new regulations that may come into force.

**EXCEPTIONAL ITEMS**

**Decontamination and disposal costs**
One of the stock tanks on site is currently not useable and needs to be reworked. A provision of £1.47m is included in the financial statements at the period end for reworking and disposal of residues.

**Removal of fixed assets**
A lease agreement exists between INEOS ChlorVinyls Limited and VYNOVA Runcorn Limited for the lease of land and buildings for a term of 30 years. VYNOVA Runcorn Limited has an obligation to remove all assets on site at the end of the lease agreement. A provision of £6.45m has been calculated as the present value of the future cost of removal of the assets at the date they were acquired and has been capitalised within plant and machinery. An impairment review was carried out by the parent company during the year and the asset was deemed to have no fair value so the balance has been written off in full during the period.

## STRATEGIC REPORT
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

**Trading results**
The net effect of the exceptional items noted above on the loss for the period is £7.92m. Without these adjustments the net loss for the year would have been £5.52m.

**GOING CONCERN**

The accounts have been prepared on a going concern basis.

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. In particular consideration has been given to the peak demand in cash related to the current site overhaul at considerable cost. There is now a signed loan agreement with the shareholder ICIG XII S.A which will secure the financial position of the company at least for 2016.

In addition the Directors have received confirmation that the parent company will continue to support the company for at least the next twelve months. Accordingly the financial statements have been prepared on the going concern basis.

**FUTURE DEVELOPMENTS**

During 2016 the VYNOVA Group will be undertaking a Group restructuring to ensure the company remains competitive in the market place and to ensure it remains a going concern.

Shareholders and the Board of Management have decided that the toll manufacturing agreement and distribution agreement with VYNOVA Wilhelmshaven GmbH will be terminated at the end of the next financial year (2016). The termination of this contract will mean that VYNOVA Runcorn Limited will become a fully independent UK company. However, the company will still sell caustic soda in the open market place and EDC will be sold at market rate to VYNOVA Belgium BV as the future principal for the Wilhelmshaven business.

The potential impact of "Brexit" on the restructuring will be carefully considered as more information becomes available and steps will be taken by management to mitigate any risks as appropriate.

**ON BEHALF OF THE BOARD:**

........................................................................
G Jelschen - Director

Date: 14.09.2016

# REPORT OF THE DIRECTORS
# FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

The Directors present their report with the audited financial statements of the company for the period 7 July 2014 to 31 December 2015.

## INCORPORATION

The company was incorporated on 7 July 2014 and commenced trading on 1 May 2015. The company passed a special resolution on 9 March 2015 changing its name from INEOS EDC Limited to Runcorn EDC Limited. It passed a further special resolution on 26 June 2015 changing its name to VYNOVA Runcorn Limited.

## PRINCIPAL ACTIVITIES

The principal activities of the company in the period under review were as follows:

- Manufacture of Ethylene Dichloride (EDC) at Runcorn, Cheshire which is shipped as a raw material to the Vinyl Chloride Monomer (VCM) plant at Wilhelmshaven, Germany.
- Toll manufacture of Polyvinyl Chloride (PVC) at Wilhelmshaven, Germany, for sale to external customers by VYNOVA Wilhelmshaven GmbH as a low risk distributor.
- Manufacture of Caustic Soda Liquor (CSL) for sale to external customers.

## DIVIDENDS

No dividends will be distributed for the period ended 31 December 2015.

## FUTURE DEVELOPMENTS

Future developments are detailed in the Strategic Report.

## DIRECTORS

The Directors who have held office during the period from 7 July 2014 to the date of this report are as follows:

G Jelschen - appointed 1 August 2015
Dr P A H Prinz - appointed 1 August 2015
M J Maher - appointed 7 July 2014 - resigned 1 August 2015
C E Tane - appointed 7 July 2014 - resigned 1 August 2015
Mrs J D Taylorson - resigned 1 August 2015

## FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks including the effects of currency fluctuation risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company where appropriate. The company is exposed to currency fluctuation risk as a result of its operations. The company manages its own liquidity position with reference to its shareholder.

## EVENTS AFTER THE BALANCE SHEET DATE

On 23 June 2016 a referendum was held in the United Kingdom and the outcome of the vote determined that the United Kingdom would leave the European Union. At the time of the signing the statutory accounts the details of how and when the United Kingdom will leave the European Union, and its effect on the financial markets, are unclear and as such it is not possible to estimate the impact of this event at present.

It is important to remember, of course, that overnight nothing has changed. EU law continues to apply, as do UK laws derived from the EU. There has obviously been a fall in exchange rates but that process started seven months ago. Only in the coming weeks and months will the real implications of the vote start to be seen. Much will depend on how quickly the UK attempts to repeal EU laws and what they will be replaced with.

While a great deal remains unknown at this stage, the Directors will begin considering which pieces of legislation and regulation are valuable or unhelpful in the context of the business, and ensure there are adequate plans in place to cope with any such measures falling away. This will include potential import taxes and duties for the EDC in Wilhelmshaven. The Directors will be closely monitoring the situation and will put in place any measures considered necessary to mitigate the risks to the business.

With regard to the impact of the weaker pound, the business will benefit on the production side with cheaper caustic and EDC costs in Runcorn and this should hopefully exceed the reduction in income for UK sales.

**REPORT OF THE DIRECTORS**
**FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Report of the Directors 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 Financial Reporting Standard 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director 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 auditors are aware of that information.

## AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

........................................................
G Jelschen - Director

Date: 14.09.2016

# *Independent auditors' report to the members of Vynova Runcorn Limited*

## Report on the financial statements

### Our opinion

In our opinion, Vynova Runcorn Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the 18 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual report and financial statements ("The Annual Report") comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of other comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors' for the financial period for which the financial statements are prepared is consistent with the financial statements.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# *Independent auditors' report to the members of Vynova Runcorn Limited*

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;

the reasonableness of significant accounting estimates made by the directors; and

the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

14 September 2016

# INCOME STATEMENT
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

| | Notes | £ |
|---|---|---|
| **TURNOVER** | 2 | **148,766,025** |
| Cost of sales | | **(134,196,277)** |
| **GROSS PROFIT** | | **14,569,748** |
| Administrative expenses | | **(19,373,753)** |
| Exceptional items | 4 | **(7,924,000)** |
| | | **(12,728,005)** |
| Other operating income | | **362,083** |
| **OPERATING LOSS** | 6 | **(12,365,922)** |
| Interest payable and similar charges | 5 | **(628,170)** |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(12,994,092)** |
| Tax on loss on ordinary activities | 7 | **(450,000)** |
| **LOSS FOR THE FINANCIAL PERIOD** | | **(13,444,092)** |

The notes form part of these financial statements

## STATEMENT OF OTHER COMPREHENSIVE INCOME
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

| | Notes | £ |
|---|---|---|
| **LOSS FOR THE PERIOD** | | **(13,444,092)** |
| **OTHER COMPREHENSIVE INCOME** | | |
| **Item that will not be reclassified to profit or loss:** | | |
| Remeasurement of long term benefits | 18 | 192,200 |
| Income tax relating to item of other comprehensive income | | - |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX** | | 192,200 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | (13,251,892) |

The notes form part of these financial statements

## VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

## STATEMENT OF FINANCIAL POSITION
## 31 DECEMBER 2015

| | Notes | £ | £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 8 | | (23,406,979) |
| Plant and equipment | 9 | | 12,188,554 |
| | | | (11,218,425) |
| **CURRENT ASSETS** | | | |
| Inventories | 11 | 19,063,384 | |
| Trade and other receivables | 12 | 26,973,932 | |
| Cash and cash equivalents | | 5,307,859 | |
| | | 51,345,175 | |
| **CREDITORS** | | | |
| Amounts falling due within one year | 13 | (20,455,915) | |
| **NET CURRENT ASSETS** | | | 30,889,260 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 19,670,835 |
| **CREDITORS** | | | |
| Amounts falling due after more than one year | 14 | | (11,404,852) |
| **PROVISIONS FOR LIABILITIES** | 16 | | (11,347,000) |
| **PENSION LIABILITY** | 18 | | (2,526,100) |
| **NET ASSETS** | | | (5,607,117) |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | | | 201 |
| Share premium account | | | 4,328,014 |
| Other reserves | | | 3,316,560 |
| Profit and loss account | | | (13,251,892) |
| **TOTAL SHAREHOLDERS' FUNDS** | | | (5,607,117) |

The financial statements were approved by the Board of Directors on 14.09.2016 and were signed on its behalf by:

G Jelschen - Director

Dr P A H Prinz - Director

The notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD 7 JULY 2014 TO 31 DECEMBER 2015

| | Called up share capital £ | Profit and loss account £ | Share premium account £ | Other reserves £ | Total equity £ |
|---|---|---|---|---|---|
| Balance at 7 July 2014 | - | - | - | - | - |
| Issue of share capital | 201 | - | 4,328,014 | - | 4,328,215 |
| Loss for the period | - | (13,444,092) | - | - | (13,444,092) |
| Other comprehensive income | - | 192,200 | - | - | 192,200 |
| Capital contribution | - | - | - | 3,316,560 | 3,316,560 |
| **Balance at 31 December 2015** | **201** | **(13,251,892)** | **4,328,014** | **3,316,560** | **(5,607,117)** |

The notes form part of these financial statements

## 1. ACCOUNTING POLICIES

**General information**

VYNOVA Runcorn Limited is a company incorporated and domiciled in the UK with a registered office of Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE.

The company's ultimate parent undertaking, International Chemical Investors S.E, includes the company in its consolidated financial statements. The consolidated financial statements of International Chemical Investors S.E are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and are available to the public and may be obtained from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE.

The accounting policies set out below have, unless otherwise stated, been applied consistently to these financial statements.

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

In these financial statements the company has early adopted FRS 101. These are the first statutory financial statements prepared by the company and cover a long period from incorporation on 7 July 2014 to 31 December 2015.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.
- the requirements in IAS 8 to disclose the effects of new but not yet effective IFRSs.

**Turnover**

Turnover represents the invoiced value of goods, net of sales discounts and value added tax. Turnover is recognised upon delivery of goods to third parties.

Turnover of the joint operation, Runcorn MCP Limited, represents the invoiced value of services provided, net of sales discounts and value added tax. Turnover is recognised upon completion of the service provided.

**Business combinations**

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses. The difference between the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree, and the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination is referred to as "goodwill".

1. **ACCOUNTING POLICIES – continued**

IFRS 11 was amended with effect from 1 January 2016 to provide specific guidance on the acquisition of an interest in a joint operation that is a business. The amended standard has been early adopted in these financial statements.

An acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is accounted for in accordance with IFRS 3 and other IFRSs with the exception of those principles that conflict with guidance in IFRS 11. These requirements apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;

A "bargain purchase" is a business combination in which the net assets and liabilities acquired exceed the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree. In accordance with IFRS 11, any bargain purchase gain is recognised on the balance sheet at the acquisition date as "negative goodwill". For subsequent measurement the following principles apply:

- any gain associated with non-monetary assets is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered.
- any excess gain relating to monetary assets acquired is recognised in the profit and loss account in the period expected to be benefitted.

**Interest in joint operations**
The company has an interest in a material joint operation, Runcorn MCP Limited, which is a 50:50 joint arrangement between INOVYN ChlorVinyls Limited and VYNOVA Runcorn Limited. Runcorn MCP Limited provides a toll manufacturing service to its two shareholders, converting their raw material brine into chlorine and caustic.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The company, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- and its expenses, including its share of any expenses incurred jointly.

The company accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with IFRS 11 (joint arrangements).

**Plant and equipment**
Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for intended use. Depreciation is provided to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the asset are reassessed periodically in the light of experience.

The typical useful lives of assets are:

Plant and equipment - between 2 years and 10 years.

The typical useful lives of assets of the joint operation are:

Plant and equipment – between 10 years and 30 years
Major plant overhauls – between 2 years and 4 years

1. **ACCOUNTING POLICIES – continued**

**Impairment of non-financial assets**
Non-financial assets not ready to use are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**Negative goodwill**
Negative goodwill arose on the acquisition of a 50% share in a joint operation, Runcorn MCP Limited, on 1 August 2015.

The acquisition represented a "bargain purchase" and the negative goodwill is being recognised in the profit and loss account in accordance with IFRS 11:

- any gain associated with non-monetary assets is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered.
- any excess gain relating to monetary assets acquired is recognised in the profit and loss account in the period expected to be benefitted.

The non-monetary assets acquired on acquisition of Runcorn MCP Limited and the associated gains are as follows:

- Property, plant and equipment - gain recognised in the profit and loss account over the term of the lease of 30 years;
- Deferred tax asset - gain recognised in the profit and loss account over the term of the lease of 30 years; and
- Other non-monetary assets - gain recognised in the profit and loss account over a period of 1 year from the acquisition date.

**Non-derivative financial instruments**
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

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.

Investments in debt and equity securities
Investments in joint ventures, associates and subsidiaries are carried at cost less impairment.

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.

**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 stock, production or conversion costs and other costs incurred to bring them to their existing location and condition. The cost of finished goods includes an appropriate proportion of relevant production overheads based on normal operating capacity. Provision is made for obsolete, slow moving or defective items where appropriate.

**Taxation**
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Income Statement 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.

1. **ACCOUNTING POLICIES - continued**

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, adjusted for any tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences 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 taxes 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.

**Foreign currencies**
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the company's functional and presentation currency.

Transactions in foreign currencies are translated into 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 Statement of Financial Position date are retranslated into 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 at the are retranslated to the functional currency at the foreign exchange rate ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the Income Statement.

Exchange rates used are the rates published in the Financial Times and are derived from WM Reuters spot rates.

The assets and liabilities of foreign operations are translated to pounds sterling at the exchange rate ruling at the Statement of Financial Position. The revenues and expenses of foreign operations are translated to pounds sterling at the Statement of Financial Position date. Gains and losses on foreign exchange are recorded in other operating income/expenses in the Income Statement.

**Operating leases**
Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

**Employee benefit costs**

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred. Any difference between the amounts charged to the Income Statement and contributions paid to the pension schemes are included in debtors or creditors in the Statement of Financial Position.

Defined benefit plans

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

1. **ACCOUNTING POLICIES - continued**

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the income statement.

**Going concern**
Going concern uncertainty has arisen due to the net liability position of the company at the Statement of Financial Position date (excluding the share of assets and liabilities from the joint operation). 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. In addition the Directors have received confirmation that the parent company will continue to support the company for at least the next twelve months. Accordingly the financial statements have been prepared on the going concern basis.

**Provisions**
A provision is recognised in the Statement of Financial Position when 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in provision due to passage of time is recognised as an interest expense.

**Exceptional items**
Exceptional items are non-recurring material items which are outside the normal scope of the company's ordinary activities. Such items are disclosed separately within the financial statements.

**Critical accounting estimates**
In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the company; it may later be determined that a different choice would have been more appropriate. Management considers that certain accounting estimates and assumptions relating to taxation, plant and equipment, impairment, provisions and accruals are its critical accounting estimates.

Taxation

The company's tax charge is the sum of the total current and deferred tax charges. The calculation of the total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the tax authorities. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Plant and equipment

*Plant and equipment represent a significant proportion of the asset base of the company. Therefore the estimates* and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position and performance.

The useful lives and residual values of the company's assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their lives such as changes in technology.

1. **ACCOUNTING POLICIES - continued**

Impairment

Management undertake an annual test for impairment to determine whether events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including growth rates, future capital expenditure and the selection of discount rates.

Provisions

The company exercises judgement in measuring and recognising provisions. Judgement is necessary in assessing the likelihood that a liability will arise and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated amounts.

Accruals

The estimates used to establish accruals are based on historical experience, information from external professionals, and other facts and reasonable assumptions under the circumstances. If the historical data the company uses to establish its accruals and provisions does not reflect the company's ultimate exposure, accruals may need to be increased or decreased and future results of operations could be affected.

2. **TURNOVER**

The turnover and loss before taxation of the company are attributable to the principal activities of the company, which are considered to represent a single business sector.

The turnover and profit before taxation of the interest in the joint operation are attributable to the UK manufacture of chemicals under a tolling arrangement, which is considered to represent a single business segment.

An analysis of turnover by geographical market is given below:

| | £ |
|---|---|
| United Kingdom | 37,534,690 |
| Europe | 111,231,335 |
| | 148,766,025 |

3. **EMPLOYEES AND DIRECTORS**

| | £ |
|---|---|
| Wages and salaries | 2,599,997 |
| Social security costs | 317,331 |
| Other pension costs | 584,394 |
| | 3,501,722 |

The average monthly number of employees during the period was as follows:

| | |
|---|---|
| Operations | 55 |
| Management | 8 |
| Maintenance | 26 |
| Commercial | 1 |
| Production and distribution | 45 |
| | 135 |

Average employee numbers include a 50% share of the joint operation equating to 45 employees.

The directors did not receive any emoluments in respect of their services to the company. No directors have benefits accruing under a defined contribution or defined benefit pension scheme. There have been no recharges from the group to VYNOVA Runcorn Limited in respect of directors' services.

## 4. EXCEPTIONAL ITEMS

**Decontamination and disposal costs.**
One of the stock tanks on site is currently not useable and needs to be reworked. An accrual of £1,470,000 is included in the financial statements at the period end for reworking and disposal of residues.

**Removal of fixed assets**
A lease agreement exists between INEOS ChlorVinyls Limited and VYNOVA Runcorn Limited for the lease of land and buildings for a term of 30 years. VYNOVA Runcorn Limited has an obligation to remove all assets on site at the end of the lease agreement. A provision of £6,454,000 has been calculated as the present value of the future cost of removal of the assets at the date they were installed and has been capitalised within plant and machinery. An impairment review was carried out by the parent company during the period and the asset was deemed to have no fair value so the balance has been written off in full during the period.

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

| | £ |
|---|---|
| Interest paid on current account balances | 249,370 |
| Unwinding of discounted provisions | 353,000 |
| Interest on defined benefit pension schemes | 25,800 |
| | 628,170 |

## 6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | £ |
|---|---|
| Cost of inventories recognised as expense | 74,848,026 |
| Toll manufacturing charges | 44,363,540 |
| Depreciation - owned assets | 377,000 |
| Goodwill amortisation | (842,921) |
| Auditors' remuneration | 30,000 |
| Auditors' remuneration for non-audit services | 85,995 |
| Foreign exchange differences | (362,083) |
| Operating lease charges | 9,903 |
| Stock write-downs | 260,694 |
| Decontamination and disposal costs | 1,470,000 |
| Removal of fixed assets | 6,547,000 |

## 7. TAXATION

**Analysis of tax expense included in profit or loss**

| | £ |
|---|---|
| Deferred tax | 450,000 |
| | 450,000 |

**Factors affecting the tax expense**
The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20.25%. The difference is explained below:

| | £ |
|---|---|
| Loss on ordinary activities before income tax | (12,994,092) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% | (2,631,304) |
| Effects of: | |
| Disallowed expenses | 126 |
| Tax loss of the current period for which no deferred income tax asset is recognised | 3,033,572 |
| Deferred tax not recognised in respect of capital allowances and depreciation | (1,124,917) |
| Disallowed pension adjustments | 898,623 |
| Rate differences | (14,909) |
| Share of trading profits of joint operation | (211,191) |
| Deferred tax recognised in respect of capital allowances and depreciation | 500,000 |
| Tax expense for the period | 450,000 |

7. **TAXATION - Continued**

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

**Tax effects relating to effects of other comprehensive income**

| | Gross | Tax | Net |
|---|---|---|---|
| | £ | £ | £ |
| Remeasurement of long term benefits | 192,200 | - | 192,200 |
| | 192,200 | - | 192,200 |

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £72,222 and reduce the tax expense for the period by £72,222.

8. **INTANGIBLE FIXED ASSETS**

| | Goodwill |
|---|---|
| | £ |
| **COST** | |
| At 7 July 2014 | - |
| Additions | (24,249,900) |
| At 31 December 2015 | (24,249,900) |
| **AMORTISATION** | |
| At 7 July 2014 | - |
| Amortisation for period | (842,921) |
| At 31 December 2015 | (842,921) |
| **NET BOOK VALUE** | |
| At 31 December 2015 | (23,406,979) |
| At 7 July 2014 | - |

Negative goodwill arose on the acquisition of a 50% share in a joint operation, Runcorn MCP Limited, on 1 August 2015. This is a genuine gain resulting from a wider acquisition where there were some potential losses (goodwill) elsewhere in the group. Further details of the joint operation can be found in Note 10.

The acquisition represented a "bargain purchase" and the negative goodwill is being recognised in the profit and loss account in accordance with IFRS 11.

## 9. PLANT AND EQUIPMENT

| | Plant and machinery £ | Assets under construction £ | Totals £ |
|---|---|---|---|
| **COST** | | | |
| At 7 July 2014 | - | - | - |
| Additions | 6,608,299 | 861,255 | 7,469,554 |
| Acquisitions | 11,550,000 | - | 11,550,000 |
| Transfers | 250,000 | (250,000) | - |
| At 31 December 2015 | 18,408,299 | 611,255 | 19,019,554 |
| **DEPRECIATION** | | | |
| At 7 July 2014 | - | - | - |
| Charge for period | 377,000 | - | 377,000 |
| Impairment | 6,454,000 | - | 6,454,000 |
| At 31 December 2015 | 6,831,000 | - | 6,831,000 |
| **NET BOOK VALUE** | | | |
| At 31 December 2015 | 11,577,299 | 611,255 | 12,188,554 |
| At 7 July 2014 | - | - | - |

Assets under construction relate to capital expenditure spent in 2015 for a major EDC Plant overhaul scheduled for completion in May/June 2016 relating to the joint operation.

On 1 May 2015 Runcorn MCP Limited acquired a 50% share of the membrane chlorine plant of INOVYN ChlorVinyls Limited with an acquisition value of £11,550,000.

Plant and equipment includes a provision of £6,454,000 for an obligation to remove installed assets at the end of a lease. The cost has been calculated as the present value of the future cost of removal of the assets at the date they were installed. An impairment review was carried out by the parent company during the year and the asset was deemed to have no fair value so the balance has been written off in full during the year.

## 10. JOINT OPERATION

The company has an interest in a material joint operation, Runcorn MCP Limited, which is a 50:50 joint venture between INOVYN ChlorVinyls Limited and VYNOVA Runcorn Limited. Runcorn MCP Limited provides a toll manufacturing service to its two shareholders, converting raw material brine into chlorine and caustic.

The company recognises in relation to its interest in the joint operation

- its assets, including its share of any assets held jointly - £28.45m
- its liabilities, including its share of any liabilities incurred jointly - £4.40m
- its revenue from the sale of its share of the output of the joint operation - £Nil
- its share of the revenue from the sale of the output by the joint operation - £6.45m
- and its expenses, including its share of any expenses incurred jointly - £6.09m

The audited financial statements of the joint operation can be obtained from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE.

## 11. INVENTORIES

| | £ |
|---|---|
| Raw materials and consumables | 3,860,281 |
| Finished goods | 15,203,103 |
| | 19,063,384 |

## 12. TRADE AND OTHER RECEIVABLES

| | £ |
|---|---|
| Trade debtors | 7,617,393 |
| Amounts owed by group undertakings | 1,843,421 |
| Other debtors | 3,298,929 |
| VAT | 2,716,689 |
| Deferred tax asset | 11,350,000 |
| Prepayments | 147,500 |
| | 26,973,932 |
| Due within one year | 15,623,932 |
| Due after more than one year | 11,350,000 |

Amounts owed by group undertakings are interest free and relate to unsecured trading balances between group companies. Payment terms are 30 days from end of month.

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | £ |
|---|---|
| Trade creditors | 9,679,583 |
| Social security and other taxes | 211,743 |
| Other creditors | 60,352 |
| Accruals and deferred income | 10,504,237 |
| | 20,455,915 |

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | £ |
|---|---|
| Amounts owed to group undertakings | 11,404,852 |

Amounts owed to group undertakings relate to an unsecured long term loan from the parent company. The loan remains in force until 31 December 2020 and interest is fixed at Euribor 12-months plus 2.5% pa.

## 15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | £ |
|---|---|
| Within one year | 6,644 |
| Between one and five years | 9,672 |
| | 16,316 |

## 16. PROVISIONS FOR LIABILITIES

| | Deferred Tax £ | Other provisions £ |
|---|---|---|
| Removal of fixed assets | - | 6,547,000 |
| Past service liabilities | - | 4,800,000 |
| Employee benefits – joint operation | (200,000) | - |
| Accelerated capital allowances – joint operation | (11,150,000) | - |
| | (11,350,000) | 11,347,000 |

## 16. PROVISIONS FOR LIABILITIES – Continued

| | Removal of fixed assets £ | Past service liabilities £ | Total £ |
|---|---|---|---|
| At 7 July 2014 | - | - | - |
| Acquisitions | - | - | - |
| Additions to the income statement | 6,454,000 | 4,540,000 | 10,994,000 |
| Additions to the statement of other comprehensive income | - | - | - |
| Unwinding of discount | 93,000 | 260,000 | 353,000 |
| | 6,547,000 | 4,800,000 | 11,347,000 |

The provision for past service liabilities relates to future pension service costs for INOVYN's former employees on the site now occupied by the company who remained within the INOVYN schemes on acquisition. The provision for removal of fixed assets is detailed within Note 4 (exceptional items).

| | Deferred tax £ |
|---|---|
| At 7 July 2014 | - |
| Acquisitions | (11,800,000) |
| Additions to the income statement | 450,000 |
| Additions to the statement of other comprehensive income | (500,000) |
| Unwinding of discount | - |
| | (11,350,000) |

The deferred tax asset relates to the joint operation and is included within long term trade and other receivables.

No deferred income tax asset has been recognised in respect of the accelerated capital allowances, pension provisions and tax losses of the company on the basis that the timing of their recoverability is uncertain.

The amount of unrecognised deferred income tax asset is as follows:

| | £ |
|---|---|
| Excess of depreciation over capital allowances | 8,155,083 |
| Pension provisions | 1,220,823 |
| Tax losses carried forward | 15,673,572 |
| | 25,049,478 |

There is no expiry date in respect of the three deferred tax assets.

## 17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | £ |
|---|---|---|---|
| 201 | Ordinary | £1 | 201 |

A total of 201 ordinary shares of £1 were issued during the period as follows:

101 for cash of £101
100 for cash of £4,328,114

## 18. EMPLOYEE BENEFIT OBLIGATIONS

**Defined benefit schemes – VYNOVA Runcorn Limited**

On 1 August 2015 International Chemical Investors XII S.A completed the acquisition of VYNOVA Runcorn Limited. In connection with this the INEOS Chlor Pension Fund (the "Chlor Fund") and the EVC UK Plan (the "EVC Plan") were divided into three separate sections, the INEOS section, the VYNOVA section and the MCP section.

VYNOVA Runcorn Limited participates only in the VYNOVA section of each plan and is solely responsible for funding and making employer decisions in relation to that section.

The VYNOVA section of each plan has its own legally ring-fenced assets and liabilities. All assets of the Chlor Fund and EVC Plan as at 1 August 2015 have been retained in the INEOS section.

The benefits of VYNOVA members in respect of pensionable service before 1 August 2015 were provided by the INEOS section. From 1 August 2015 benefits for service for these members were provided from the VYNOVA section.

INEOS Chlor Trustees Limited and EVC Pension Trustees Limited, as trustees of the Chlor Fund and the EVC Plan, will continue to look after the interest of the members in the VYNOVA sections. This includes investing the assets of the section, collecting contributions from VYNOVA Runcorn Limited and active members and the payment of the benefits in accordance with the Trust Deed and Rules.

Full actuarial valuations were carried out by Mercer UK, a firm of qualified independent actuaries.

As at 31 December 2015 there were contributions payable relating to the defined benefit schemes of £49,461.

The amounts recognised in profit or loss are as follows:

| | £ |
|---|---|
| Current service cost | 141,900 |
| Interest expense | 28,400 |
| Past service cost | - |
| Administrative expenses | 5,700 |
| Interest income | (2,600) |
| | 173,400 |

Changes in the present value of the defined benefit obligation are as follows:

| | £ |
|---|---|
| At 7 July 2014 | - |
| Balance acquired | 1,753,200 |
| Current service cost | 141,900 |
| Contributions by scheme participants | 38,100 |
| Interest expense | 28,400 |
| Actuarial (gains)/losses from changes in financial assumptions | (148,800) |
| | 1,812,800 |

Changes in the fair value of scheme assets are as follows:

| | £ |
|---|---|
| Administrative expenses paid from plan assets | (5,700) |
| Contributions by employer | 308,300 |
| Contributions by scheme participants | 38,100 |
| Interest income | 2,600 |
| Return on plan assets (excluding interest income) | (6,600) |
| | 336,700 |

18. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in other comprehensive income are as follows:

| | £ |
|---|---|
| Actuarial (gains)/losses from changes in financial assumptions | 148,800 |
| Return on plan assets | (6,600) |
| | 142,200 |

The major categories of scheme assets as amounts of total scheme assets are as follows:

| | £ |
|---|---|
| Cash and cash equivalents | 33,900 |
| Debt instruments | 148,600 |
| Other (diversified growth) | 154,200 |
| | 336,700 |

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | |
|---|---|
| Discount rate | 3.80% |
| Future salary increases | 3.10% |
| Future pension increases | 2.90% |
| Price inflation (RPI) | 3.10% |
| Price inflation (CPI) | 2.00% |

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 a number of years as follows:

1/ Retiring today (male member age 65) - 22.6
2/ Retiring in future (male member currently aged 45) - 24.9

A sensitivity analysis of the principal assumptions used to measure the defined benefit obligations as at 31 December 2015 is:

| | |
|---|---|
| Discount rate: | |
| a) Discount rate - 25 basis points | 1,956,100 |
| Assumption | 3.55% |
| b) Discount rate + 25 basis points | 1,679,900 |
| Assumption | 4.05% |
| Mortality | 1,859,900 |
| Assumption | One year increase in life |

Expected future cash flows are as follows:

| | |
|---|---|
| Expected employer contributions | 829,700 |
| | |
| Expected total routine benefit payments: | |
| Year 1 | - |
| Year 2 | 4,400 |
| Year 3 | 9,700 |
| Year 4 | 16,900 |
| Year 5 | 25,200 |
| Next 5 years | 612,400 |

**Defined benefit scheme – Runcorn MCP Limited (50% share)**

The UK defined benefit plans are final salary in nature. The majority of the UK plans are either closed to new entrants or frozen to future accrual. The plans operate under trust law and are managed and administered by Trustees in accordance with the terms of each plan's Trust Deed and Rules and relevant legislation. The contributions paid to the UK plans are set every three years based on a funding agreement between Runcorn MCP Limited and the Trustees after taking actuarial advice.

18. **EMPLOYEE BENEFIT OBLIGATIONS – continued**

The following disclosures are in respect of a 50% share:

The amounts recognised in profit or loss are as follows:

| | £ |
|---|---|
| Current service cost | 50,000 |
| Interest expense | - |
| Past service cost | - |
| Administrative expenses | - |
| Interest income | - |
| | 50,000 |

Changes in the present value of the defined benefit obligation are as follows:

| | £ |
|---|---|
| At 7 July 2014 | - |
| Balance acquired | 1,250,000 |
| Current service cost | 50,000 |
| Contributions by scheme participants | - |
| Interest expense | - |
| Actuarial (gains)/losses from changes in financial assumptions | (50,000) |
| | 1,250,000 |

Changes in the fair value of scheme assets are as follows:

| | £ |
|---|---|
| Administrative expenses paid from plan assets | - |
| Contributions by employer | 200,000 |
| Contributions by scheme participants | - |
| Interest income | - |
| Return on plan assets (excluding interest income) | - |
| | 200,000 |

The amounts recognised in other comprehensive income are as follows:

| | £ |
|---|---|
| Actuarial (gains)/losses from changes in financial assumptions | 50,000 |
| Return on plan assets | - |
| | 50,000 |

The major categories of scheme assets as amounts of total scheme assets are as follows:

| | £ |
|---|---|
| Cash and cash equivalents | - |
| Debt instruments | 50,000 |
| Other (diversified growth) | 100,000 |
| | 150,000 |

18. **EMPLOYEE BENEFIT OBLIGATIONS – *continued***

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA- rated. All other plan assets are not quoted in an active market.

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

| | |
|---|---|
| Discount rate | **3.80%** |
| Future salary increases | **3.10%** |
| Rate of pension increases | **2.90%** |
| Price inflation (RPI) | **3.10%** |
| Price inflation (CPI) | **2.00%** |

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 a number of years as follows:

1/ Retiring today (male member age 65) - 22.6 years
2/ Retiring in future (male member currently aged 45) - 24.9 years

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 period would have increased/(decreased) as a result of a change in the respective assumptions:

| | £ |
|---|---|
| Discount rate | |
| Discount rate – 25 basis points (3.55%) | **1,150,000** |
| Discount rate + 25 basis points (4.05%) | **(1,000,000)** |
| Mortality | |
| One year increase in life | **1,100,000** |

The above sensitivities are based on the average duration of the defined benefit obligation determined at the date of the last full actuarial valuation on 5 April 2013 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions covered. 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.

Runcorn MCP Limited expects to pay £400,000 in contributions to its defined benefit plans in 2016.

**Defined contribution scheme – VYNOVA Runcorn Limited**

The company operates defined contribution schemes whereby a regular fixed percentage of the employee's salary is paid into their personal pension plans. Contributions payable by the company to the funds during the period amounted to £175,958 and are included in pension costs. As at 31 December 2015 there were contributions payable relating to the defined contribution schemes of £38,555.

**Defined contribution scheme – Runcorn MCP Limited (50% share)**

Runcorn MCP Limited operates a defined contribution pension plan. The total expense relating to these plans in the current period was £100,000. As at 31 December 2015 there were contributions payable relating to defined contribution schemes of £Nil.

19. **CONTINGENT LIABILITIES**

There exists a cross guarantee dated 1 August 2015 between VYNOVA Runcorn Limited, VYNOVA Tessenderlo NV, INEOS ChlorVinyls Limburg BV, VYNOVA Wilhelmshaven Gmbh, VYNOVA France Holding SAS and VYNOVA Mazingarbe SAS in respect of the Share Purchase Agreement, Ethylene Supply Agreements, Brine Supply Agreement, Toll Manufacturing Agreement, Site Services Agreement for the site in Runcorn and the Shareholders' Agreement. The beneficiaries are Kerling Limited, INEOS Commercial Services UK Limited, INOVYN Enterprises Limited, INEOS Sales Belgium NV, INOVYN ChlorVinyls Limited and INEOS Sales (UK) Limited.

## 20. CAPITAL COMMITMENTS

| | £ |
|---|---|
| Contracted for future capital expenditure not provided for in the financial statements | 259,610 |

## 21. EVENTS AFTER THE REPORTING PERIOD

On 23 June 2016 a referendum was held in the United Kingdom and the outcome of the vote determined that the United Kingdom would leave the European Union. At the time of the signing of the statutory accounts the details of how and when the United Kingdom will leave the European Union and its effect on the financial markets are unclear and as such it is not possible to estimate the impact of this event.

## 22. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of International Chemical Investors XII S.A which in turn is a wholly owned subsidiary of International Chemical Investors S.E, the ultimate parent company of the group and therefore the ultimate controlling party.

The smallest group in which the results of the company are consolidated is that headed by International Chemical Investors XII S.A ("VYNOVA Group"). The largest group in which the results of the company are consolidated is that headed by International Chemical Investors S.E. The consolidated financial statements are available to the public and may be obtained from the Company Secretary at Runcorn Site HQ, South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE.

## 23. FINANCIAL INSTRUMENTS

The company has no assets or liabilities measured at fair value through profit and loss account.

## 23. RELATED PARTIES

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 3. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no transactions with related parties outside of the group to report.