

INEOS Chemicals Grangemouth Limited

Annual report and financial statements

Registered number 6981897

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

INEOS Chemicals Grangemouth Limited ("the Company") operates a number of petrochemical manufacturing plants at the Grangemouth site in Scotland.

The Company manufactures under tolling arrangements, with INEOS Commercial Services UK Limited for which it receives a fee.

INEOS Chemicals Grangemouth Limited together with INEOS Commercial Services UK Limited are wholly owned subsidiaries of INEOS Grangemouth Limited (formerly INEOS Grangemouth plc), INEOS Grangemouth Limited is also the majority shareholder of Grangemouth Energy Company Limited, and together this group of companies form the Grangemouth business of INEOS O&P UK.

Demand for olefins in the year was solid in a tight market, with a high level of scheduled competitor turnarounds during parts of the year constraining supply. European polymer demand was relatively firm in a balanced market with good volumes. Margins saw some deterioration in the second half of the year as markets lengthened with increased levels of imported product from outside Europe. The ethanol business competes with ethanol derived from crop sources and the European market for ethanol remains bearish, with imports from across the globe, although demand in the industrial ethanol sector remains stable.

There was a large planned turnaround event (TAR) on the KG ethylene cracker in the second half of the year, during a TAR, the plant is shutdown to perform critical maintenance activities and the production volume of the site is reduced during the outage period. The KG TAR event had a longer duration than originally planned which resulted in lower production volumes of ethylene compared to the budget for the year. There were several other unplanned outages across different plants during the year which further reduced production volumes.

During the year the Company invested £111,000,000 in asset additions this mainly related to the KG TAR and an additional furnace on the gas cracker to increase production capacity.

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 developed plans to mitigate the impact of the end of the Brexit transition period on its activities with the European Union.

Financing Arrangements

On 14 June 2019, INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) entered into a 3 year €350,000,000 bank facility comprising of a €200,000,000 Term Loan and a €150,000,000 Revolving Credit Facility, INEOS Grangemouth Limited and its subsidiaries guarantee the obligations under the Senior Secured Term Loans. Under the terms of the Agreement, on 31 July 2019, INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) fully drew down the €200,000,000 Term loan. As at 31 December 2019 €65,000,000 of the €150,000,000 Revolving Facility Loan had been drawn down. As explained more fully below, on 23 July 2020 the €350,000,000 Senior Secured Term Loans due June 2020 were extended to June 2025.

On 30 July 2019 the Group repaid in full the Guaranteed notes, £285,000,000 listed on the Global Exchange Market of the Irish Stock Exchange, on the same day the securities held by HM Treasury for providing the guarantee against the obligation to pay were released.

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

Results and dividends

The profit for the financial year before taxation was £4,535,000 (2018: £4,650,000). The directors do not propose the payment of a dividend (2018: *£nil*).

Strategy

The Company's strategic aim is to use the benefits of our advantaged feedstock for the KG ethylene cracker to grow the Grangemouth base and our long term profitability. Long term supply contracts are in place to provide a secure source of advantaged feedstock from the USA and the North Sea, to eliminate the feedstock constraints the business had been operating under in previous years and allow the assets to be operated at full capacity to maximise production and therefore profitability.

In addition, the regeneration programme on the site has already remediated large areas, on which we hope to attract both internal INEOS and external investment. This investment will utilise the utilities and services already available with the intention to grow the Grangemouth manufacturing base.

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; and
- Develop and implement a sustainable business.

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

The directors' decision-making has supported the implementation of the strategy.

The Company plans for strategic investments to support its goals and continually investigates potential growth opportunities, such as the ethylene growth plan to add an additional furnace on the gas cracker to increase production capacity, completion of this project is well advanced and is expected to be fully operational by Q1, 2021.

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. An important element is the Company's long-term cash and operational planning in relation to the capital requirements needed 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.

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 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 our work, and our services for society.

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

As a major producer of petrochemicals in the UK, the Company adopts a holistic approach looking at its entire value chain – from procurement, development and production to transport, sales, integration into customer processes, final intended use and recycling. Together with industry associations and our business partners, we strive to achieve high and well-acknowledged sustainability standards in the chemical industry.

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. 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 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 values the diversity of its people and each of its employees is recognised as an important member of our team.

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 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, INEOS Grangemouth Limited and its fellow subsidiaries (together "the Group"), developed contingency plans for the COVID-19 pandemic, with the primary objectives of maintaining safety of personnel and reliable operation of the plants.

Following the UK Government announcement on 23 March 2020 of UK lockdown, a number of changes to standard working practices were implemented, the intent 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 achieving the social distancing rules.

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

COVID-19 coronavirus (*continued*)

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. During April 2020 the Company took the decision to postpone all non safety critical maintenance and project activities on site including temporarily stopping work on the additional furnace to ensure core operations on the Grangemouth site were protected from potential COVID-19 spread.

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.

The Group produces and sells ethylene, ethanol and polymers which are 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 has declined.

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.

Post year end the Group has entered into a loan facility with a related party on 22 July 2020 of €90,000,000, additionally the existing €350,000,000 Senior Secured Term Loans due 2022, were extended to 2025. The refinancing project taking place over the duration of the COVID-19 outbreak, highlights the Group's ability to raise finance during difficult conditions. Under the lending facilities the Group has covenants which must be met in relation to debt service cover and leverage, on both the base case and downside sensitivities which have been considered by the directors these covenants are fully complied with throughout the forecast period.

In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Group 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. The development, performance and position of INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) which includes the Company, are discussed in the Group's annual report which does not form part of this report.

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

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 Grangemouth Limited (formerly INEOS Grangemouth plc) which include those of the Company are discussed in the Group's annual report.

Approved by the Board of Directors and signed on behalf of the Board of Directors.



G S Hepburn
Director
28 July 2020
Registered number 6981897

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 is engaged in the toll manufacture of petrochemical products and provision of services to third parties and other INEOS companies located in Grangemouth. Under the tolling contract, INEOS Chemicals Grangemouth Limited is provided with raw materials to be converted into specified products, for which the Company charges a toll fee. The main product manufactured on site by the olefins business is ethylene through the operation of a gas cracker. The ethylene produced can be sold by INEOS Commercial Services UK Limited into the market or processed further by the polymer or ethanol assets on the Grangemouth site to produce polyethylene, polypropylene or ethanol. The crackers also produce a number of by products which are either processed further in the onsite assets or sold to external customers. The petrochemical assets are integrated with the refinery located at the Grangemouth site.

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.

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 Grangemouth Limited (formerly INEOS Grangemouth plc), which does not form part of this report.

Directors

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

G S Hepburn

G D Milne (resigned 29 May 2019)

J P McNally (resigned 1 August 2019)

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)

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

Employees

The Company has developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Company encourages this approach to provide information and consultation and believes that this promotes a better understanding of the issues facing the individual business in which the employee works. The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company by issuing communications on the Company intranet, holding information meetings hosted by the board and operating a bonus scheme linked to the business performance. The Company consults employees or their representatives through the works council on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

The Company prohibits acts of discrimination whereby one individual is treated less favourably than another on grounds of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

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, 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 INEOS O&P UK 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 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, 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.

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

Statement of directors' responsibilities in respect of the financial statements (*continued*)

In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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 the Board of Directors and signed on behalf of the Board of Directors.



G S Hepburn
Director
28 July 2020
Registered number 6981897

Independent auditor's report to the members of INEOS Chemicals Grangemouth Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of INEOS Chemicals Grangemouth 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 Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 24.

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 INEOS Chemicals Grangemouth Limited (*continued*)

Report on the audit of the financial statements (*continued*)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify 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 INEOS Chemicals Grangemouth 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

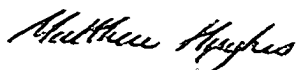
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
28 July 2020

Profit and Loss Account

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	203,387	228,965
Cost of sales		(178,370)	(199,647)
Gross profit		25,017	29,318
Distribution costs		(4,230)	(3,845)
Administration expenses		(722)	(765)
Other operating income		740	729
Operating profit	3	20,805	25,437
Interest receivable and similar income	6	134	346
Interest payable and similar expenses	7	(16,404)	(21,133)
Profit before taxation		4,535	4,650
Tax on profit	8	4,353	823
Profit for the financial year		8,888	5,473

All activities of the Company relate to continuing operations.

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note(s)	2019 £000	2018 £000
Profit for the financial year		8,888	5,473
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Deferred tax arising on actuarial (loss)/gain in the pension scheme	8, 12	1,892	(2,537)
Actuarial (loss)/gain recognised in the pension scheme	17	(11,128)	14,921
Other comprehensive (expense)/income for the year, net of income tax		(9,236)	12,384
Total comprehensive (expense)/income for the year		(348)	17,857

Balance Sheet

as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	9	593,241	523,266
		<u>593,241</u>	<u>523,266</u>
Current assets			
Stocks	10	12,004	9,933
Debtors (including £20,678,000 (2018: £21,219,000) due after more than one year)	11	150,924	155,248
Deferred tax asset	12	9,133	19,754
Cash at bank and in hand		231	162
		<u>172,292</u>	<u>185,097</u>
Creditors: amounts falling due within one year	13	(495,493)	(447,487)
Net current liabilities		<u>(323,201)</u>	<u>(262,390)</u>
Total assets less current liabilities		<u>270,040</u>	<u>260,876</u>
Creditors: amounts falling due after more than one year	14	(27,625)	(24,125)
Provisions for liabilities			
Post-employment benefits	17	(7,442)	(1,430)
		<u>(35,067)</u>	<u>(25,555)</u>
Net assets		<u>234,973</u>	<u>235,321</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account		234,973	235,321
Total equity		<u>234,973</u>	<u>235,321</u>

These financial statements on pages 11 to 46 were approved by the Board of Directors on 28 July 2020 and were signed on its behalf by:



G S Hepburn
Director
Registered number 6981897

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	-	217,464	217,464
Profit for the financial year	-	5,473	5,473
Other comprehensive income/(expense) for the year, comprising			
Deferred tax arising on actuarial gain in the pension scheme	8,12	(2,537)	(2,537)
Actuarial gain in the pension scheme	17	14,921	14,921
Other comprehensive income	-	12,384	12,384
Total comprehensive income for the year	-	17,857	17,857
Balance at 31 December 2018	-	235,321	235,321

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	235,321	235,321
Profit for the financial year	-	8,888	8,888
Other comprehensive income/(expense) for the year, comprising			
Deferred tax arising on actuarial loss in the pension scheme	8,12	1,892	1,892
Actuarial loss in the pension scheme	17	(11,128)	(11,128)
Other comprehensive expense	-	(9,236)	(9,236)
Total comprehensive expense for the year	-	(348)	(348)
Balance at 31 December 2019	-	234,973	234,973

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

1 Accounting Policies

INEOS Chemicals Grangemouth Limited (the "Company") is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG.

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.

The Company's parent undertaking, INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) includes the Company in its consolidated financial statements. INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) is a company incorporated in the UK. The consolidated financial statements of INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) are available to the public and may be obtained from Company Secretary, 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 Grangemouth Limited (formerly INEOS Grangemouth plc) 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; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Certain disclosure 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 23.

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

1 Accounting Policies (continued)

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 fair value through other comprehensive income.

1.2 Going concern

The Company meets its day-to-day working capital requirements through its inter-company loan facility. The Company's forecasts and projections, taking into account the trading performance of the Company's fellow subsidiaries, including a rigorous assessment of the potential impact of COVID-19 show that the Company should be able to operate within the levels of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

In assessing whether the financial statements should be prepared on a going concern basis, the Company has considered the funding position and financial projections of the INEOS Grangemouth Limited Group and its subsidiaries (together "the Group"), including stress test sensitivities, and the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In arriving at this conclusion, the directors have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed further in the Strategic report, including the uncertainties the Group faces arising from the impact of COVID-19.

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. Group cash forecasts are produced based on a number of inputs, such as production and margin forecasts, reliability assumptions, and financing cash flow forecasts. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is in relation to unplanned plant reliability issues.

Although the directors cannot predict the extent and duration of the COVID-19 pandemic and the impact that this will have, particularly on demand, as above the directors have undertaken a rigorous assessment of the potential impact for at least 12 months from the date of signing of these financial statements. In addition to the sensitivities on demand and plant reliability, the directors have implemented a series of programmes to preserve cash including review of the timings and/or level of non-essential capital expenditure. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Group would still have sufficient cash flow to meet its obligations as they fall due based on available cash and borrowing facilities as set out in the Strategic report. The Group expects to remain able to meet its obligations during the going concern period, including in a stressed scenario.

The base assumptions indicate that the Group expects to be able to operate within its contractual debt facilities and have sufficient finance headroom for at least 12 months from the date of approval of these financial statements, with borrowing covenants fully complied throughout the forecast period. As such, the directors have a reasonable expectation that the Group and the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the directors consider that preparing the financial statements on the going concern basis continues to be appropriate.

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.

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

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.

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 remeasurement 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 20 years
- Plant and equipment 4-25 years
- Right-of-use assets 1-29 years

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

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

1 Accounting Policies (continued)

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 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 Stocks

Stock is valued at 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.

1.10 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.

1.11 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 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 consolidated income statement.

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.

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

1 Accounting Policies (continued)

1.11 Impairment of non-financial assets excluding inventories and deferred tax assets (continued)

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.

1.12 Post-employment benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan is recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from the defined benefit plan comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.13 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

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

1 Accounting Policies *(continued)*

1.14 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.

1.15 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.

The pricing for products sold is determined by market prices (market contracts and arrangements). 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.

Services provided to third parties include administrative and operational services provided to other chemical companies with facilities on our sites and services under tolling arrangements. Under tolling arrangements, customers provide raw materials to be converted into certain specified products, for which the Company charges a tolling fee. Revenue is recognised at a point in time or over-time depending on whether the over-time revenue recognition criteria is met.

1.16 Interest receivable and Interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and 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. Other 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.

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 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 profit 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.

1.18 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.

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.

1.19 Exceptional items

The presentation of the Company's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment and the reversal of impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Company's ongoing business.

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

1 Accounting Policies (continued)

1.20 Changes in accounting policies

From 1 January 2019, the Company has applied IFRS 16 for the first time along with a number of other new standards, although only IFRS 16 has had a material effect on the Company's financial statements. Other standards adopted are discussed in Note 1.21.

IFRS 16 Leases

IFRS 16 replaced previous leasing guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use to the underlying asset and a lease liability representing its obligation to make lease payments. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

For leases in which the Company is a lessor no significant impact has arisen. Lessor accounting in IFRS 16 *Leases* remains similar to the previous standard *IAS 17 Lease*, with lessors continuing to classify leases as finance or operating.

The Company has applied IFRS 16 on 1 January 2019 using the 'modified retrospective approach' without restatement of comparative information. The details of the changes in accounting policies are disclosed below.

(i) Adjustments recognised on adoption to IFRS 16 in which the Company is a lessee

The Company has recognised new right-of-use assets and lease liabilities for lease contracts previously classified as operating leases, which include machinery and transport infrastructure. The nature of expenses related to those leases has changed because the Company recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Company no longer recognises provisions for operating leases that it assess to be onerous. Instead, the Company now includes the payments due under the lease in its lease liability and recognises any required impairment of the corresponding right-of-use asset.

At commencement or on modification of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each component on the basis of its relative stand-alone price.

On transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

As at 1 January 2019, the Company has recognised additional lease liabilities of £4,366,000. The table below provides a reconciliation between operating lease commitments disclosed as at 31 December 2018 and the lease liability recognised as at 1 January 2019.

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

1 Accounting Policies (continued)

1.20 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

	2019 £000
Operating lease commitments disclosed as at 31 December 2018	6,574
Impact of discounting using the Company's incremental borrowing rates at the date of initial application	(471)
Less:	
Short-term lease recognised on a straight-line basis as expense	(1,690)
Low-value leases recognised on a straight-line basis as an expense	(47)
Additional lease liability recognised on 1 January 2019	4,366
Add finance lease liabilities recognised as at 31 December 2018	414
Lease liability recognised as at 1 January 2019	4,780
<i>Of which are:</i>	
Current lease liabilities	502
Non-current lease liabilities	4,278
	4,780

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of use assets – increase of £5,285,000. This includes the lease assets previously recognised as finance leases of £919,000 that were reclassified from Plant and machinery.
- Plant and machinery – decrease of £919,000. This relates to the reclassification of leased assets, previously recognised as finance leases to right-of-use assets.
- Lease liabilities – increase of £4,366,000. From 1 January 2019 all lease liabilities have been categorised within "Creditors".

The net impact on retained earnings on 1 January 2019 was £nil.

(ii) Practical expedients applied

The Company had a number of arrangements that were not in the legal form of a lease, for which it concluded that the arrangement contained a lease under IFRIC 4. On transition to IFRS 16, the Company did not apply the practical expedient to grandfather the definition of a lease on transition. Therefore, the new definition of a lease under IFRS 16 has been applied to all of the contracts in place on transition.

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

1 Accounting Policies (continued)

1.20 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the Company has elected to apply the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the accounting for leases with a lease term of 12 months or less as short term leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term;
- the accounting for leases for which the underlying asset is of low value when it is new as low value leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Lease policies applicable from 1 January 2019

At inception of a contract, the Group 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 January 2019.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are expensed in the period on which the event or condition that triggers the payment occurs.

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

1 Accounting Policies *(continued)*

1.20 Changes in accounting policies *(continued)*

Lease policies applicable from 1 January 2019 *(continued)*

Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to all leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Company also applies the lease of low-value assets recognition exemption to leases of assets that are valued below £10,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policies applicable prior to 1 January 2019

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

1 Accounting Policies *(continued)*

1.21 New amendments for 2019

The Company has applied the following amendments to accounting standards for the first time in 2019 with effect from 1 January 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments for annual periods beginning on or after 1 January 2019 - IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) for annual periods beginning on or after 1 January 2019 - The IASB has changed IFRS 9's requirements in two areas of financial instruments accounting - financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9; and companies that have modified or exchanged fixed rate financial liabilities face a significant change in the accounting for non-substantial modifications that do not result in de-recognition.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) for annual periods beginning on or after 1 January 2019 - The amendment addresses equity-accounted loss absorption by long-term interests, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) for annual periods beginning on or after 1 January 2019 - This amendment clarifies that - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

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

2 Turnover

Turnover represents the recovery of costs from INEOS Commercial Services UK Limited under the terms of the tolling contract between the companies. Under the tolling contracts, raw materials are provided to be converted into specified products, for which the Company charges a toll fee. All turnover relates to activities in the UK.

The timing of revenue recognition for the vast majority of the Company's sales transactions under tolling arrangements 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. 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.

3 Operating profit

Included in operating profit is the following:

	2019 £000	2018 £000
Hire charges under operating leases	-	759
Expenses relating to short-term leases	1,690	-
Expenses relating to leases of low values	47	-
Depreciation of owned tangible fixed assets (Note 9)	44,871	46,707
Depreciation of right-of-use tangible fixed assets (Note 9)	649	-
Depreciation of leased tangible fixed assets (Note 9)	-	206
Exchange loss	36	83
Government grants	(740)	(729)

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	40	39
	<u>40</u>	<u>39</u>

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.

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

4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Operations	259	252
Maintenance	113	116
Other – support services	267	248
	<u>639</u>	<u>616</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	34,605	38,976
Social security costs	4,093	4,145
Other pension costs - defined contribution plan (Note 17)	2,700	2,582
Other pension costs - defined benefit plan (Note 17)	548	811
	<u>41,946</u>	<u>46,514</u>

5 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	68	678
Social security costs	9	92
	<u>77</u>	<u>770</u>

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was £68,000 (2018:£678,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £nil (2018:£36,000). None of the other directors received any fees or remuneration for services as directors of the Company during the financial year (2018:£nil). There were no other directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1

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

6 Interest receivable and similar income

	2019 £000	2018 £000
Net foreign exchange gain	90	346
Net interest on net defined benefit pension plan liability	44	-
Total interest receivable and similar income	134	346

7 Interest payable and similar expenses

	2019 £000	2018 £000
Interest expense on financial liabilities measured at amortised cost	16,181	20,683
Interest on lease liabilities	223	-
Net interest on net defined benefit pension plan liability	-	450
Total interest payable and similar expenses	16,404	21,133

Interest payable and similar expenses includes amounts payable to group undertakings of £16,106,000 (2018: £20,576,000).

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

8 Tax on profit

Recognised in the profit and loss account

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Tax on profit of the year	(13,297)	(12,443)
Adjustments in respect of prior periods	(3,569)	2,351
Total	(16,866)	(10,092)
<i>Deferred tax (Note 12)</i>		
Origination and reversal of temporary differences	14,745	13,939
Adjustments in respect of prior periods	(2,232)	(4,670)
Total deferred tax	12,513	9,269
Tax credit on profit	(4,353)	(823)

Income tax recognised in other comprehensive income/(expense)

	2019 £000	2018 £000
Remeasurement of defined benefit liability	1,892	(2,537)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Tax on profit	(4,353)	(823)
Profit before taxation	4,535	4,650
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00 % (2018: 19.00%)	862	883
Non-deductible expenses/tax exempt revenues	586	613
Adjustments in respect of prior periods	(5,801)	(2,319)
Total tax credit	(4,353)	(823)

The UK Corporation Tax rate was reduced from 20% to 19% with effect from 1 April 2017. The rate will reduce further to 17% from 1 April 2020. 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. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

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	Right-of- use assets £000	Total £000
Cost					
Balance at 1 January 2019	19,523	1,109,267	82,836	-	1,211,626
Impact of adopting IFRS 16 (Note 1)	-	-	-	4,366	4,366
Reclassification of finance leases	-	(1,715)	-	1,715	-
Additions	-	-	110,464	665	111,129
Transfers	-	7,046	(7,046)	-	-
Disposals	-	(295)	-	(23)	(318)
Balance at 31 December 2019	19,523	1,114,303	186,254	6,723	1,326,803
Accumulated depreciation and impairment					
Balance at 1 January 2019	(3,146)	(685,214)	-	-	(688,360)
Reclassification of finance leases	-	796	-	(796)	-
Depreciation charge for the financial year	(927)	(43,944)	-	(649)	(45,520)
Disposal	-	295	-	23	318
Balance at 31 December 2019	(4,073)	(728,067)	-	(1,422)	(733,562)
Net book value					
At 31 December 2018	16,377	424,053	82,836	-	523,266
At 31 December 2019	15,450	386,236	186,254	5,301	593,241

Security

All assets included within property, plant and equipment form security against the Senior Term Loan and Revolving Facilities agreement issued during 2019 and previously for the guarantee provided by Her Majesty's Treasury ("HMT") against Guaranteed Notes issued during 2014 (2018: all assets).

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

9 Tangible assets (continued)

Leased plant and machinery

The Company leases assets including land, transportation and plant and machinery which are classified as right-of-use assets. Prior to 1 January 2019 included in the above are assets held under hire purchase and finance lease with a net book value of £919,000 in 2018.

More information regarding the right-of-use assets is presented below

	Land and buildings £000	Plant and machinery £000	Right-of-use assets total £000
Cost			
Impact of adopting IFRS 16 (Note 1)	3,873	493	4,366
Reclassification of finance leases	-	1,715	1,715
Additions	220	445	665
Disposals	-	(23)	(23)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2019	4,093	2,630	6,723
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
Reclassification of finance leases	-	(796)	(796)
Depreciation charge for the financial year	(189)	(460)	(649)
Disposals	-	23	23
	<hr/>	<hr/>	<hr/>
	(189)	(1,233)	(1,422)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	3,904	1,397	5,301
	<hr/>	<hr/>	<hr/>

See Note 16 for the lease obligations related to right-of-use assets.

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

10 Stocks

	2019	2018
	£000	£000
Raw materials and consumables	12,004	9,933

Raw materials and consumables recognised as cost of sales in the year amounted to £2,732,000 (2018: £1,868,000).
The write-down of stocks to net realisable value amounted to £352,000 (2018: £352,000).

Security

All other assets included within the inventories form security against the Senior Term Loan and Revolving Facilities agreement issued during 2019, and previously for the guarantee provided by Her Majesty's Treasury ("HMT") against Guaranteed Notes issued during 2014 (2018: all assets).

11 Debtors

	2019	2018
	£000	£000
Trade debtors	11,063	7,364
Amounts owed by group undertakings	40,473	112,480
Other debtors	2,064	2,017
Taxation and social security	73,671	9,514
Prepayments and accrued income	23,653	23,873
	150,924	155,248
Due within one year	130,246	134,029
Due after more than one year	20,678	21,219

The amounts not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers. At 31 December 2018 and 2019 there were no significant trade, related party or other debtor balances not past due that were subsequently impaired.

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

(forming part of the financial statements) (continued)

11 Debtors (continued)

Credit risk of trade debtors

	2019 £000	2018 £000
Low	11,063	7,364
Medium	-	-
High	-	-
Impairment allowance	-	-
	<u>11,063</u>	<u>7,364</u>

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).

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

Security

All other assets included within trade receivables form security against the Senior Term Loan and Revolving Facilities agreement issued in 2019 and previously for the guarantee provided by Her Majesty's Treasury ("HMT") against Guaranteed Notes issued during 2014 (2018: all assets).

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

12 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	4,050	15,693	-	-	4,050	15,693
Tax value of loss carry-forwards	3,818	3,818	-	-	3,818	3,818
Employee benefits	1,265	243	-	-	1,265	243
Net tax assets	9,133	19,754	-	-	9,133	19,754

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	Recognised in equity £000	31 December 2019 £000
Tangible fixed assets	15,693	(11,643)	-	4,050
Losses	3,818	-	-	3,818
Employee benefits	243	(870)	1,892	1,265
	19,754	(12,513)	1,892	9,133

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	Recognised in equity £000	31 December 2018 £000
Tangible fixed assets	24,408	(8,715)	-	15,693
Losses	3,818	-	-	3,818
Employee benefits	3,334	(554)	(2,537)	243
	31,560	(9,269)	(2,537)	19,754

There are no unrecognised deferred tax amounts.

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

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Obligations under finance leases (Note 15)	-	332
Lease liabilities (Note 16)	487	-
Trade creditors	48,975	40,022
Amounts owed to group undertakings	416,868	381,381
Other creditors	1,632	1,779
Accruals and deferred income	27,531	23,973
	<u>495,493</u>	<u>447,487</u>

Further information on deferred income is included in Note 14.

14 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Obligations under finance leases (Note 15)	-	82
Lease liabilities (Note 16)	4,177	-
Accruals and deferred income	14,750	15,345
Other creditors	8,698	8,698
	<u>27,625</u>	<u>24,125</u>

Deferred income relates to Regional Selective Assistance Scotland Scheme grants received by the Company. The income on these grants is released to the profit and loss account in line with the life of the underlying fixed assets that these grants were received in relation to.

	2019 £000	2018 £000
Amounts falling due within one year	740	740
Amounts falling due after more than one year	12,995	14,115
	<u>13,735</u>	<u>14,855</u>

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

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £000	2018 £000
Creditors falling due after more than one year		
Finance lease liabilities	-	82
	<u>-</u>	<u>82</u>
Creditors falling due within one year		
Finance lease liabilities	-	332
Intercompany loan	415,948	374,892
	<u>415,948</u>	<u>375,224</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount 2019 £000	Face Value 2018 £000	Carrying amount 2018 £000
Intercompany loan	£	6%	2020	415,948	415,948	374,892	374,892
Finance lease liabilities	£	2.6% - 13.5%	2019-2021	-	-	414	414
				<u>415,948</u>	<u>415,948</u>	<u>375,306</u>	<u>375,306</u>

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

16 Lease obligations

	2019 £000
<i>Analysed as:</i>	
Current lease liabilities	487
Non-current lease liabilities	4,177
	<hr/>
	4,664
	<hr/>

	2019 £000
<i>Maturity analysis- contractual undiscounted cash flows:</i>	
Less than one year	899
Between one and five years	2,461
More than 5 years	7,894
	<hr/>
Total undiscounted lease liabilities at 31 Dec	11,254
	<hr/>

Prior to 1 Jan 2019

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018		
	Future minimum lease payments €000	Interest €000	Present value of minimum lease payments €000
Less than one year	358	(26)	332
Between one and five years	91	(9)	82
	<hr/>	<hr/>	<hr/>
Total	449	(35)	414
	<hr/>	<hr/>	<hr/>

Operating lease liabilities

Future aggregate minimum lease payments are as follows:

	2018 £000
Less than one year	638
Between one and five years	1,400
More than five years	4,536
	<hr/>
	6,574
	<hr/>

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

17 Post-employment benefits

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the years shown.

	2019 £000	2018 £000
Total defined benefit asset	347,256	304,485
Total defined benefit liability	(354,698)	(305,915)
Net liability for defined benefit obligations (see following table)	(7,442)	(1,430)
Total post-employment benefits	(7,442)	(1,430)

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Balance at 1 January	305,915	372,684	(304,485)	(353,070)	1,430	19,614
Included in profit or loss						
Current service cost	548	811	-	-	548	811
Interest cost/(income)	8,319	9,586	(8,363)	(9,136)	(44)	450
Past service cost – plan amendments	-	2,200	-	-	-	2,200
	8,867	12,597	(8,363)	(9,136)	504	3,461
Included in Other comprehensive income						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic assumptions	11,924	(1,614)	-	-	11,924	(1,614)
- Change in financial assumptions	44,693	(13,712)	-	-	44,693	(13,712)
- Experience adjustment	(16)	(26,338)	-	-	(16)	(26,338)
Return on plan assets excluding interest income	-	-	(45,473)	26,743	(45,473)	26,743
	56,601	(41,664)	(45,473)	26,743	11,128	(14,921)
Other						
Contributions paid by the employer	-	-	(5,620)	(6,724)	(5,620)	(6,724)
Benefits paid	(16,685)	(37,702)	16,685	37,702	-	-
Balance at 31 December	354,698	305,915	(347,256)	(304,485)	7,442	1,430

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

17 Post-employment benefits (continued)

Plan assets

	2019 £000	2018 £000
Cash and cash equivalents	6,961	1,558
Equities (fund manager portfolio)	126,703	88,008
Bonds – Corporate	157,693	160,490
Real estate	41,384	40,637
Other assets	14,515	13,792
Total	347,256	304,485

The Company operates a defined benefit pension scheme. The scheme covers employees of INEOS Chemicals Grangemouth Limited. The scheme operates under trust law and is managed and administered by Trustees, who are directors of INEOS Chemicals Pension Plan which has a trust deed in favour of INEOS Chemicals Grangemouth Limited. The scheme is now closed to new entrants and frozen to future accrual. The contributions paid to the scheme is set every three years based on a funding agreement between the Company and Trustees after taking actuarial advice.

Pension charges in relation to the INEOS Chemicals Pension Plan have been accounted for under IAS 19 “Revised Employee Benefits” in these financial statements. The scheme is of a defined benefit type under which benefits are based on employees’ years of service and final remuneration.

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim by Lloyds Banking Group Pension Trustees Limited as claimant to Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgement concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. The estimated increase in IAS 19 liabilities as a result of the High Court judgement was recorded as a past service cost in 2018 of £2,200,000

Actuarial assumptions

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

	2019	2018
Discount rate at 31 December	2.10%	2.90%
Rate of price inflation	2.90%	3.20%
Rate of pension increases (in-payment)	2.80%	3.00%
Rate of increase in deferred benefits	2.90%	3.20%

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

	2019 Years	2018 Years
Longevity at aged 65 for current pensioners	22.39-24.20	21.95-22.98
Longevity at aged 65 for future retirees	23.35-25.35	22.94-23.70

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

17 Post-employment benefits (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting year would have increased/(decreased) as a result of a change in the respective assumptions by 1%.

	2019	2018
	£000	£000
Discount rate	90,958	78,016
Inflation (RPI, CPI)	28,860	24,697

In valuing the liabilities of the pension fund at £354,698,000 (2018: £305,915,000), mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities would be £365,356,000 (2018: £315,128,000) having increased by £10,658,000 (2018: £9,213,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2017 and are applied to adjust the defined benefit obligation at the end of the reporting year for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to contribute £1,226,000 to its closed defined benefit scheme in 2020 under a deficit reduction program.

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,700,000 (2018: £2,582,000).

18 Called up share capital

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

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.

Dividends

A dividend has not been paid or declared in the year (2018: £nil).

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

19 Contingencies

The Company is party to a covenanted agreement dated 14 June 2019, and previously to a covenanted agreement dated 30 July 2014. The total outstanding indebtedness under the covenanted agreement at 31 December 2019 was €265,000,000 (2018: €285,000,000). The Company is a guarantor under the covenanted agreement. These obligations are secured by fixed and floating charges over the assets of the Company.

20 Capital commitments

Outstanding capital expenditure on property, plant and equipment authorised by the Board and for which contracts had been placed as at 31 December 2019 by the Company amounted to approximately £17,505,000 (2018: £39,264,000).

21 Related parties

Other related party transactions

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		Purchases from related party	
	2019 £000	2018 £000	2019 £000	2018 £000
Other related parties	39,144	33,934	107,092	120,057
	<u>39,144</u>	<u>33,934</u>	<u>107,092</u>	<u>120,057</u>
	Receivables outstanding		Creditors outstanding	
	2019 £000	2018 £000	2019 £000	2018 £000
Other related parties	10,405	6,419	21,054	12,343
	<u>10,405</u>	<u>6,419</u>	<u>21,054</u>	<u>12,343</u>

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

22 Controlling parties

The immediate parent undertaking is INEOS Grangemouth Limited (formerly INEOS Grangemouth plc).

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

INEOS Grangemouth Limited (formerly INEOS Grangemouth plc), a company incorporated in the UK, is the smallest group of undertakings to consolidate these financial statements. Copies of the financial statement of INEOS Grangemouth Limited (formerly INEOS Grangemouth plc) can be obtained from the Company Secretary, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

INEOS Industries Limited, a company incorporated in the UK, is the parent undertaking of the 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 party by virtue of his majority shareholding in the ultimate parent undertaking INEOS Limited.

23 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 8 and 12.

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

23 Accounting estimates and judgements *(continued)*

Post-employment benefits

The Company operates a defined benefit post-employment scheme. The plan is now closed to new entrants and frozen to future accrual. Under IAS 19 Revised Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each defined benefit scheme. The costs and year end obligations under the defined benefit scheme is determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- inflation rate projections; and
- discount rate for scheme liabilities.

Details of post-employment benefits are set out in Note 17.

Impairment reviews

IFRSs require management to test for impairment of tangible 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.

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.

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

23 Accounting estimates and judgements *(continued)*

Impairment reviews *(continued)*

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.

Impairment of debtors

The bad debt provision is used to record any impairment losses unless the Company is satisfied that no recovery of the amount owing is probable; at that point the amounts considered irrecoverable are written off against the trade debtors directly. As of 1 January 2019, IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model in assessing the recoverability of trade debtors. Due to the quality of the Company's trade debtors and its low history of bad debts the application of IFRS 9 did not result in a material change to the allowance for impairment in respect of trade debtors. The impact was calculated considering past experience and management's estimate of future developments. Management expects no considerable change in the future market situation. Consequently, the future credit losses in the ECL model are in the same range as the credit losses experienced in the past years. This is regarded as the future expectation of the inherent credit risk of the not impaired trade and other debtors outstanding. The Company will review the assumptions of the ECL model on a yearly basis.

24 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 employees 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. See strategic report for further details.