

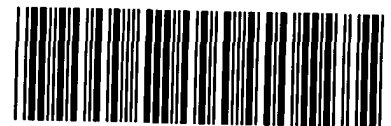
Grangemouth CHP Limited

Annual report and financial statements

Registered number SC178243

31 December 2019

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Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Review of business and future developments

The Company owns and operates a gas fired combined heat and power station in Grangemouth, Scotland which provides steam and power to the other INEOS businesses and third parties on the Grangemouth petrochemicals site.

For 2020 and for future years it is the expectation the Company will continue with its current principal activities.

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company is developing plans to mitigate the impact of the end of the Brexit transition period on its activities with the European Union.

On 22 May 2020 a dividend of £10,000,000 was proposed and paid.

Results and dividends

The profit for the financial year before taxation was £10,905,000 (2018: £10,697,000). During the year the directors proposed and paid a dividend of £6,000,000 (2018: £nil).

Strategy

The Company's strategic aim is to play a key part in the future energy strategy of the Grangemouth petrochemicals site.

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 and the environment. The directors focus on engagement with all stakeholders, and consider stakeholders' views when making decisions.

Long-term factors

The Company's strategy is to grow its business portfolio through maintaining and increasing its customer base.

To achieve these objectives, the Company has the following key strategies:

- Maintain health, safety, security and environmental excellence;
- Reduce costs and realise synergies;
- Maximise utilisation of assets;
- Access advantaged energy opportunities;
- Develop and implement a sustainable business.

The directors believe these are critical long-term factors for the success of the Company.

We aim to operate and develop our business in a way that supports both our current and future needs, taking into account relevant economic, environmental and social factors. This enables us to sustain our business for the long term. We strongly believe that sustainable business management and practices will contribute to our long-term business success.

The directors ensure that the Company has sufficient resources to support its long-term growth strategy and to fund its investments. The directors consider available and required funds as a basis for any dividend under its distribution policy.

Strategic report for the year ended 31 December 2019 *(continued)*

Stakeholder considerations

Engaging stakeholders and developing meaningful partnerships is essential for our 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 stakeholders' 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 our work, and our services for society.

Key stakeholders contribute to our economic, social and environmental performance. Stakeholders include our customers, suppliers, investors, financial experts and ratings agencies, local communities and industry associations.

As a key player in the energy supply to the Grangemouth site, Grangemouth CHP Limited is aware of the impact of its operations on key stakeholders and engages with them on a regular basis to keep them informed of current and future developments. The Company adopts a holistic approach to its entire value chain and together with regulatory bodies, contractors and customers continually strive to achieve high standards.

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 and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. Future capital investment includes a major Turnaround aimed at maintaining licence to operate, improving reliability and reducing our impact on the environment. These matters are considered by the Board in making decisions and in assessing the long term viability of the business.

The Company is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its 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 our products as well as to our processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

Act fairly between members

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

COVID-19 coronavirus

In early March 2020 the Company developed contingency plans for the COVID-19 pandemic, with the primary objectives of maintaining safety of personnel and reliable operation of the plant.

Following the UK Government announcement on 23 March 2020 of UK lockdown, a number of changes to standard working practices were implemented, the result of which was to reduce personnel on site to those defined as operationally critical. This included immediately stopping any non-critical projects and amending shift patterns to enable achievement of social distancing rules. Any safety critical activity was formally risk assessed to take cognisance of additional controls necessary to protect core personnel from COVID-19, hence safeguarding safety critical work at all times.

The vast majority of office-based staff adopted home working, these restrictions produced an approximate 72% reduction in personnel accessing our sites and significantly reduced the potential for spread of infection in the Business.

Strategic report for the year ended 31 December 2019 *(continued)*

COVID-19 coronavirus *(continued)*

Although the directors cannot predict the extent and duration of COVID-19 crisis or other uncertainties facing the business, the directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its products and the impact on margins for over 12 months from the date of signing these financial statements. In particular, the directors have stress tested the impact on EBITDA and cash as a result of changes in plant reliability; a lower price environment and the changes in supply and demand as a result of COVID-19. In addition, the directors have implemented a series of programmes to preserve cash including review of timing of turnarounds, reduction in the levels of non-essential capital expenditure, reductions in spend against provisions and cut-back of non-essential fixed cost expenditure. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the business would still have sufficient cash flow to meet all of its obligations as they fall due.

The Company sells steam and power to the petrochemical plants on the Grangemouth site, for the production of materials which are widely used in medical equipment production including face masks, ventilators, gloves, eye visors and anti-bacterial handgel and also widely used in food packaging, the demand for these products due to COVID-19 has increased although demand for durables such as for use in car manufacturing and refined oil products have declined.

The Company monitors its funding position and its liquidity risk throughout the year to ensure it has sufficient funds to meet its forecast cash requirement. Cash forecasts are produced based on a number of inputs, such as forecast demands, expenditure forecasts, and financing cash flow forecasts.

In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Company would still have sufficient cash flow to meet all of its obligations as they fall due. Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of the assessment described above, together with a strong balance sheet and access to liquidity, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of INEOS Industries Limited which include those of the Company are discussed in the group's annual report which does not form part of this report.

Approved by and signed on behalf of the Board.



G S Hepburn
Director
21 October 2020

Registered number SC178243

Directors' report for the year ended 31 December 2019

The directors present their report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activities

The Company owns and operates a gas fired combined heat and power station at Grangemouth, Scotland and provides steam and power to the businesses located at the petrochemical site in Grangemouth. In addition, excess power can be sold onto the national grid.

Results and dividends

Results and dividends are discussed in the Strategic report.

Future developments

Future developments are discussed in the Strategic report.

Post balance sheet events

Post balance sheet events are discussed in the Strategic report.

Going concern

As at 31 December 2019, the Company has net assets of £23,029,000 (2018:£20,531,000). The entity is financed through its own operations, however if needed the directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Financial risk management

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are discussed in the context of the group as a whole, and are provided in the annual report of parent company INEOS Industries Limited, which does not form part of this report.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

A R Gardner	(Resigned 1 April 2019)
P Q Grant	(Appointed 1 April 2019)
T Hannemann	(Appointed 1 August 2019)
M Plevoets	(Appointed 1 August 2019)
G S Hepburn	

Directors' report for the year ended 31 December 2019 (continued)

Health & safety

Our facilities and operations are subject to a wide range of health, safety, security and environmental ("HSSE") laws and regulations in all of the jurisdictions in which we operate. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions, noise emissions, human health and safety, process safety and risk management and the clean-up of contaminated sites. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

Our operations are currently in material compliance with all HSSE laws, regulations and permits. We actively address compliance issues in connection with our operations and properties and we believe that we have systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on us.

Business relationships

The business relationships with suppliers and customers are of strategic importance to the directors of the Company and their decision-making process. The business relationships of Grangemouth CHP Limited are described in the Section 172(1) statement in the Strategic report.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report and the Directors' 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 these financial statements, the directors are required to:

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

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

Directors' report for the year ended 31 December 2019 (*continued*)

Directors' confirmations

In the case of each director in office, at the date the Directors' report is approved:

- so far as each 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 any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent Auditor

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

Approved by and signed on behalf of the Board.



G S Hepburn
Director
21 October 2020

Registered number SC178243

Independent auditor's report to the members of Grangemouth CHP Limited

Report on the audit of the financial statements

Our opinion

In our opinion the financial statements of Grangemouth CHP Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

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

Basis for opinion

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

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

Conclusions relating to going concerns

We are required by ISAs (UK) to report in respect of the following matters where:

- 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Grangemouth CHP Limited (*continued*)

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Grangemouth CHP Limited (*continued*)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

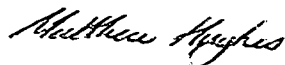
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of this 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.



Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
22 October 2020

Profit and Loss Account
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	Restated (see note 1) 2018 £000
Turnover	2	94,233	124,371
Cost of sales		(66,157)	(96,988)
Gross profit		28,076	27,383
Administrative expenses		(17,172)	(16,361)
Operating profit	3	10,904	11,022
Interest receivable and similar income	5	85	82
Interest payable and similar expenses	6	(84)	(407)
Profit before taxation		10,905	10,697
Tax on profit	7	(2,407)	(2,211)
Profit for the financial year		8,498	8,486

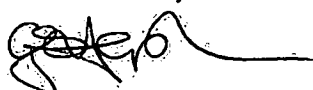
All activities of the Company relate to continuing operations.

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

Balance Sheet
as at 31 December 2019

	<i>Note</i>	2019 £000	Restated (see note 1) 2018 £000
Fixed assets			
Intangible assets	8	-	1,630
Tangible assets	9	15,191	22,135
		<hr/> 15,191	<hr/> 23,765
Current assets			
Stocks	10	1,335	1,615
Debtors	11	24,625	21,840
Deferred tax asset	13	18	-
Cash at bank and in hand		16,180	13,130
		<hr/> 42,158	<hr/> 36,585
Creditors: amounts falling due within one year	12	(34,320)	(39,216)
Net current assets /(liabilities)		<hr/> 7,838	<hr/> (2,631)
Total assets less current liabilities		<hr/> 23,029	<hr/> 21,134
Provisions for liabilities			
Deferred tax liability	13	-	(603)
		<hr/> -	<hr/> (603)
Net assets		<hr/> 23,029	<hr/> 20,531
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account		22,929	20,431
Total equity		<hr/> 23,029	<hr/> 20,531

These financial statements on pages 10 to 26 were approved by the board of directors on 21 October 2020 and were signed on its behalf by:


G S Hepburn
Director

Registered number: SC178243

Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	100	11,945	12,045
Total comprehensive income for the year, comprising:			
Profit for the financial year (restated, see note 1)	-	8,486	8,486
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018 (restated, see note 1)	100	20,431	20,531
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	100	20,431	20,531
Total comprehensive income for the year, comprising:			
Profit for the financial year	-	8,498	8,498
Transactions with owners, recorded directly in equity:			
Dividends paid	-	(6,000)	(6,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	100	22,929	23,029
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements)

1 Accounting policies

Grangemouth CHP Limited (the “Company”) is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in Scotland. The registered office address is Utilities Control Building, East Office, PO Box 30, Bo’ness Road, Grangemouth, Stirlingshire, FK3 9XQ.

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 Financial Reporting Standards as adopted by the EU (“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.

INEOS Industries Limited is the parent undertaking that includes the Company in its consolidated financial statements. INEOS Industries Limited is a company incorporated in the UK. The consolidated financial statements of INEOS Industries Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs and;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of INEOS Industries 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;
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Certain disclosures required by IFRS 15 *Revenue from Contracts with Customers*; and
- Certain disclosures required by IFRS 16 *Leases* in respect of leases for which the Company is a lessee.

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

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 for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

Restatement of comparative result

The Company recognises deferred income related to its sales contracts.

During the year, the directors have revised their assessment of the deferred income required at 31 December 2018 which was previously recognised in the financial statements to comply with the requirements of IFRS 15, resulting in a restatement of the prior year comparatives for revenue, tax on profit, accruals and deferred income and taxation and social security. This review resulted in no impact on the 2017 financial statements. The effect of this assessment is summarised in the table below.

	31 December 2018 as previously stated £000	Restatement £000	31 December 2018 restated £000
Revenue	121,931	2,440	124,371
Tax on profit	(1,747)	(464)	(2,211)
Accruals and deferred income	23,709	(2,440)	21,269
Taxation and social security	402	464	866
P&L reserves	18,455	1,976	20,431

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as financial instruments classified as fair value through other comprehensive income or fair value through profit and loss.

1.2 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of INEOS Industries Limited. The directors have received confirmation that INEOS Industries Limited intend to support the Company for at least one year after these financial statements are signed.

1.3 Foreign currency

Transactions in foreign currencies are translated to 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 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 Non-derivative financial instruments

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

Trade and other debtors

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

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.4 Non-derivative financial instruments (continued)

Trade and other creditors

Trade and other creditors 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, less any impairment losses.

1.5 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent re-measurement to fair value is recognised immediately in profit or loss.

1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.7 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. Leased assets being depreciated over the shorter of the lease term and their useful lives. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- buildings 4-20 years
- plant and equipment 4-20 years

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

1.8 Intangible assets

Other intangible assets

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

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.

1.9 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.10 Stocks

Stock is valued cost to the Company mainly using the weighted average method or net realisable value, whichever is lower. Where necessary provision is made for obsolete, slow moving and defective stocks.

1.11 Impairment of financial assets

Trade and other debtors

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade debtors and contract assets. This approach requires the Company to recognise the lifetime expected loss provision for all trade debtors taking in consideration historical as well as forward-looking information.

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.

1.12 Impairment of non-financial assets excluding inventories and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are assessed at the end of the reporting period to determine whether there is any indication of impairment.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation of amortisation, if no impairment loss had been recognised.

1.13 Turnover

Turnover represents the invoiced value of products and services sold or services provided to third parties net of sales discounts, value added taxes and duties. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from the standalone selling prices for goods and services, allocated to the performance obligations. Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.13 Turnover (continued)

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

1.14 Interest receivable and interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Emission trading scheme

The Company participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Company recognises the revenue from such permits upon their sale to third parties.

Emissions allowances purchased from third parties are recognised as an intangible asset based on the cost associated with the purchase. The emission allowances are subject to impairment under the indefinite lived intangible asset impairment model. There is no amortisation of these allowances. The costs of the allowances are recognised as a disposal and expensed to the profit and loss as they are used.

The Company recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.17 Changes in accounting policies

Impact of new standards and interpretations

There are no amendments to accounting standards that are effective for the year ended 31 December 2019 which have had a material impact on the Company

2 Turnover

Turnover, which excludes Value Added Tax, represents the sales value of electricity generated, steam supplied and natural gas re-sold. In relation to steam supplied, the Company has an agreement with its customer whereby a minimum quantity of steam must be purchased in each contract year. Any shortfall in this amount (i.e. between the volume called upon and the minimum purchase volume) will be invoiced by the Company at the end of the year and may be called upon by the customer over the next three contract years. This income is held as deferred income unless, during the following three contract years, there is no reasonable expectation that the steam will be called upon in which case it is recognised as turnover in the year that it is assessed that the steam will not be called upon.

All turnover arises in the United Kingdom.

The timing of revenue recognition for the vast majority of the Company's sale transactions is over time. Revenues for goods or services transferred at a point in time are immaterial.

No contract assets and liabilities have been recognised in the Balance Sheet of the Company. Its impact, if any, was immaterial. The performed analysis has concluded that the right of payment of the goods and services sold by the Company is unconditional, except for the passage of time. Therefore, all rights of payment have been booked as trade debtor.

No assets related to costs to obtain or fulfil a contract have been recognised. This was deemed immaterial if any.

The directors have revised their position on deferred income to address the requirements of IFRS 15 resulting in a restatement of prior year (see note 1).

3 Operating profit

Included in operating profit is the following:

	2019 £000	2018 £000
Depreciation of owned tangible fixed assets (note 9)	7,986	7,966
Exchange loss	427	11

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	29	28

The total in 2019 includes fees paid to Deloitte LLP for the audit of the financial statements of the Company. Auditor's remuneration for services provided during the year ended 31 December 2018 relates to amounts paid to PricewaterhouseCoopers LLP.

4 Directors and employees

The Company had no employees during the year (2018: nil). No Directors received any fees or remuneration in respect of their services as a Director of the Company during the financial year (2018: none).

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) *(continued)*

5 Interest receivable and similar income

	2019 £000	2018 £000
Interest income on financial assets measured at amortised cost	85	82
	<hr/>	<hr/>
Total interest receivable and similar income	85	82
	<hr/> <hr/>	<hr/> <hr/>

6 Interest payable and similar expenses

	2019 £000	2018 £000
Net exchange losses	84	67
Interest expenses on financial assets measured at amortised cost	-	339
Other interest expense	-	1
	<hr/>	<hr/>
Total interest payable and similar expenses	84	407
	<hr/> <hr/>	<hr/> <hr/>

Interest payable and similar expenses includes amounts payable to group undertakings of £nil (2018: £339,000).

7 Tax on profit

Recognised in the profit and loss account

	2019 £000	Restated (see note 1) 2018 £000
<i>UK corporation tax</i>		
Current tax on profit for the year	3,028	2,904
Adjustments in respect of prior periods	-	(163)
	<hr/>	<hr/>
Total current tax	3,028	2,741
<i>Deferred tax (see note 13)</i>		
Origination and reversal of temporary differences	(695)	(604)
Adjustments in respect of prior periods	74	74
	<hr/>	<hr/>
Total deferred tax	(621)	(530)
	<hr/> <hr/>	<hr/> <hr/>
Tax on profit	2,407	2,211

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

7 Tax on profit (continued)

Reconciliation of effective tax rate

	2019 £000	Restated (see note 1) 2018 £000
Tax on profit	2,407	2,211
Profit before taxation	10,905	10,697
Profit before taxation multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	2,072	2,032
Non-deductible expenses	261	268
Adjustments in respect of prior periods	74	(89)
Total tax expense	2,407	2,211

The UK Corporation Tax rate was reduced from 20% to 19% with effect from 1 April 2017. In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020 rather than reducing it to 17% from 1 April 2020 as had been announced previously. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

8 Intangible assets

	Environmental Certificates £000
Cost	
Balance at 1 January 2019	1,630
Additions	8,012
Disposals	(9,642)
Balance at 31 December 2019	-
Accumulated amortisation and impairment	
Balance at 1 January and 31 December 2019	-
Net book value	
At 31 December 2018	1,630
At 31 December 2019	-

Notes to the financial statements for the year ended 31 December 2019

(forming part of the financial statements) *(continued)*

9 Tangible assets

	Land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost				
Balance at 1 January 2019	12,460	105,655	-	118,115
Additions	-	-	1,046	1,046
Transfers	-	788	(788)	-
Retirement	-	(44)	-	(44)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	12,460	106,399	258	119,117
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment				
Balance at 1 January 2019	(10,923)	(85,057)	-	(95,980)
Depreciation charge for the financial year	(623)	(7,363)	-	(7,986)
Retirement	-	40	-	40
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	(11,546)	(92,380)	-	(103,926)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2018	1,537	20,598	-	22,135
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	914	14,019	258	15,191
	<hr/>	<hr/>	<hr/>	<hr/>

Land and Buildings

The net book value of land and buildings comprises:

	2019 £000	2018 £000
Long leasehold	914	1,537
	<hr/>	<hr/>

10 Stocks

	2019 £000	2018 £000
Raw materials and consumables	1,335	1,615
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £73,000 (2018: £119,000).

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

11 Debtors

	2019 £000	2018 £000
Other debtors	2,987	3,890
Trade debtors	6,310	8,863
Prepayments and accrued income	15,328	8,722
Taxation and social security	-	365
	<hr/> 24,625	<hr/> 21,840
	<hr/> <hr/>	<hr/> <hr/>
Due within one year	24,625	21,840

Credit risk of trade debtors

	2019 £000	2018 £000
Low	6,310	8,863
Medium	-	-
High	-	-
Impairment allowance	-	-
	<hr/> 6,310	<hr/> 8,863
	<hr/> <hr/>	<hr/> <hr/>

During the year the Company has not experienced a significant deterioration in the quality of debtor balances due to the current economic conditions.

There were no allowances made against amounts due from other debtors during the year (2018: £nil).

12 Creditors: amounts falling due within one year

	2019 £000	Restated (see note 1) 2018 £000
Trade creditors	393	10,046
Taxation and social security	8,704	866
Amount owed to group undertakings	9,079	7,035
Accruals and deferred income	16,144	21,269
	<hr/> 34,320	<hr/> 39,216
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Tangible fixed assets	18	-	-	(371)	18	(371)
Other	-	-	-	(232)	-	(232)
Net tax assets/(liabilities)	18	-	-	(603)	18	(603)

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in profit and loss £000	31 December 2019 £000
Tangible fixed assets	(371)	389	18
Other	(232)	232	-
	(603)	621	18

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in profit and loss £000	31 December 2018 £000
Tangible fixed assets	(821)	450	(371)
Other	(312)	80	(232)
	(1,133)	530	(603)

14 Called up share capital

	Ordinary shares 2019	
On issue at 1 January and 31 December – fully paid		100
	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £ 1 each	100	100

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.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

14 Called up share capital (continued)

Dividends

The following dividends were recognised during the year:

	2019 €000	2018 €000
€60,000 (2018 : €Nil) per qualifying ordinary share	6,000	-
	<u>6,000</u>	<u>-</u>

15 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow subsidiaries under common ownership. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	Sales to related party		Total purchases and expenses from related party	
	2019 £000	Restated (see note 1) 2018 £000	2019 £000	2018 £000
Other related parties	74,475	91,678	1,091	4,734

	Receivables outstanding		Creditors outstanding	
	2019 £000	2018 £000	2019 £000	2018 £000
Other related parties	6,289	8,810	81	179

16 Controlling parties

The immediate parent undertaking at 31 December 2019 was INEOS Industries Holdings Limited. The ultimate parent company at 31 December 2019 was INEOS Limited, a company incorporated in the Isle of Man.

INEOS Industries Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the financial statements of INEOS Industries Limited can be obtained from the Company Secretary, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

The directors regard Mr J A Ratcliffe to be the ultimate controlling part by virtue of his majority shareholding in the ultimate parent undertaking INEOS Limited.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

17 Accounting estimates and judgements

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework", which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The following areas are considered to involve a significant degree of judgement or estimation

Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any critical judgements, apart from those involving estimations, which are presented separately below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Taxation

All the Company's operations are in the UK. Management is required to estimate the tax payable and this involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the balance sheet of the Company. Management have performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Company's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Company has, from time to time, contingent tax liabilities arising from trading and corporate transactions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

Details of amounts recognised with regard to taxation are disclosed in Notes 7 and 13.

Impairment reviews

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- growth rates of various revenue streams;
- long term growth rates;
- future margins;
- the selection of an appropriately risk adjusted discount rate; and
- the determination of terminal values.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

17 Accounting estimates and judgements (continued)

Impairment reviews (continued)

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Company's impairment evaluation and results.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 9 for the carrying amount of the property, plant and equipment, and Note 1 for the useful economic lives for each class of assets.

Assessment of deferred income

IFRS 15 requires management to re-assess annually the estimate of deferred income relating to the potential utilisation of contractual obligations taking into consideration future possible events or changes in circumstances. Consequently, deferred income of £1,830,000 (2018: £1,801,000) has been recognised. In estimating the deferred income, the directors have made assumptions regarding the level of utilisation of contractual obligations and the timing of this utilisation and have estimated deferred income based on currently available information.

18 Subsequent events

United Kingdom withdrawal from the European Union ("Brexit")

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has made significant plans to limit the impact of Brexit on its activities from liaising with stakeholders and contingent planning for inventories.

COVID-19 coronavirus

The Company is closely monitoring the evolution of the COVID-19 coronavirus and is following the World Health Organisation travel advice. With regards to business impact, the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on production and deliveries. Whilst there is significant uncertainty due to the COVID-19 crisis, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis as given the nature of the Company the impact is expected to be limited. See Strategic report for further details.

Dividends

On 22 May 2020 a dividend of £10,000,000 was proposed and paid.