REGISTERED NUMBER: 09117971 (England and Wales)

ANNUAL REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

FOR

VYNOVA RUNCORN LIMITED

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VYNOVA RUNCORN LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS:	L E M Leunis H M O Mattheeuws
SECRETARY:	Mrs J A Bailey
REGISTERED OFFICE:	Runcorn Site HQ South Parade PO Box 9 Runcorn Cheshire WA7 4JE
REGISTERED NUMBER:	09117971 (England and Wales)
INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP No 1 Hardman Street Manchester M3 3EB

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic Report for the year ended 31 December 2017.

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 producing caustic soda in Runcorn for sale within the UK market and to European and overseas customers. At the same time the company became the principal entity of Vinyls Wilhelmshaven GmbH (renamed VYNOVA Wilhelmshaven GmbH on 1 July 2015) for the VCM and PVC business on the basis of a Toll Manufacturing Agreement and Distribution Agreement.

From 1 January 2017 there was a single transfer of the PVC principal arrangement from VYNOVA Runcorn Limited to VYNOVA Belgium NV. The Toll Manufacturing Agreement and Distribution Agreement with VYNOVA Wilhelmshaven GmbH were terminated so that from 1 January 2017 VYNOVA Runcorn Limited was only responsible for EDC manufacture. The consequence of this transfer is that VYNOVA Runcorn Limited now operates under a Toll Manufacturing Agreement with VYNOVA Belgium NV.

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

REVIEW OF BUSINESS

Profit before taxation for the year was £21.2m compared to a loss of £6.4m in 2016. This is primarily a result of the change in trading arrangements of the company. Previously VYNOVA Runcorn Limited operated as a PVC principal for VYNOVA Wilhelmshaven GmbH under a toll manufacturing agreement. From 1 January 2017 there was a transfer of the PVC principal arrangement to VYNOVA Belgium NV and VYNOVA Runcorn Limited now operates under a toll manufacturing agreement with VYNOVA Belgium NV.

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 £137.8m of which 36% relates to income received as a toll manufacturer for VYNOVA Belgium NV. The remaining 64% of turnover relates to sales of EDC and caustic soda.

The operating profit was £1.9m compared to a loss in 2016 of £4.6m.

Exceptional items of £20.4m relate to income from the transfer of the customer list and indemnification for the loss of potential profit related to the transfer of the PVC principal arrangement between VYNOVA Runcorn Limited and VYNOVA Belgium NV.

At the year-end, gross assets totalled £54.0m (2016 - £71.1m) and net assets/(liabilities) totalled £5.1m (2016 – (£14.2m)).

Key Performance Indicators

Following the change in trading to a toll manufacturing service, the company manages its cost in order to optimise value for the customers. Given the straight forward nature of the business the company's Directors deem the main key performance indicators to be as follows:

Profit Ratios

- Gross profit – 30.62% (2016 – 9.19%)
- Net profit / (loss) – 13.83% (2016 – (2.62%))

Liquidity Ratios

- Cover (current assets/current liabilities) – 278.82% (2016 – 238.53% - as restated)
- Debtor days – 3.45 days (2016 – 17.21 days)
- Creditor (trade creditors/trade purchases) – 9.77% (2016 – 8.26%)

Trading Ratios

- Turnover (stock/cost of sales) – 2.15% (2016 – 11.36%)

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

	Joint operation £	Company £
Operating profit	1,123,109	783,866
Net profit for the financial year	(876,891)	19,925,654

The profit for the financial year is attributable to the response to the challenge to position the relatively new VYNOVA Group against its competitors in a highly competitive market. In addition to these challenges the nature of the company's trading was changed to a toll manufacturing service. Further controllable factors to be considered include the European economy and macro-economic uncertainly that drives demand for caustic soda and PVC/EDC.

The Directors believe the company has made significant progress during the year. It is now positioned to meet the requirements of 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 VYNOVA group 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 2017

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 and maintenance 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

From 1 January 2018 VYNOVA Runcorn Limited and INOVYN ChlorVinyls Limited have entered into a toll manufacturing agreement whereby VYNOVA Runcorn Limited will manufacture EDC from raw materials supplied by INOVYN ChlorVinyls Limited.

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

ON BEHALF OF THE BOARD:

....
H M O Matthеeuws - Director

LEM LEUMIS - DIRECTOR

Date: 23-5-18

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report with the audited financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was as a toll manufacturer of EDC and caustic soda for VYNOVA Belgium NV.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016 - £Nil).

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 2017 to the date of this report are as follows:

L E M Leunis
H M O Mattheeuws

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:

- 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 OF 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

LEM LEWIS - DIRECTOR

Date: 29-5-18

VYNOVA RUNCORN LIMITED

Independent auditors' report to the members of VYNOVA RUNCORN LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Vynova Runcorn Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of VYNOVA RUNCORN LIMITED (continued)

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Philip Storer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 May 2018

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
TURNOVER	2	**137,758,537**	260,655,023
Cost of sales		**(95,580,453)**	(236,700,860)
GROSS PROFIT		**42,178,084**	23,954,163
Administrative expenses		**(40,271,109)**	(28,917,130)
Other operating income		**-**	408,260
OPERATING PROFIT / (LOSS)	6	**1,906,975**	(4,554,707)
Exceptional items	4	**20,413,000**	-
Interest payable and similar expenses	5	**(1,092,630)**	(1,874,070)
PROFIT / (LOSS) BEFORE TAXATION		**21,227,345**	(6,428,777)
Taxation	7	**(2,178,582)**	(400,000)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**19,048,763**	(6,828,777)

The notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		**19,048,763**	(6,828,777)
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liabilities	18	**267,600**	(2,158,300)
Deferred taxation on employee benefits	12	**(50,000)**	100,000
TOTAL OTHER COMPREHENSIVE INCOME / (EXPENSE)		**217,600**	(2,058,300)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		**19,266,363**	(8,887,077)

The notes form part of these financial statements

VYNOVA RUNCORN LIMITED (REGISTERED NUMBER: 09117971)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 as restated £
FIXED ASSETS			
Intangible assets	8	**(21,118,028)**	(21,881,521)
Property, plant and equipment	9	**22,042,209**	22,126,573
		924,181	245,052
CURRENT ASSETS			
Inventories	11	**2,054,570**	26,885,838
Trade and other receivables	12	**36,411,985**	23,296,425
Deferred tax asset – due after more than one year	12	**11,000,000**	11,050,000
Cash and cash equivalents		**3,616,721**	9,609,176
		53,083,276	70,841,439
CREDITORS			
Amounts falling due within one year	13	**(15,093,264)**	(25,066,338)
NET CURRENT ASSETS		**37,990,012**	45,775,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,914,193**	46,020,153
CREDITORS			
Amounts falling due after more than one year	14	**(14,122,754)**	(39,350,081)
PROVISIONS FOR LIABILITIES	16	**(16,651,504)**	(16,663,000)
PENSION LIABILITY	18	**(3,065,700)**	(4,199,200)
NET ASSETS / (LIABILITIES)		**5,074,235**	(14,192,128)
CAPITAL AND RESERVES			
Called up share capital		**201**	201
Share premium account		**4,328,014**	4,328,014
Other reserves		**3,618,626**	3,618,626
Profit and loss account		**(2,872,606)**	(22,138,969)
TOTAL EQUITY		**5,074,235**	(14,192,128)

Details of the restatements are outlined in note 12 and note 16 to the Financial Statements.

The financial statements on pages 9-29 were approved by the Board of Directors on 29-5-18 and were signed on its behalf by:

....
L E M Leenis - Director

....
H M O Mattheeuws - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Profit and loss account £	Share premium account £	Other reserves £	Total equity £
Balance at 1 January 2016	**201**	**(13,261,892)**	**4,328,014**	**3,316,560**	**(5,607,117)**
Changes in equity					
Loss for the financial year	-	(6,828,777)	-	-	(6,828,777)
Total 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)**
Restatement (see note 12)	-	-	-	(1,547,934)	(1,547,934)
Balance at 31 December 2016/ 1 January 2017 - as restated	**201**	**(22,138,969)**	**4,328,014**	**3,618,626**	**(14,192,128)**
Changes in equity					
Profit for the financial year	-	19,048,763	-	-	19,048,763
Total other comprehensive income	-	217,600	-	-	217,600
Balance at 31 December 2017	**201**	**(2,872,606)**	**4,328,014**	**3,618,626**	**5,074,235**

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.

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

Assets under construction relate to capital expenditure on EDC loading facilities. These assets will only be depreciated when they are brought into use by the company.

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.

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. Amortisation of licences is included in administration expenses in the Income Statement.

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.

Amortisation of negative goodwill is included in administration expenses in the Income Statement.

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.

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.

1. **ACCOUNTING POLICIES - continued**

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 and other costs in bring it to its existing location and condition. 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.

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 by ECB on their website for the last day of a month.

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.

1. **ACCOUNTING POLICIES - continued**

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.

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
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.

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.

1. **ACCOUNTING POLICIES - continued**

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.

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.

Decommissioning costs
Provision for future decommissioning costs is made in full when the group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset, unless the asset is deemed to be impaired in which case the amount is written off in full. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

2. **TURNOVER**

The turnover and profit/(loss) before taxation of the company are attributable to the caustic and EDC activities and the manufacture under a tolling arrangement 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:

	2017	2016
	£	£
United Kingdom	**29,645,545**	46,808,984
Europe	**107,277,062**	213,260,310
United States of America	**835,930**	585,729
	137,758,537	260,655,023

3. **EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	**7,224,611**	6,503,672
Social security costs	**719,932**	709,616
Other pension costs	**1,600,584**	1,222,635
	9,545,127	8,435,923

3. EMPLOYEES AND DIRECTORS - Continued

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.

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

	2017	2016
	Number	Number
Operations	**52**	54
Management	**11**	10
Maintenance	**25**	26
Commercial	**3**	2
Production and distribution	**46**	47
	137	139

Average employee numbers include a 50% share of the joint operation equating to 46 employees (2016 - 47).

4. EXCEPTIONAL ITEMS

Business Restructuring
Pursuant to the Business Restructuring Agreement between the company and VYNOVA Belgium NV, VYNOVA Runcorn Limited charged VYNOVA Belgium NV £20,413,000 for the transfer of the customer list and indemnification for the loss of potential profit related to the transfer of the PVC principal arrangement between the companies.

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Interest paid on current account balances	**-**	649,167
Interest paid on parent company loan	**476,330**	-
Unwinding of discounted provisions	**511,000**	1,075,000
Interest on defined benefit pension schemes	**55,300**	48,800
Interest on financial liabilities measured at amortised cost	**50,000**	100,000
Other interest charges	**-**	1,103
	1,092,630	1,874,070

6. OPERATING PROFIT/(LOSS)

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

	2017	2016
	£	£
Cost of inventories recognised as expense	**86,680,453**	135,377,062
Toll manufacturing charges	**(392,977)**	77,353,251
Depreciation - owned assets	**2,961,919**	1,476,468
Goodwill amortisation	**(773,109)**	(1,502,218)
Licences amortisation	**9,616**	5,610
Auditors' remuneration	**23,000**	23,000
Auditors' remuneration for non-audit services	**-**	-
Foreign exchange differences	**1,027,405**	(408,260)
Operating lease charges	**17,035**	14,270

7. **TAXATION**

Analysis of tax expense included in profit or loss

	2017	2016
	£	£
Current tax	2,178,582	-
Deferred tax	-	400,000
Total tax expense in income statement	2,178,582	400,000

No liability to UK corporation tax arose for the year ended 31 December 2016. Deferred tax assets of £9.7m (2016 - £22.7m) have not been recognised in respect of unrelieved trade losses carried forward of £Nil (2016 - £13.9m), accelerated capital allowances of £6.6m (2016 - £6.4m) and pension and asset provisions of £3.1m (2016 - £2.4m). The unrelieved trade losses have no expiry date.

Factors affecting the tax expense

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%). The difference is explained below:

	2017	2016
	£	£
Profit / (loss) before taxation	21,227,345	(6,428,777)
Profit / (loss) before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	4,086,264	(1,285,755)
Effects of:		
Disallowed expenses	3,109	276
Deferred tax not recognised in respect of losses	-	441,919
Deferred tax not recognised in respect of capital allowances and depreciation	(1,432,118)	(2,936,564)
Deferred tax not recognised in respect of pension provisions	(274,930)	127,758
Deferred tax not recognised in respect of asset provisions	134,130	-
Rate differences	(210,032)	4,002,810
Goodwill adjustment for joint operation	(148,824)	(300,444)
Non qualifying depreciation	78,733	-
(Over)/underprovided in previous periods	(57,750)	350,000
Tax expense	2,178,582	400,000

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.

Tax effects relating to effects of other comprehensive income/(expense)

		2017	
	Gross	Tax	Net
	£	£	£
Remeasurement of long term benefits	267,600	-	267,600
Recognition of deferred tax asset	-	(50,000)	(50,000)
	267,600	(50,000)	217,600

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

The effective rate of corporation tax in the UK for the year ended 31 December 2017 is 19.25%. 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 ASSETS

	Goodwill £	Licences £	Totals £
COST			
At 1 January 2017	(24,249,900)	28,850	(24,221,050)
At 31 December 2017	(24,249,900)	28,850	(24,221,050)
ACCUMULATED AMORTISATION			
At 1 January 2017	(2,345,139)	5,610	(2,339,529)
Amortisation for year	(773,109)	9,616	(763,493)
At 31 December 2017	(3,118,248)	15,226	(3,103,022)
NET BOOK VALUE			
At 31 December 2017	(21,131,652)	13,624	(21,118,028)
At 31 December 2016	(21,904,761)	23,240	(21,881,521)

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.

Amortisation of goodwill is recognised within administrative expenses.

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £	Assets under construction £	Totals £
COST			
At 31 December 2016 – stated previously	25,969,284	955,757	26,925,041
Restatement	3,509,000	-	3,509,000
At 31 December 2016 / 1 January 2017 – as restated	29,478,284	955,757	30,434,041
Additions	1,127,555	1,750,000	2,877,555
Transfers	2,176,682	(2,176,682)	-
At 31 December 2017	32,782,521	529,075	33,311,596
ACCUMULATED DEPRECIATION			
At 1 January 2017	8,307,468	-	8,307,468
Charge for year	2,961,919	-	2,961,919
At 31 December 2017	11,269,387	-	11,269,387
NET BOOK VALUE			
At 31 December 2017	21,513,134	529,075	22,042,209
At 31 December 2016 – as restated	21,170,816	955,757	22,126,573

Restatement

During the year the directors have reassessed the provision for the removal of fixed assets as at 1 January 2017. As a result of this reassessment the provision was revalued up by £3,509,000 with a corresponding addition to plant and machinery which is being depreciated over the remaining lifetime of the assets. The restatement relates to a decrease in the interest rate used to discount the provision.

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. The registered office of Runcorn MCP Limited is South Parade, PO Box 9, Runcorn, Cheshire, WA7 4JE.

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 - £30.10m (2016 - £29.35m)
- its liabilities, including its share of any liabilities incurred jointly - £4.50m (2016 - £4.10m)
- its revenue from the sale of its share of the output of the joint operation - £Nil (2016 - £Nil)
- its share of the revenue from the sale of the output by the joint operation - £18.30m (2016 - £18.15m)
- and its expenses, including its share of any expenses incurred jointly - £18.00m (2016 - £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

	2017 £	2016 £
Raw materials and consumables	2,054,570	3,510,327
Finished goods	-	23,375,511
	2,054,570	26,885,838

12. TRADE AND OTHER RECEIVABLES

	2017 £	2016 as restated £
Trade debtors	1,303,435	12,257,244
Amounts owed by group undertakings	30,478,224	6,506,741
Other debtors	2,200,000	902,417
VAT	1,449,629	688,290
Prepayments	980,697	2,941,733
	36,411,985	23,296,425

Restatement

During the year the directors have reassessed the presentation of the capital contributions made to Runcorn MCP Limited as at 1 January 2017. As a result of the reassessment, other debtors balance of £1,547,934 has been offset against the other reserves in the equity accounts as at 1 January 2017.

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

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

	2017 £	2016 £
Employee benefits	250,000	300,000
Arising from accelerated capital allowances	10,750,000	10,750,000
	11,000,000	11,050,000

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

	2017 £	2016 £
Balance brought forward	11,050,000	11,350,000
Charged to the income statement	-	(400,000)
(Charged)/credited to the statement of other comprehensive income	(50,000)	100,000
	11,000,000	11,050,000

12. **TRADE AND OTHER RECEIVABLES - Continued**

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.

Apart from the deferred tax assets recognised deriving from the share of assets of the joint operation, Runcorn MCP Limited, 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:

	2017	2016
	£	£
Excess of depreciation over capital allowances	6,563,020	6,348,766
Pension and asset provisions	3,137,220	2,445,122
Tax losses carried forward	-	13,888,744
	9,700,240	22,682,632

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

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

	2017	2016
	£	£
Trade creditors	6,280,348	13,503,429
Corporation tax	2,178,582	-
Social security and other taxes	227,691	223,987
Other creditors	4,877	109,790
Accruals and deferred income	6,401,766	11,229,132
	15,093,264	25,066,338

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

	2017	2016
	£	£
Amounts owed to group undertakings	14,122,754	39,350,081

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:

	2017	2016
	£	£
Within one year	18,881	6,504
Between one and five years	45,266	4,261
	64,147	10,765

16. **PROVISIONS FOR LIABILITIES**

	2017	2016 as restated
Other provisions	£	£
Removal of fixed assets	11,074,000	10,285,000
Past service liabilities	5,577,504	6,378,000
	16,651,504	16,663,000

16. **PROVISIONS FOR LIABILITIES – Continued**

	Removal of fixed assets £	Past service liabilities £	Total £
At 31 December – stated previously	6,776,000	6,378,000	13,154,000
Restatement	3,509,000	-	3,509,000
At 31 December 2016 / 1 January 2017 – as restated	10,285,000	6,378,000	16,663,000
Charged to property, plant and equipment	584,000	-	584,000
Utilisation of provision	-	(1,106,496)	(1,106,496)
Unwinding of discount	205,000	306,000	511,000
At 31 December 2017	11,074,000	5,577,504	16,651,504

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.

Restatement

During the year the directors have reassessed the provision for the removal of fixed assets as at 1 January 2017. As a result of this reassessment the provision was revalued up by £3,509,000 with a corresponding addition to plant and machinery which is being depreciated over the remaining lifetime of the assets. The restatement relates to a decrease in the interest rate used to discount the provision.

17. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
201 (2016: 201)	Ordinary	£1	201	201

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 2017 there were contributions payable relating to the defined benefit schemes of £46,239 (2016 - £41,636).

18. **EMPLOYEE BENEFIT OBLIGATIONS - Continued**

Defined benefit schemes – VYNOVA Runcorn Limited

The amounts recognised in the statement of financial position are determined as follows:

	2017	2016
	£	£
Present value of the defined benefit obligation	4,532,200	3,897,000
Fair value of scheme assets	(2,816,500)	(1,197,800)
	1,715,700	2,699,200

The amounts recognised in profit or loss are as follows:

	2017	2016
	£	£
Current service cost	630,900	306,800
Interest expense	106,700	75,900
Administrative expenses	116,900	119,200
Interest income	(51,400)	(27,100)
	803,100	474,800

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

	2017	2016
	£	£
Opening defined benefit obligation	3,897,000	1,812,800
Current service cost	630,900	306,800
Contributions by scheme participants	82,000	88,100
Interest expense	106,700	75,900
Insurance premiums paid	(22,200)	(11,700)
Benefits paid	(3,100)	(13,300)
Actuarial gains from changes in demographic assumptions	(162,300)	-
Actuarial (gains)/losses from changes in financial assumptions	(108,500)	1,031,000
Experience adjustments	111,700	607,400
	4,532,200	3,897,000

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

	2017	2016
	£	£
Opening fair value of scheme assets	1,197,800	336,700
Administrative expenses paid from plan assets	(116,900)	(119,200)
Contributions by employer	1,619,000	810,000
Contributions by scheme participants	82,000	88,100
Interest income	51,400	27,100
Benefits paid	(3,100)	(13,300)
Insurance premiums paid	(22,200)	(11,700)
Return on plan assets (excluding interest income)	8,500	80,100
	2,816,500	1,197,800

The amounts recognised in other comprehensive income are as follows:

	2017	2016
	£	£
Actuarial gains from changes in demographic assumptions	162,300	-
Actuarial gains/(losses) from changes in financial assumptions	108,500	(1,031,000)
Experience adjustments	(111,700)	(607,400)
Return on plan assets	8,500	80,100
	167,600	(1,558,300)

18. **EMPLOYEE BENEFIT OBLIGATIONS – continued**

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

	2017	2016
	£	£
Cash and cash equivalents	**256,600**	21,600
Debt instruments	**1,286,000**	609,800
Other (diversified growth)	**1,273,900**	566,400
	2,816,500	1,197,800

Weighted average assumptions to determine defined benefit obligation:

	2017	2016
Discount rate	**2.70%**	2.60%
Future salary increases	**3.30%**	3.30%
Future pension increases	**3.00%**	3.00%
Price inflation (RPI)	**3.30%**	3.30%
Price inflation (CPI)	**2.20%**	2.20%

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

1/ Retiring today (male member age 65) – 22.7 (2016 – 22.6)
2/ Retiring in future (male member currently aged 45) – 25.0 (2016 – 24.9)

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

	2017	2016
	£	£
Discount rate – 25 basis points	**4,806,500**	4,133,000
Discount rate + 25 basis points	**4,274,200**	3,675,000
Salary increase rate + 25 basis points	**4,532,200**	4,214,000
Pensions increase rate + 25 basis points	**4,703,100**	4,044,000
Post retirement mortality assumption + 90% weighting	**4,670,500**	4,032,000

Expected future cash flows are as follows:

	2017	2016
	£	£
Expected employer contributions	**1,293,400**	826,200
Expected total routine benefit payments:		
Year 1	**9,600**	11,400
Year 2	**16,200**	16,900
Year 3	**25,800**	24,300
Year 4	**35,800**	32,900
Year 5	**50,600**	45,200
Next 5 years	**963,900**	842,200

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:

18. **EMPLOYEE BENEFIT OBLIGATIONS – continued**

The amounts recognised in the statement of financial position are determined as follows:

	2017	2016
	£	£
Present value of the defined benefit obligation	2,350,000	2,050,000
Fair value of scheme assets	(1,000,000)	(550,000)
	1,350,000	1,500,000

The amounts recognised in profit or loss are as follows:

	2017	2016
	£	£
Current service cost	400,000	200,000
	400,000	200,000

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

	2017	2016
	£	£
Opening defined benefit obligation	2,050,000	1,200,000
Current service cost	400,000	200,000
Actuarial (gains)/losses from changes in financial assumptions	(100,000)	600,000
Experience adjustments	-	50,000
	2,350,000	2,050,000

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

	2017	2016
	£	£
Opening fair value of scheme assets	550,000	150,000
Contributions by employer	450,000	350,000
Return on plan assets	-	50,000
	1,000,000	550,000

The amounts recognised in other comprehensive income are as follows:

	2017	2016
	£	£
Actuarial gains/(losses) from changes in financial assumptions	100,000	(600,000)
Experience adjustments	-	(50,000)
Return on plan assets (excluding interest income)	-	50,000
	100,000	(600,000)

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

	2017	2016
	£	£
Cash and cash equivalents	50,000	-
Debt instruments	500,000	300,000
Other (diversified growth)	450,000	250,000
	1,000,000	550,000

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.

18. **EMPLOYEE BENEFIT OBLIGATIONS – continued**

	2017	2016
Discount rate	**2.70%**	2.60%
Future salary increases	**3.30%**	3.30%
Future pension increases	**3.00%**	3.00%
Price inflation (RPI)	**3.30%**	3.30%
Price inflation (CPI)	**2.20%**	2.20%

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

1/ Retiring today (male member age 65) – 21.0 years (2016 – 22.7 years)
2/ Retiring in future (male member currently aged 45) – 22.9 years (2016 – 25.0 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:

	2017	2016
	£	£
Discount rate – 25 basis points	**2,500,000**	2,150,000
	2.45%	2.35%
Discount rate + 25 basis points	**(2,200,000)**	(1,950,000)
	2.95%	2.85%
Mortality – one year increase in life	**2,400,000**	2,100,000

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 £450,000 in contributions to its defined benefit plans in 2018.

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 £301,132 (2016 - £284,301) and are included in pension costs. As at 31 December 2017 there were contributions payable relating to the defined contribution schemes of £40,788 (2016 - £46,230).

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 (2016 - £150,000). As at 31 December 2017 there were contributions payable relating to defined contribution schemes of £Nil (2016 - £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. The guarantors have agreed, on a joint and several basis, to guarantee the guaranteed obligations for the benefit of the beneficiaries. Guaranteed obligations are defined as all present and future obligations, duties, warranties, undertakings and liabilities (whether actual or contingent and whether owned jointly or severally or in any capacity whatsoever).

20. CAPITAL COMMITMENTS

	2017	2016
	£	£
Contracted for future capital expenditure not provided for in the financial statements	500,000	666,281

21. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of VYNOVA Holding 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 VYNOVA Holding 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.

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.