

INEOS Acetyls UK Limited

Annual report and financial statements

Registered number 09925357

31 December 2020

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Strategic report for the period ended 31 December 2020

Board of Directors:

GW Leask
DN Brooks (appointed 23 July 2020)
GJ Anderson (appointed 19 February 2021)
GM Stewart (appointed 17 March 2021)
D Smeeton (appointed 25 June 2020, terminated 19 February 2021)
JF Ginns (appointed 25 June 2020, terminated 19 February 2021)

The directors present the strategic report, their report and the audited financial statements for the period ended 31 December 2020.

Results

The Company has been a dormant company since incorporation in 2015 and wholly owned by Ineos Holdings International Limited. During the period, as part of the larger acquisition relating to the purchase of the global Aromatics and Acetyls businesses from BP Plc, the Company (previously known as INEOS 256 GB Limited) changed its name to INEOS Acetyls UK Limited and was re-organised within the wider INEOS group and changed ownership to be wholly owned by INEOS Quattro Holdings UK Limited.

On the 31 December 2020, the Company acquired a portion of the trade and assets of BP International Limited and BP Chemicals Limited. No trade took place during the period and therefore a Profit and Loss Statement is not prepared for the period ended 31 December 2020.

Financial risk management

The Company's operations expose it to a variety of financial risks including the effects of currency fluctuation risk, credit risk, interest rate risk and liquidity risk. The Company has in place a risk management programme that seeks to limit the adverse effects of the financial performance of the Company where appropriate. The Company manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The cost of managing exposure to such risk exceeds any potential benefits. This policy is continually reviewed.

Principal activity and review of the business

The Company operates manufacturing assets used in the manufacture and sale of chemicals products, as well as conducting related research activities.

Section 172 (1) statement

The directors have the duty to promote the success of the Company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors, and the environment. The directors focus on engagement with all stakeholders and uses this when taking decisions.

Strategic report for the period ended 31 December 2020 *(continued)*

Section 172 (1) statement *(continued)*

Long term factors

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

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

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

Stakeholder considerations

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The Company engages in regular, open, and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns, and needs. In this way, the Company is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Company the opportunity to explain its clear and committed approach to sustainability as well as the value of the Company's work, products and services for society.

Key stakeholders contribute to the Company's economic, social, and environmental performance. Stakeholders include customers, suppliers, employees, investors, financial experts and rating agencies, local communities, industry associations, NGOs, scientific institutions, universities, government, and value chain partners. The Company is very conscious of changing attitudes to climate change, and monitors its impact on the environment, including emissions arising from operation of its assets, use of power and feedstocks and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. These matters are considered by the directors in making decisions and in assessing the long-term viability of the business.

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

Strategic report for the period ended 31 December 2020 *(continued)*

Section 172 (1) statement *(continued)*

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

The need to act fairly as between members of the Company

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

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below:

- Operational risks – the Company's facilities are subject to operational risks and other industry risks, which could have a material adverse effect on operating results, including risk from explosion or fire and/or injured people or major release of chemicals. The Company's operations involve the use, manufacturing, handling and distribution of large volumes of hazardous materials and other chemicals. Accordingly, Safety, Health and Environmental ("SHE") risks, such as environmental contamination, property damage and personal injury, are inherent in the business. The Company's operations are subject to hazards inherent in chemicals and plastics manufacturing and the related use, storage, transportation and disposal of feedstock, products and waste. Management of these risks is therefore identified as one of the strategic priorities as it can lead to property damage, business interruption and reputational damage. The Company sets strict health, safety and environmental performance targets and is committed to continuous improvement in all aspects of operations, with the view to meeting and exceeding all relevant legislation requirements in this area. Safety, health and the environment are managed as an integral part of activities through a formal management system.
- Raw materials and suppliers – if the Company is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, or experiences supply chain disruption, its results of operations may be negatively affected. Prices for important raw materials used by the Company may significantly change from period to period. Management of volatility is therefore identified as one of the strategic priorities and the Company has implemented several countermeasures. The Company attempts to match raw material price increases with corresponding product price increases and continuously assesses the source of its raw materials and works with key suppliers.
- The chemical industries that the Company operates in are cyclical – changing market demands and prices and global economic factors, such as risks associated with a recession and consumers' access to credit may negatively affect the Company's operating margins and impair its cash flow which, in turn, could affect its ability to make payments on its debt or to make further investments in the business. Whilst there may be short term impacts on margins and cash flows, the Company has ensured that it is well placed to withstand bottom of cycle conditions.

Strategic report for the period ended 31 December 2020 *(continued)*

Principal risks and uncertainties *(continued)*

- Economic downturns and local business risks – the Company is exposed to economic downturns including the effects from United Kingdom withdrawal from the European Union, which could impact the economic growth in Europe and interfere with the delivery streams of goods and services between the European Union and the United Kingdom. The Company is based in the United Kingdom and whilst some of its trading activities with customers and warehouses are located in the European Union, the Brexit only had limited impact on its activities. The Company has implemented significant plans to limit the impact of Brexit on its activities from liaising with employees, contingent planning for inventories and has implemented new ways of working for export sales.
- Outbreaks of disease – the outbreak of contagious diseases may have a negative impact on the Company's business and performance, and an adverse impact on the global economy generally. During the course of 2021, the Company has managed the outbreak of the COVID-19 coronavirus by implementing various measures to ensure the safety of employees and the ongoing operation of the plants.
- Utilisation of assets - the company's results are materially influenced by the degree to which assets are utilised in order to achieve maximum production volumes.
- Competition – significant competition in the Company's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations. The Company aims to operate as a low-cost producer and is focused on reducing the fixed and variable cost base across the production chain. The Company also positions itself compared to competitors not only on the basis of price, but on the basis of product innovation, product quality and distribution capability.
- Key customers – the Company may be adversely affected by the loss of key customers for certain products. Many of these sales to key customers are governed by long-term contracts.
- Regulation – the Company is highly regulated and may incur significant costs to maintain compliance with or to address liabilities under environmental, health and safety laws and regulations. As a responsible chemical manufacturer, the Company is committed to meeting all of its legal obligations. The Company liaises with various industry bodies to understand and prepare for compliance with new regulations on a timely and cost-effective basis. Existing and proposed regulations to address climate change through reductions of greenhouse gas emissions and restrictions on other air emissions may cause the Company to incur significant costs or affect demand for products.
- International operations and currency fluctuations – the Company is exposed to currency fluctuation risks. Exposures to different currencies are monitored on a regular basis to ascertain the appropriate hedging strategy, if at all.
- Cyber security risks – a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss. Cyber security imposes an increasing risk on companies. With a growing volume and sophistication of cyber-attacks, the risk is that sensitive business and personal information is not well protected and assets and the Company's security is not safeguarded. Various IT protocols and programmes are in place to provide availability, confidentiality and an overall security approach to all systems and business processes, including cyber security controls, like intrusion detection/intrusion prevention, firewalls, mobile device management, malware and virus protection, notebook encryption, secure VPN access, network segmentation, industrial control system security monitoring, email and internet security, security information and event management, threat and vulnerability management.

Strategic report for the period ended 31 December 2020 (*continued*)

COVID-19 Coronavirus

COVID-19 was classified as a Public Health Emergency of International Concern by the World Health Organisation in March 2020.

Key products of the company, such as Aldehydes, have shown a resilience to COVID-19, with margins and volumes remained broadly in line with forecast, reflecting the tighter market supply balance for this product. As the company has only acquired the Acetyls business as at 31 December 2020, the company had limited involvement in managing the COVID-19 exposure for the year. As of the date of these financial statements, despite the availability of vaccines, government measures continue to be imposed and continue around the world as new strands of the COVID-19 virus have been discovered. The COVID-19 pandemic situation is dynamic, and updates on travel restrictions, shutdowns on non-essential businesses and shelter-in-place/stay-at-home orders are continually evolving. The extent of the COVID-19 outbreak's effects on the Company's operational and financial performance will depend on future developments, including the duration, spread and intensity of the outbreak and the government measures implemented in response, or whether widespread shutdowns return, all of which are uncertain and difficult to predict considering the rapidly evolving landscape.

Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of the assessment described above, together with the support from INEOS Quattro Holdings UK Limited, a parent undertaking, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

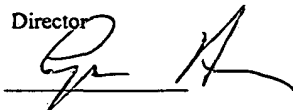
Key performance indicators ("KPIs")

As a result of the acquisition of the trade and assets of the Acetyls business on 31 December 2020, management has implemented a number of key performance indicators to monitor the performance going forward. The key KPI are EBITDA, sales, variable costs and margins per tonne of product sold and working capital ratios.

Authorised for issue on behalf

GJ Anderson

Director



Registered Office:

Hawkslease

Chapel Lane

Lyndhurst

Hampshire

SO43 7FG

United Kingdom

14 October 2021

Directors' report for the period ended 31 December 2020

Directors

The present directors as well as the director changes during the period are listed on page 1.

Directors' indemnity

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The directors of the Company did not propose and pay any dividend for 31 December 2020.

Going concern

As at 31 December 2020 the company has net assets of nil. The directors have assessed the prospects of the company over a period of at least 12 months. The directors have received confirmation that INEOS Quattro Holdings UK Limited intends to support the company for at least one year after these financial statements are signed. After making these enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has therefore adopted the going concern basis in preparing its financial statements.

Future developments

The directors do not expect any change in the Company's activities during the next financial year.

Stakeholder statement

Engagement with supplies, customers and other parties See disclosure in the section 172(1) statement in the Strategic Report.

Streamlined Energy & Carbon Reporting (SECR)

Disclosures under the Streamlined Energy and Carbon Reporting requirements for the Company are contained in the Streamlined Energy and Carbon Reporting in the Strategic Report of the consolidated financial statements of INEOS Quattro Holdings Limited, an intermediate parent undertaking. This reporting covers the Group's UK operations. The consolidated financial statements of INEOS Quattro Holdings Limited are available to the public and may be obtained from the Company Secretary at Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom.

Directors' report for the period ended 31 December 2020 (*continued*)

Independent auditor

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Deloitte LLP as auditor of the Company.

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the Company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Authorised for issue on behalf of the Board

GJ Anderson
Director



Registered Office:

Hawkslease
Chapel Lane
Lyndhurst
Hampshire
SO43 7FG
United Kingdom
14 October 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 – Reduced Disclosure Framework, "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements. Details of the directors' assessment of going concern are provided in the directors' report.

Independent auditor's report to the members of INEOS Acetyls UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of INEOS Acetyls UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at December 31, 2020 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of INEOS Acetyls UK Limited *(continued)*

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation and FRS 101; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence and environmental regulations.

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

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

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

Independent auditor's report to the members of INEOS Acetyls UK Limited
(continued)

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

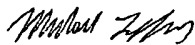
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Michael Jeffrey FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom
October 14, 2021

Balance Sheet
As at 31 December 2020

	<i>Note</i>	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Goodwill		66,933		-	
Intangible assets		<u>94,041</u>		-	
Intangible assets (including goodwill)	2,4		160,974		-
Tangible fixed assets	2,5		<u>306,300</u>		-
			467,274		-
Current assets					
Stocks	2,6	21,079		-	
Debtors	2,7	45,974		-	
Cash at bank and in hand	2	<u>2</u>		-	
		67,055		-	
Creditors: amounts falling due within one year	8	(29,153)		-	
Net current assets			<u>37,902</u>		-
Total assets less current liabilities			<u>505,176</u>		-
Creditors: amounts falling due after more than one year	9	(501,987)		-	
Provisions for liabilities	2,10	(1,324)		-	
Deferred tax liability	2	<u>(1,865)</u>		-	
			(505,176)		-
Net assets			<u>-</u>		<u>-</u>
Capital and reserves					
Called up share capital	11		-		-
Profit and loss account			-		-
Shareholder's equity			<u>-</u>		<u>-</u>

The notes on pages 15 to 27 form part of the financial statements.

The company was dormant in the preceding financial years and has remained dormant until the acquisition of the trade and assets of BP International Limited and BP Chemicals Limited on 31 December 2020 (see note 2 for further details). As a result, no Profit and Loss Statement is disclosed in these financial statements.

These financial statements on pages 12 to 14 were approved by the board of directors on 14 October 2021 and were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'GJ Anderson', written in a cursive style.

GJ Anderson
Director
Company registered number: 09925357

Statement of Changes in Equity
For the period ended 31 December 2020

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	-	-
Total comprehensive income/(loss) for the financial period	-	-	-
<i>Transactions with owners, recorded directly in equity</i>	-	-	-
Balance at 31 December 2019	-	-	-
Total comprehensive income/(loss) for the financial period	-	-	-
<i>Transactions with owners, recorded directly in equity</i>	-	-	-
Balance at 31 December 2020	-	-	-

Notes to the financial statements

For the period ended 31 December 2020

1 Accounting policies

INEOS Acetyls UK Limited (the "Company") is a private company limited by shares incorporated, domiciled, and registered in England in the UK. The registered number is 09925357 and the registered address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom. The Company was dormant in the preceding financial years and hence all comparatives are nil apart from share capital as disclosed in note 11.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The functional currency and the presentation currency is the Pound Sterling (£).

In the transition to FRS 101 from preparing Dormant financial statements previously, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

The Company's intermediate parent undertaking, INEOS Quattro Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of INEOS Quattro Holdings Limited are prepared in accordance with International Financial Reporting Standards and may be obtained from the Company Secretary at: Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding leases;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and

As the consolidated financial statements of INEOS Quattro Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current period; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2019 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The financial statements have been prepared on a going concern basis because the shareholders of the Company do not request for repayment of the outstanding amounts due to them until the Company has adequate financial resources to do so, and the shareholders agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

1.3 Foreign currency

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

1.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Non-derivative financial instruments comprise trade and other receivables, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are tested for classification as per IFRS 9. If the trade receivables meet the cash flow characteristics and business model tests as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost, they are recognised at fair value through profit or loss.

Trade and other payables

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

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

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Land and buildings 26 years
- Plant and equipment 8 years
- Fixtures and fittings 5 years

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

1.6 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

For business combinations with acquisition dates on or after 1 January 2020, the Company has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. This election can be applied on a transaction by transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

1.7 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the period and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

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

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

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

- Customer relationships 16 years
- Intellectual Property 8 years

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.8 Stock

Stock, other than stock held for trading purposes, is 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 stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Net realisable value is determined by reference to prices existing at the balance sheet date, adjusted where the sale of inventories after the reporting period gives evidence about their net realisable value at the end of the period.

Stocks held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognised in the profit and loss account.

Supplies are valued at the lower of cost on a weighted average basis and net realisable value.

1.9 Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

Trade and other receivables

The Company applies the simplified approach to measuring expected credit losses following the requirements of IFRS 9 for its trade receivables and contract assets, being the lifetime expected credit loss model. That means that, beside considering objective evidence (e.g. default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security), the Company takes into account a forecast of future economic conditions in the calculation of the expected loss, which requires a greater extent of judgement.

Financial assets which are considered low risk are not provided for impairment by the Company.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

1.10 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation method as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair

Notes to the financial statements (continued)

1 Accounting policies (continued)

1.10 Determination of fair values (continued)

value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Intangible assets and goodwill

The fair value of patents, trademarks and technologies acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent, trademark or technology being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that contribute to achieve the related cash flows.

The fair value of the cash generating units for goodwill has been determined based on estimated discounted cash flows.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach or cost approaches using quoted market prices for similar items when available or depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence of buildings used for production, machinery and equipment acquired in a business combination. The fair value of land and office and laboratory buildings or warehouses acquired in a business combination is based on discounted cash flows or rental income estimates.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Leases

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

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.12 Leases *(continued)*

As a lessee (continued)

lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

2 Acquisition of a business

On 31 December 2020, the Company acquired the trade and assets of BP International Limited and BP Chemicals Limited for \$657.4 million (equivalent to £492.6 million). The trade and assets acquired operate chemicals and plastics manufacturing. This was part of the larger acquisition relating to the purchase of the global Aromatics and Acetyls businesses from BP Plc as disclosed in the consolidated financial statements of INEOS Quattro Holdings Limited for the period ended 31 December 2020.

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised fair values on acquisition £000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	306,300
Intangible assets	94,041
Stocks	21,079
Debtors	45,974
Cash at bank and in hand	2
Creditors (including leases due after more than one year)	(38,526)
Deferred tax liabilities	(1,865)
Provisions for liabilities	(1,324)
Net identifiable assets and liabilities	<u>425,681</u>
Consideration paid:	
Cash price paid	492,614
Total consideration	<u>492,614</u>
Goodwill on acquisition	<u>66,933</u>

The following fair values have been determined on a provisional basis:

	2020 £000
Tangible fixed assets	306,300
Intangible assets (including goodwill)	160,974
Stocks	21,079

The fair value of acquired debtors was £23,277k. The gross contractual amounts receivable is £26,844k and, at the acquisition date, £nil of contractual cash flows were not expected to be received.

3 Employees, directors and auditor's remuneration

Employees and directors remuneration

The number of employees transferred to the Company as part of the acquisition was 300. Refer to Note 2 for more detail on the acquisition.

No director received any fees or remuneration in respect of their services as a director of the Company during the financial period ended 31 December 2020.

Auditor's remuneration

The audit fee relating to the audit of the financial statements of the Company for the period ended 31 December 2020 was £88k.

Notes to the financial statements (continued)

4 Intangible assets

	Goodwill £000	Customer Relationships £000	Intellectual Property £000	Total £000
Cost				
Balance at 1 January 2020	-	-	-	-
Acquisitions (see note 2)	66,933	74,184	19,857	160,974
Balance at 31 December 2020	66,933	74,184	19,857	160,974
Amortisation and impairment				
Balance at 1 January 2020	-	-	-	-
Amortisation for the period	-	-	-	-
Balance at 31 December 2020	-	-	-	-
Net book value				
At 1 January 2020	-	-	-	-
At 31 December 2020	66,933	74,184	19,857	160,974

The customer relationship and intellectual property assets were acquired on 31 December 2020 and therefore there is no amortisation charge relating to these assets during the period.

The goodwill acquired reflects the expected synergies from combining operations and intangible assets that do not qualify for separate recognition.

Goodwill is tested for impairment annually, as the goodwill was acquired on 31 December 2020, the assumptions used to test goodwill were consistent with the one used to recognise the initial goodwill on acquisition as described in Note 2.

Notes to the financial statements (continued)

5 Tangible fixed assets

	Buildings Owned £000	Plant and Equipment Owned £000	Under construction £000	Plant and Equipment Right-of-use £000	Total £000
Cost					
Balance at 1 January 2020	-	-	-	-	-
Acquisitions (see note 2)	11,854	252,030	29,077	13,339	306,300
Balance at 31 December 2020	11,854	252,030	29,077	13,339	306,300
Depreciation and impairment					
Balance at 1 January 2020	-	-	-	-	-
Depreciation charge for the period	-	-	-	-	-
Balance at 31 December 2020	-	-	-	-	-
Net book value					
At 1 January 2020	-	-	-	-	-
At 31 December 2020	11,854	252,030	29,077	13,339	306,300

No depreciation was charged during the year as all tangible fixed assets were acquired on 31 December 2020.

6 Stocks

	2020 £000
Raw materials and consumables	9,905
Finished goods	11,174
	<u>21,079</u>

7 Debtors: amounts falling due within one year

	2020 £000
Trade debtors	23,277
Amounts owed by group undertakings	2,365
Amounts owed by related parties ¹	3,563
Other debtors	9,387
Prepayments and accrued income	7,382
	<u>45,974</u>

¹ Amounts owed by related parties relate to intercompany balances not within the INEOS Quattro Limited Group but within the wider INEOS Group.

Amounts owed by group undertakings and related parties are priced on an arm's length basis and settled on a monthly basis.

Notes to the financial statements (continued)

8 Creditors: amounts falling due within one year

	2020 £000
Lease liabilities (see note 11)	3,966
Trade creditors	19,063
Other creditors	709
Accruals and deferred income	5,415
	<u>29,153</u>

9 Creditors: amounts falling due after more than one year

	2020 £000
Lease liabilities (see note 11)	9,373
Amounts owed to parent undertakings	492,614
	<u>501,987</u>

Amounts owed by the parent undertaking are priced on an arm's length basis, are unsecured, attract interest at commercial rates, have no fixed date of repayment and are repayable on demand. Management do not expect to repay this loan within the next year.

10 Provisions for liabilities

	Asset Retirement Obligation £000	Other provisions £000	Asset Retirement Obligation £000
Balance at 1 January 2020	-	-	-
Acquisitions (see note 2)	824	500	1,324
Balance at 31 December 2020	<u>824</u>	<u>500</u>	<u>1,324</u>
Due within one year	-	-	-
Due after more than one year	<u>824</u>	<u>500</u>	<u>1,324</u>

Asset Retirement Obligation

A provision of £824k is recognised in relation to the decommission of a boiler which is expected to commence in early 2022. The provision is based on management best estimate of expected costs to decommissioning the boiler.

Other provisions

Other provisions includes a provision of £500k relating to a dispute with a supplier.

Notes to the financial statements (continued)

11 Capital and reserves

Share capital

	Ordinary shares 2020 £
<i>Allotted, called up and unpaid:</i>	
100 ordinary shares of £1 each (2019:£100) for a total nominal value of	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12 Leases

The Company acquired a number of leases relating to plant and equipment with a lease commencement date the same as the date of acquisition (i.e. 31 December 2020).

Lessee arrangements

The balance sheet shows the following lease liabilities

	Contractual cash flows 2020 £000
Maturity analysis (undiscounted):	
Within 1 year	4,506
Between 1 and 5 years	4,087
Over 5 years	9,448
Total undiscounted lease liabilities at 31 December	<u>18,041</u>
Less effect of discounting	(4,702)
Total discounted lease liabilities	<u>13,339</u>
	2020
At 31 December	£000
Due within one year	3,966
Due after more than one year	9,373
	<u>13,339</u>

The Company has entered into a number of significant lease arrangements relating to off-site storage capacity, rail cars, land and buildings.

The lease liability was calculated by discounting contractually escalated lease payments over the lease term at the incremental borrowing rate derived from a market related borrowing rate at the date of acquisition. The range of incremental borrowing rates used is 2.65% to 5.51%.

Notes to the financial statements *(continued)*

12 Leases *(continued)*

The leases commitment costs in relation to leases not recognised in the balance sheet is as below:

	Due within 1 year £000	Between 2 and 5 years £000	Greater than 5 years £000	Total £000
Lease commitment costs	32	81	129	242

13 Commitments

Capital commitments

Details of the Company's commitments in relation to capital expenditure projects for which contracts had been in place as at the end of the financial period amounted to approximately £11,133k.

14 Related parties

Identity of related parties with which the Company has transacted

The Company has taken advantage of the exemption contained within paragraphs (k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

Transactions with key management personnel

Directors of the Company and their immediate relatives control none of the voting shares of the Company.

Other related party transactions

	Receivables outstanding
	2020 £000
Other related parties	5,928
	<hr/> 5,928 <hr/>

Other related party balances are entered into at arm's length and settled within the normal course of business.

15 Ultimate parent company and parent company of larger group

The Company was previously held by INEOS Holdings International Limited and during the current period as part of the larger BP acquisition, the Company was re-organised and became a direct subsidiary undertaking of INEOS Quattro Holdings UK Limited incorporated in England and Wales. The ultimate parent undertaking of the Company is INEOS Limited, a company incorporated in the Isle of Man. The directors regard Mr J A Ratcliffe as the ultimate controlling party by virtue of his majority shareholding in INEOS Limited.

The smallest group that consolidated the Company's financial statements as at 31 December 2020 was INEOS Quattro Holdings Limited. The largest group that consolidated the Company's financial statements as at 31 December 2020 was INEOS Industries Limited. The consolidated financial statements of INEOS Quattro Holdings Limited and INEOS Industries Limited are available to the public and may be obtained from the Company Secretary at their registered office: Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom.

16 Subsequent event

As at the date of this report, there have been no subsequent events.

Notes to the financial statements *(continued)*

17 Accounting estimates and judgements

Inherent in the application of many accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual outcomes could differ from the estimates and assumptions used. The accounting judgements and estimates that have a significant impact on the results of the Company are set out below and should be read in conjunction with the information provided in the notes to the financial statements.

Critical accounting judgements and estimates in applying the Company's accounting policies

Certain critical accounting judgements and estimates in applying the Company's accounting policies are described below.

Fair value measurement on business combination

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, estimates and assumptions made.

Allocation of the purchase price affects the results of the Company as intangible assets are amortised over their estimated useful lives, whereas goodwill, is not amortised. This could lead to differing amortisation charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

The carrying amount of intangibles is disclosed in note 3.