

REGISTERED NUMBER: 09117971 (England and Wales)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
VYNOVA RUNCORN LIMITED



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FOR THE YEAR ENDED 31 DECEMBER 2016

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VYNOVA RUNCORN LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS:

L E M Leunis
H M O Mattheeuws

SECRETARY:

Mrs J A Bailey (appointed 1 January 2017)

REGISTERED OFFICE:

Runcorn Site HQ South Parade
PO Box 9
Runcorn
Cheshire
WA7 4JE

REGISTERED NUMBER:

09117971 (England and Wales)

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their Strategic Report for the year ended 31 December 2016.

GENERAL INFORMATION

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.

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; and
- 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 base raw materials, intermediates and finished products and selling PVC to the external market via VYNOVA Wilhelmshaven GmbH who act as a low risk distributor.

REVIEW OF BUSINESS

In 2016 margins for PVC have increased mainly as a result of an improved supply/demand balance in Europe.

The demand for caustic soda was stable in 2016 in comparison to 2015 with margins being improved further as a result of lower energy costs in particular during the first three quarters of the year. 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.

Turnover for the year was £260.66m of which the majority represents sales of PVC to VYNOVA Wilhelmshaven GmbH for onward sale to external customers (55%). The remaining 45% of turnover relates to sales of caustic soda from Runcorn to external customers.

In quarter three the EDC manufacturing facility was shut down for a large-scale maintenance turnaround which was successfully completed in time. The financing was provided by a loan from the shareholder.

The overall result of the company was a loss for the financial year of £6.83m. The operating loss was £4.55m and the loss before taxation was £6.43m.

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

Profit Ratios

- Gross profit – 9.19% (2015 – 9.79%)
- Net loss – 2.62% (2015 – 9.04%)

Liquidity Ratios

- Cover (current assets/current liabilities) – 288.79% (2015 – 251.00%)
- Debtor days – 17.21 days (2015 – 27.80 days)
- Creditor (trade creditors/trade purchases) – 8.26% (2015 – 9.98%)

Trading Ratios

- Turnover (stock/cost of sales) – 11.36% (2015 – 14.21%)

Balance Sheet Position

- Gross assets – £69.13m (2015 – £40.13m)
- Net liabilities – £12.64m (2015 – £5.61m)

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Joint operation £	Company £
Operating profit/(loss)	<u>1,852,218</u>	<u>(6,406,925)</u>
Profit/(loss) for the financial year	<u>1,352,218</u>	<u>(8,180,995)</u>

The loss for the year 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 European economy and macro-economic uncertainty that drives demand for PVC.

The Directors believe that the company has made progress during the year. 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 relatively 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.

Brexit

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 financial statements the details of how 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. The Directors will closely monitor the situation and will put in place any measures considered necessary to mitigate the risks to the business.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

GOING CONCERN

The financial statements 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 demand in cash related to the ongoing capital expenditure projects.

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.

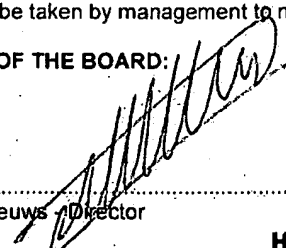
FUTURE DEVELOPMENTS

With effect from 1 January 2017 there has been a single transfer of the PVC principal arrangement from Vynova Runcorn Limited to Vynova Belgium NV. The consequence of this transfer is that Vynova Runcorn Limited will operate under a toll manufacturing agreement with Vynova Belgium NV. The toll manufacturing and distribution agreement with Vynova Wilhelmshaven GmbH was terminated so that from 1 January 2017 Vynova Runcorn Limited is only responsible for EDC manufacture.

Due to operational and resource constraints the transfer will be processed over a number of months and will be completed by the transfer of caustic soda and EDC inventory from Vynova Runcorn Limited to Vynova Belgium NV in the second quarter of 2017.

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:


H M O Mattheeuws, Director



Hans MATTHEEUWS
Executive Vice President Finance

Date: 25 May 2017

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report with the audited financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year 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; and
- Manufacture of Caustic Soda Liquor (CSL) for sale to external customers.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016.

FUTURE DEVELOPMENTS

Future developments are detailed in the Strategic Report.

GOING CONCERN

Going concern is detailed in the Strategic Report.

DIRECTORS

The Directors who have held office during the year from 1 January 2016 to the date of this report are as follows:

G Jelschen – resigned 31 December 2016
Dr P A H Prinz – resigned 31 December 2016
L E M Leunis – appointed 20 December 2016
H M O Mattheeuws – appointed 20 December 2016

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Company, via a policy maintained by its parent undertaking has maintained cover for its Directors and officers under a Directors' and officers' liability insurance policy as permitted by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

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. However, given the size of the company's operations, the cost of managing exposure to such risk exceeds any potential benefits. The company manages its own liquidity position with reference to its shareholder.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016

- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

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

ON BEHALF OF THE BOARD:

H M O Mattheeuws - Director



Date:

25 May 2017

Hans MATTHEEUWS
Executive Vice President Finance

VYNOVA RUNCORN LIMITED

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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2016;
- the Income Statement and Statement of Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year 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.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

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.

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.

VYNOVA RUNCORN LIMITED

Independent auditors' report to the members of VYONVA 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, 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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



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

25 May 2017

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER 09117971)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

		Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
	Note		
TURNOVER	2	260,655,023	148,766,025
Cost of sales		<u>(236,700,860)</u>	<u>(134,196,277)</u>
GROSS PROFIT		23,954,163	14,569,748
Administrative expenses		<u>(28,917,130)</u>	<u>(19,373,753)</u>
Exceptional items	4	<u>(4,962,967)</u>	<u>(7,924,000)</u>
		(4,962,967)	(12,728,005)
Other operating income		<u>408,260</u>	<u>362,083</u>
OPERATING LOSS	6	(4,554,707)	(12,365,922)
Interest payable and similar expenses	5	<u>(1,874,070)</u>	<u>(628,170)</u>
LOSS BEFORE TAXATION		(6,428,777)	(12,994,092)
Tax on loss	7	<u>(400,000)</u>	<u>(450,000)</u>
LOSS FOR THE FINANCIAL YEAR/PERIOD		<u>(6,828,777)</u>	<u>(13,444,092)</u>

The notes form part of these financial statements

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

		Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
	Note		
LOSS FOR THE FINANCIAL YEAR/PERIOD		(6,828,777)	(13,444,092)
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that will not be reclassified to profit or loss:			
Remeasurement of long term benefits	18	(2,158,300)	192,200
Recognition of deferred tax asset	12	100,000	
OTHER COMPREHENSIVE (EXPENSE)/INCOME		(2,058,300)	192,200
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD		(8,887,077)	(13,251,892)

The notes form part of these financial statements

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
FIXED ASSETS			
Intangible assets	8	(21,881,521)	(23,406,979)
Property, plant and equipment	9	<u>18,617,573</u>	<u>12,189,554</u>
		<u>(3,263,948)</u>	<u>(11,218,425)</u>
CURRENT ASSETS			
Inventories	11	26,885,838	19,063,384
Trade and other receivables	12	24,844,359	15,623,932
Deferred tax asset – due after more than one year	12	11,050,000	11,350,000
Cash and cash equivalents		<u>9,609,176</u>	<u>5,307,859</u>
		72,389,373	51,345,175
CREDITORS			
Amounts falling due within one year	13	<u>(25,066,338)</u>	<u>(20,455,915)</u>
NET CURRENT ASSETS		<u>47,323,035</u>	<u>30,889,260</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,059,087	19,670,835
CREDITORS			
Amounts falling due after more than one year	14	(39,350,081)	(11,404,852)
PROVISIONS FOR LIABILITIES	16	(13,154,000)	(11,347,000)
PENSION LIABILITY	18	<u>(4,199,200)</u>	<u>(2,526,100)</u>
NET LIABILITIES		<u>(12,644,194)</u>	<u>(5,607,117)</u>
CAPITAL AND RESERVES			
Called up share capital		201	201
Share premium account		4,328,014	4,328,014
Other reserves		5,166,560	3,316,560
Profit and loss account		<u>(22,138,969)</u>	<u>(13,251,892)</u>
TOTAL EQUITY		<u>(12,644,194)</u>	<u>(5,607,117)</u>

The financial statements on pages 9-29 were approved by the Board of Directors on and were signed on its behalf by:

25 May 2017

.....
L E M Leunis - Director

VYNOVA
Luc Leunis
Executive Vice President

.....
H M O Mattheeuws - Director

VYNOVA
Hans MATTHEEUWS
Executive Vice President Finance

The notes form part of these financial statements

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Share premium account £	Other reserves £	Total equity £
Balance at 7 July 2014					
Changes in equity					
Issue of share capital	201	-	4,328,014	-	4,328,215
Loss for the financial 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)
Changes in equity					
Loss for the financial year	-	(6,828,777)	-	-	(6,828,777)
Other comprehensive expense	-	(2,058,300)	-	-	(2,058,300)
Capital contribution	-	-	-	1,850,000	1,850,000
Balance at 31 December 2016	201	(22,138,969)	4,328,014	5,166,560	(12,644,194)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES

General information

VYNOVA Runcorn Limited is a private company limited by shares, 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, as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention.

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; and
- 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".

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES – continued

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; and
- recognise 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).

Property, plant and equipment

Property, 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 machinery – between 2 years and 10 years.

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

Plant and machinery – between 10 years and 30 years

Major plant overhauls – between 2 years and 4 years

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES – continued

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.

Intangible assets

Licences

Licences are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES - continued

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.

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 date of the transaction 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 average exchange rate for the year. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES - continued

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.

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 6.

Property, plant and equipment

Property, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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:

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
United Kingdom	46,808,984	37,534,690
Europe	213,260,310	111,231,335
United States of America	585,729	
	<u>260,655,023</u>	<u>148,766,025</u>

3. EMPLOYEES AND DIRECTORS

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Wages and salaries	6,503,672	2,599,997
Social security costs	709,616	317,331
Other pension costs	1,222,635	584,394
	<u>8,435,923</u>	<u>3,501,722</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. EMPLOYEES AND DIRECTORS – Continued

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

	Year Ended 31.12.16 Number	Period 7.7.14 to 31.12.15 Number
Operations	64	55
Management	10	8
Maintenance	26	26
Commercial	2	1
Production and distribution	47	45
	<u>139</u>	<u>135</u>

Average employee numbers for 2015 are based on the trading period from 1 May 2015 – 31 December 2015.

Average employee numbers include a 50% share of the joint operation equating to 47 employees (2015 - 45).

4. EXCEPTIONAL ITEMS

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Decontamination and disposal costs		1,470,000
Removal of fixed assets		6,454,000
		<u>7,924,000</u>

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 EXPENSES

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Interest paid on current account balances	649,167	249,370
Unwinding of discounted provisions	1,075,000	353,000
Interest on defined benefit pension schemes	48,800	25,800
Interest on financial liabilities measured at amortised cost	100,000	
Other interest charges	1,103	
	<u>1,874,070</u>	<u>628,170</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. OPERATING LOSS

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

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Cost of inventories recognised as expense	135,377,062	74,848,026
Toll manufacturing charges	77,353,251	44,363,540
Depreciation - owned assets	1,476,468	377,000
Goodwill amortisation	(1,502,218)	(842,921)
Licences amortisation	5,610	-
Auditors' remuneration	23,000	45,830
Auditors' remuneration for non-audit services	-	89,397
Foreign exchange differences	(408,260)	(362,083)
Operating lease charges	14,270	9,903
Stock write-downs	-	260,694
Decontamination and disposal costs	-	1,470,000
Removal of fixed assets	-	6,547,000

7. TAX ON LOSS

Analysis of tax expense included in profit or loss

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Deferred tax	400,000	450,000
Total tax expense in income statement	400,000	450,000

No liability to UK corporation tax arose for the year ended 31 December 2016 or for the period ended 31 December 2015. Deferred tax assets of £22.7m (2015 - £25.0m) have not been recognised in respect of unrelieved trade losses carried forward of £13.9m (2015 - £15.7m), accelerated capital allowances of £6.4m (2015 - £8.2m) and pension provisions £2.4m (2015 - £1.2m). The unrelieved trade losses have no expiry date.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20.00%. The difference is explained below:

	Year Ended 31.12.16 £	Period 7.7.14 to 31.12.15 £
Loss before taxation	(6,428,777)	(12,994,092)
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(1,285,755)	(2,631,304)
Effects of:		
Disallowed expenses	229	126
Tax loss of the current year for which no deferred income tax asset is recognised	706,889	3,033,572
Deferred tax not recognised in respect of capital allowances and depreciation	(2,936,634)	(1,124,917)
Disallowed pension adjustments	(137,102)	898,623
Rate differences	4,002,817	(14,909)
Trading profits of joint operation	(350,444)	(211,191)
Deferred tax recognised in respect of capital allowances and depreciation	50,000	500,000
Underprovided in previous periods	350,000	-
Tax expense	400,000	450,000

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. TAX ON LOSS

Tax effects relating to effects of other comprehensive income

	Gross £	2016 Tax £	Net £
Remeasurement of long term benefits	(2,158,300)	-	(2,158,300)
Recognition of deferred tax asset	-	100,000	100,000
	<u>(2,158,300)</u>	<u>100,000</u>	<u>(2,058,300)</u>

	Gross £	7.7.14 to 31.12.15 Tax £	Net £
Remeasurement of long term benefits	192,200	-	192,200
	<u>192,200</u>	<u>-</u>	<u>192,200</u>

The standard rate of corporation tax in the UK for the year ended 31 December 2016 is 20%. Changes to reduce the rate to 19% for the year beginning 1 April 2017 and to 17% for the year beginning 1 April 2020 have been enacted.

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Licences £	Totals £
COST			
At 1 January 2016	(24,249,900)	-	(24,249,900)
Additions	-	28,850	28,850
At 31 December 2016	<u>(24,249,900)</u>	<u>28,850</u>	<u>(24,221,050)</u>
ACCUMULATED AMORTISATION			
At 1 January 2016	(842,921)	-	(842,921)
Amortisation for year	(1,502,218)	5,610	(1,496,608)
At 31 December 2016	<u>(2,345,139)</u>	<u>5,610</u>	<u>(2,339,529)</u>
NET BOOK VALUE			
At 31 December 2016	<u>(21,904,761)</u>	<u>23,240</u>	<u>(21,881,521)</u>
At 31 December 2015	<u>(23,406,979)</u>	<u>-</u>	<u>(23,406,979)</u>

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 9.

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

Amortisation of goodwill is recognised within administrative expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £	Assets under construction £	Totals £
COST			
At 1 January 2016	18,408,299	611,255	19,019,554
Additions	770,415	7,135,072	7,905,487
Transfers	6,790,570	(6,790,570)	
At 31 December 2016	25,969,284	955,757	26,925,041
ACCUMULATED DEPRECIATION			
At 1 January 2016	6,831,000		6,831,000
Charge for year	1,476,468		1,476,468
At 31 December 2016	8,307,468		8,307,468
NET BOOK VALUE			
At 31 December 2016	17,661,816	955,757	18,617,573
At 31 December 2015	11,577,299	611,255	12,188,554

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 soda.

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

- its assets, including its share of any assets held jointly - £29.35m
- its liabilities, including its share of any liabilities incurred jointly - £4.10m
- 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 - £18.15m
- and its expenses, including its share of any expenses incurred jointly - £17.90m

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

	2016 £	2015 £
Raw materials and consumables	3,510,327	3,860,281
Finished goods	23,375,511	15,203,103
	26,885,838	19,063,384

12. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade debtors	12,257,244	7,617,393
Amounts owed by group undertakings	6,506,741	1,843,421
Other debtors	2,460,351	3,298,929
VAT	688,290	2,716,689
Prepayments	2,941,733	147,500
	24,844,359	15,623,932

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

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. TRADE AND OTHER RECEIVABLES – Continued

The amounts provided in respect of the deferred tax assets are as follows:

	2016 £	2015 £
Employee benefits	300,000	200,000
Arising from accelerated capital allowances	<u>10,750,000</u>	<u>11,150,000</u>
	<u>11,050,000</u>	<u>11,350,000</u>

Movements during the year in respect of deferred tax were as follows:

	2016 £	2015 £
Balance brought forward	11,350,000	
Acquisitions		11,800,000
Charged to the income statement	(400,000)	(450,000)
Credited to the statement of other comprehensive income	<u>100,000</u>	
	<u>11,050,000</u>	<u>11,350,000</u>

The deferred tax asset relates to the joint operation.

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable on an assessment of expected future profits modelled against the gross tax losses available.

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:

	2016 £	2015 £
Excess of depreciation over capital allowances	6,348,766	8,155,083
Pension and asset provisions	2,445,122	1,220,823
Tax losses carried forward	<u>13,888,744</u>	<u>15,673,572</u>
	<u>22,682,632</u>	<u>25,049,478</u>

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

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	13,503,429	9,679,583
Social security and other taxes	223,987	211,743
Other creditors	109,790	60,352
Accruals and deferred income	<u>11,229,132</u>	<u>10,504,237</u>
	<u>25,066,338</u>	<u>20,455,915</u>

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

	2016 £	2015 £
Amounts owed to group undertakings	<u>39,350,081</u>	<u>11,404,852</u>

Amounts owed to group undertakings relate to a 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:

	2016 £	2015 £
Within one year	6,504	6,644
Between one and five years	<u>4,261</u>	<u>9,672</u>
	<u>10,765</u>	<u>16,316</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Other provisions		
Removal of fixed assets	6,776,000	6,547,000
Past service liabilities	6,378,000	4,800,000
	<u>13,154,000</u>	<u>11,347,000</u>
	Removal of fixed assets	Past service liabilities
	£	£
At 31 December 2015	6,547,000	4,800,000
Charged to the income statement	732,000	732,000
Unwinding of discount	229,000	846,000
	<u>7,508,000</u>	<u>6,378,000</u>
At 31 December 2016	<u>6,776,000</u>	<u>13,154,000</u>
		Total £
		11,347,000
		732,000
		<u>1,075,000</u>

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 relates to a lease agreement 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. The provision has been calculated as the present value of the future cost of removal of the assets at the date they were installed.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:	Nominal value:	2016 £	2015 £
Number: Class:	£1	<u>201</u>	<u>201</u>
201 Ordinary			

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 2016 there were contributions payable relating to the defined benefit schemes of £41,636 (2015 - £49,461).

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. EMPLOYEE BENEFIT OBLIGATIONS - Continued

Defined benefit schemes – VYNOVA Runcorn Limited

The amounts recognised in profit or loss are as follows:

	2016	2015
	£	£
Current service cost	306,800	141,900
Interest expense	75,900	28,400
Administrative expenses	119,200	5,700
Interest income	(27,100)	(2,600)
	<u>474,800</u>	<u>173,400</u>

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

	2016	2015
	£	£
Opening defined benefit obligation	1,812,800	
Balance acquired		1,753,200
Current service cost	306,800	141,900
Contributions by scheme participants	88,100	38,100
Interest expense	75,900	28,400
Insurance premiums paid	(11,700)	
Benefits paid	(13,300)	
Actuarial losses/(gains) from changes in financial assumptions	1,031,000	(148,800)
Experience adjustments	607,400	
	<u>3,897,000</u>	<u>1,812,800</u>

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

	2016	2015
	£	£
Opening fair value of scheme assets	336,700	
Administrative expenses paid from plan assets	(119,200)	(5,700)
Contributions by employer	810,000	308,300
Contributions by scheme participants	88,100	38,100
Interest income	27,100	2,600
Benefits paid	(13,300)	
Insurance premiums paid	(11,700)	
Return on plan assets (excluding interest income)	80,100	(6,600)
	<u>1,197,800</u>	<u>336,700</u>

The amounts recognised in other comprehensive income are as follows:

	2016	2015
	£	£
Actuarial (losses)/gains from changes in financial assumptions	(1,031,000)	148,800
Experience adjustments	(607,400)	
Return on plan assets	80,100	(6,600)
	<u>(1,558,300)</u>	<u>142,200</u>

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

	2016	2015
	£	£
Cash and cash equivalents	21,600	33,900
Debt instruments	609,800	148,600
Other (diversified growth)	566,400	154,200
	<u>1,197,800</u>	<u>336,700</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. EMPLOYEE BENEFIT OBLIGATIONS – continued

Weighted average assumptions to determine defined benefit obligation:

	2016	2015
Discount rate	2.60%	3.80%
Future salary increases	3.30%	3.10%
Future pension increases	3.00%	2.90%
Price inflation (RPI)	3.30%	3.10%
Price inflation (CPI)	2.20%	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) - 22.7 (2015 – 22.6)
- 2/ Retiring in future (male member currently aged 45) – 25.0 (2015 – 24.9)

A sensitivity analysis of the principal assumptions used to measure the present value of the defined benefit obligations is:

	2016 £	2015 £
Discount rate – 25 basis points	4,133,000	1,956,100
Discount rate + 25 basis points	3,675,000	1,679,900
Salary increase rate + 25 basis points	4,214,000	N/A
Pensions increase rate + 25 basis points	4,044,000	N/A
Post retirement mortality assumption + 90% weighting	4,032,000	1,859,900

Expected future cash flows are as follows:

	2016 £	2015 £
Expected employer contributions	826,200	829,700
Expected total routine benefit payments:		
Year 1	11,400	
Year 2	16,900	4,400
Year 3	24,300	9,700
Year 4	32,900	16,900
Year 5	45,200	25,200
Next 5 years	842,200	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.

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

The amounts recognised in profit or loss are as follows:

	2016 £	2015 £
Current service cost	200,000	50,000
	<u>200,000</u>	<u>50,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. EMPLOYEE BENEFIT OBLIGATIONS – continued

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

	2016 £	2015 £
Opening defined benefit obligation	1,200,000	
Balance acquired		1,200,000
Current service cost	200,000	50,000
Actuarial losses/(gains) from changes in financial assumptions	600,000	(50,000)
Experience adjustments	50,000	
	<u>2,050,000</u>	<u>1,200,000</u>

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

	2016 £	2015 £
Opening fair value of scheme assets	150,000	
Contributions by employer	350,000	150,000
Return on plan assets	50,000	
	<u>550,000</u>	<u>150,000</u>

The amounts recognised in other comprehensive income are as follows:

	2016 £	2015 £
Actuarial losses/(gains) from changes in financial assumptions	(600,000)	50,000
Experience adjustments	(50,000)	
Return on plan assets (excluding interest income)	50,000	
	<u>(600,000)</u>	<u>50,000</u>

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

	2016 £	2015 £
Debt instruments	300,000	50,000
Other (diversified growth)	250,000	100,000
	<u>550,000</u>	<u>150,000</u>

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):

	2016	2015
Discount rate	2.60%	3.80%
Future salary increases	3.30%	3.10%
Future pension increases	3.00%	2.90%
Price inflation (RPI)	3.30%	3.10%
Price inflation (CPI)	2.20%	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) – 22.7 years (2015 – 22.6 years)
- 2/ Retiring in future (male member currently aged 45) – 25.0 years (2015 – 24.9 years)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. EMPLOYEE BENEFIT OBLIGATIONS – continued

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:

	2016 £	2015 £
Discount rate – 25 basis points	2,150,000	1,300,000
	2.35%	3.55%
Discount rate + 25 basis points	(1,950,000)	(1,100,000)
	2.85%	4.05%
Mortality – one year increase in life	2,100,000	1,250,000

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 2017.

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 year amounted to £284,301 (2015 - £175,958) and are included in pension costs. As at 31 December 2016 there were contributions payable relating to the defined contribution schemes of £46,230 (2015 - £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 year was £150,000 (2015 - £100,000). As at 31 December 2016 there were contributions payable relating to defined contribution schemes of £Nil (2015 - £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

	2016 £	2015 £
Contracted for future capital expenditure not provided for in the financial statements	666,281	259,610

21. 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.

22. FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

23. RELATED PARTIES

During the year the company entered into transactions, in the ordinary course of business, with other related parties. 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.