

INEOS Grangemouth plc

Annual report and financial statements

Registered number 8698417

Year ended - 31 December 2017

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Section 1 – Strategic report and Directors’ report

Strategic report for the year ended 31 December 2017

The directors present their strategic report on the Group and Company for the year ended 31 December 2017.

Results for the year

The results of the Group are set out in the income statement on page 11 which shows a profit before taxation for the year of €129,951,000 (2016: €153,260,000).

Review of business and future developments

The Company owns the shares of INEOS Commercial Services UK Limited and INEOS Chemicals Grangemouth Limited, both UK domiciled companies, which constitute the business of the Grangemouth petrochemicals operation. The Grangemouth business produces olefins and related products and a range of polymers. Products are sold either directly or through a network of Limited Risk Distributors in the UK and across Europe for which the Group pays a small margin. The Group also operates as a toll manufacturer for the ethanol business located at the Grangemouth site.

The business has delivered a strong financial performance during 2017. Following the commissioning of the ethane tank in 2016, the olefins business has benefited from being able to run a two-train cracker operation using ethane imported from the USA as the main source of feedstock. Following a gas leak one of the trains was shut down from May to July 2017, however, due to increased capacity outside of this period the business was able to take advantage of the excellent market conditions which existed during the year.

Polymer demand in Europe was firm in a balanced market with good volumes and high margins during the year. In addition, the weak Euro compared to other major currencies, together with continued low oil prices has aided European markets by minimising imports and facilitating export opportunities. The polymers business strategy continued to deliver benefit to the business by driving a stable sales outlook, with the primary focus of increasing UK direct sales through reliably supplying quality products to our customers.

The business continued with a rejuvenation project started in 2015 for the Chemicals site at Grangemouth. The project has the scope to clear the site of old unused buildings and decommissioned plants with the aim to attract new investments into Grangemouth. The demolition will continue until 2020.

The business continued with a project to construct the infrastructure required to send feedstock from Grangemouth to the Fife Ethylene Plant (FEP) facility in Mossmorran, Scotland following an agreement made in 2016 for INEOS to supply ethane. This project was completed in the year providing a new revenue stream for the Group.

In July 2017 the Group repaid in full their loan of €126,973,000 (including accrued interest) to INEOS Holdings Limited, a related party.

On 31 August 2017, as part of a group re-organisation, the entire shareholding in INEOS Grangemouth plc was transferred from INEOS Holdings AG to INEOS Industries Holdings Limited.

On 1 January 2018, the ethanol asset held by INEOS Chemicals Grangemouth Limited transferred operation from the Chemical Intermediates business to the O&P UK business and the Group ceased providing toll manufacturing services to INEOS Solvents Ethanol Limited, a related party.

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, which will eliminate the feedstock constraints the business has been operating under during recent years and allow the assets to be operated at full capacity which will 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.

Strategic report for the year ended 31 December 2017 (*continued*)

Principal risks and uncertainties

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

- The chemical industries are cyclical – changing market demands and prices may negatively affect the Group's operating margins and impair its cash flow which, in turn, could affect its ability to make payments on its debt or to make further investments in the business.
- Raw materials and suppliers – if the Group is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected.
- International operations and currency fluctuations – the Group is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability.
- Competition – significant competition in the Group's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations.
- Inability to maximise utilisation of assets – the Group may be adversely affected if it is unable to implement its strategies to maximise utilisation of assets.
- Synergies – the Group may not realise anticipated revenue and cost synergies, benefit from anticipated business opportunities or experience anticipated growth from any of its acquisitions.
- Substantial debt – the Group's substantial debt could adversely affect its financial position and prevent it from fulfilling its debt obligations.

Key performance indicators (KPIs)

The main KPI of the Group is earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA"). Management closely monitors EBITDA compared to budget and prior year. Details of actual and comparative EBITDA results are provided below.

	2017 €000	2016 €000
Operating profit	152,774	150,840
Depreciation charge for the year	51,286	44,079
EBITDA from continuing operations	204,060	194,919

On behalf of the board



G S Hepburn
Director
26 April 2018
Registered Number 8698417

Directors' report for the year ended 31 December 2017

The directors present their report and audited financial statements of the Group and the Company for the year ended 31 December 2017.

Principal activities

The principal activity of the Group is the production and sale of petrochemical products manufactured at the site in Grangemouth, Scotland. The main product manufactured by the olefins business is ethylene through the operation of a gas cracker. The ethylene can then be sold by INEOS Commercial Services UK Limited into the market, or to the polymers assets on site where it can be manufactured further to produce polyethylene and polypropylene. The cracker also produces a number of by products which are either processed further in the on site assets, or sold to external customers through a network of Limited Risk Distributors across Europe for which the Group pays a small margin.

Future Developments

Future developments are discussed in the Strategic Report.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group where appropriate. The Group is exposed to commodity price risk as a result of its operations and seeks to mitigate this risk through various purchasing strategies. The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. See Note 21 of the financial statements for information on financial instruments, interest risk, liquidity risk and foreign currency risk.

Results and proposed dividend

Results are discussed in the Strategic report. The directors do not propose a payment of a dividend (2016: £nil).

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year which are required to be disclosed.

Directors

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

G S Hepburn

J P McNally

G D Milne

A R Gardner

Directors' report for the year ended 31 December 2017 (continued)

Employees

The Group has developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Group 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 Group 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 Group by issuing communications on the Group intranet and holding employee information meetings hosted by the board and operating a bonus scheme linked to the business performance. The Group 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 Group 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 in the Group'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, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 "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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

Directors' report for the year ended 31 December 2017 (*continued*)

Statement of directors' responsibilities (*continued*)

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

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

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

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

Independent auditors

During the year PricewaterhouseCoopers LLP were re-appointed as auditors of the Company.

On behalf of the board



G S Hepburn
Director

26 April 2018

Registered number 8698417

Section 2 – Consolidated Financial Statements

Independent auditors' report to the members of INEOS Grangemouth plc

Report on the Group financial statements

Opinion

In our opinion:

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

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 31 December 2017; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

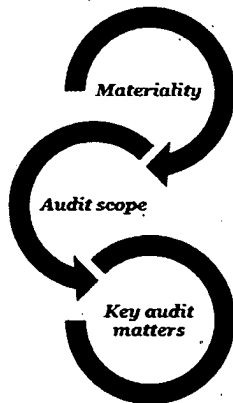
Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Independent auditors' report to the members of INEOS Grangemouth plc (continued)

Our audit approach

Overview



- Overall group materiality: €6.5 million (2016: €8.3 million), based on 5% of profit before tax (2016: 1% of total revenue).
 - Overall company materiality: €2.8 million (2016: €4.1 million), based on 1% of total assets.
-
- We performed a full scope audit over all 3 of the component entities within the INEOS Grangemouth Plc Group.
 - The timing of the audits for the statutory accounts for the Group, Company and the subsidiary companies took place at the same point in time and, as such, as at the date of this opinion we have audited all material balances across the Group.
 - The finance function of the 2 component entities, and the Company were all based at INEOS' Grangemouth Headquarters and the finance function is performed by the same Grangemouth finance team. The audit of the Group and of the subsidiaries was performed by the same PwC team.
-
- Assumptions used in actuarial valuations require significant judgement.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represent a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report to the members of INEOS Grangemouth plc (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Assumptions used in actuarial valuations require significant judgement.</i></p> <p>The post-retirement benefit provisions consist of defined benefit obligations (€532.6 million) offset by plan assets (€504.5 million). There is one pension scheme in place in the Group, split between INEOS Commercial Services Limited and INEOS Chemicals Grangemouth Limited. The procedures over the post-retirement benefit provisions, specifically the procedures on the defined benefit obligations, were significant to our audit because the assessment process is complex, involves significant management judgment and is based on actuarial assumptions. The magnitude of the pension schemes also means that small sensitivities in the assumptions could cause a material impact on the Consolidated financial statements. The major assumptions used are rate of increase to pension payments, the discount rate used for scheme liabilities and the expected inflation rate, as disclosed in Note 19 of the Consolidated financial statements. Technical expertise is required to determine these amounts.</p>	<p>We compared the discount rate, inflation rate and mortality assumptions to externally derived data, as well as our own independently formed assessments in relation to these key inputs in order to assess whether the assumptions used were reasonable. We noted that all assumptions applied were in line with our own independently formed assessments, within an acceptable range.</p> <p>We also assessed whether the disclosure reflects the risk inherent in the accounting for the pension scheme and determined that the disclosures were sufficient and reflected the period end position of the pension scheme.</p>

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed a full scope audit of all 3 of the component entities within the INEOS Grangemouth Plc group.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Independent auditors' report to the members of INEOS Grangemouth plc (continued)

	Group financial statements	Company financial statements
Overall materiality	€6.5 million (2016: €8.3 million).	€2.8 million (2016: €4.1 million).
How we determined it	5% of profit before tax (2016: 1% of revenue).	1% of total assets.
Rationale for benchmark applied	In the prior year, 1% of revenue was used as the threshold because margins in the years preceding this were variable. However, since the completion of the Ethane Tank in late 2016, it is now considered that underlying earnings should be more consistent year-on-year. As a consequence we have determined that going forward a 5% of profit before tax measure is more suitable for the determination of the group materiality.	We believe that total assets is an appropriate benchmark for the client given that INEOS Grangemouth Plc is a holding company and thus has no trading activity.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1.5 million and €4.7 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.3 million (Group audit) (2016: €0.3 million) and €0.1 million (Company audit) (2016: €0.1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Independent auditors' report to the members of INEOS Grangemouth plc (continued)

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of INEOS Grangemouth plc (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
26 April 2018

Consolidated Income Statement

for the year ended 31 December 2017

	Note	2017 €000	2016 €000
Revenue	2	946,418	834,620
Cost of sales		(717,578)	(614,847)
Gross profit		228,840	219,773
Other operating income/(expense)	7	7	(1,042)
Distribution Costs		(51,061)	(45,770)
Administrative expenses		(25,012)	(22,121)
Operating profit	3	152,774	150,840
Finance income	6	754	12,838
Finance costs	6	(23,577)	(10,418)
Net finance (cost)/ income		(22,823)	2,420
Profit before taxation from continuing operations		129,951	153,260
Tax credit	7	23,264	5,903
Profit for the financial year		153,215	159,163

The notes on pages 19 to 72 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note(s)	2017 €000	2016 €000
Profit for the financial year		153,215	159,163
Other comprehensive income/(expense)			
Items that will not be recycled to profit or loss:			
Remeasurement of post-employment benefit plan, net of tax	7,11	71,346	(82,691)
Items that may subsequently be recycled to profit or loss:			
Foreign exchange translation differences, net of tax	7	(17,565)	(74,602)
Other comprehensive income/(expense) for the financial year, net of tax		53,781	(157,293)
Total comprehensive income for the year		206,996	1,870

The notes on pages 19 to 72 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 December 2017

	Note	2017 €000	2016 €000
Non-current assets			
Property, plant and equipment	8	555,103	564,145
Intangible assets	9	4	4
Deferred tax assets	11	44,462	48,202
Trade and other receivables	12	18,787	19,691
Total non-current assets		618,356	632,042
Current assets			
Inventories	13	75,706	62,694
Trade and other receivables	12	164,601	156,120
Tax receivables	12	3	19,646
Cash and cash equivalents		112,747	161,234
Restricted cash	14	54,019	-
Total current assets		407,076	399,694
Total assets		1,025,432	1,031,736
Equity attributable to owners and the parent			
Share capital	16	57	57
Other reserves		(96,515)	(150,296)
Retained earnings		646,789	493,574
Total equity		550,331	343,335
Non-current liabilities			
Interest bearing loans and borrowings	17	284,051	405,091
Trade and other payables	18	35,651	28,892
Employee benefits	19	28,029	122,886
Total non-current liabilities		347,731	556,869
Current liabilities			
Interest-bearing loans and borrowings	17	473	144
Trade and other payables	18	122,451	127,721
Tax payable		4,446	2,151
Provisions	20	-	1,516
Total current liabilities		127,370	131,532
Total liabilities		475,101	688,401
Total equity and liabilities		1,025,432	1,031,736

The notes on pages 19 to 72 are an integral part of these consolidated financial statements.

These financial statements on pages 14 to 72 were approved by the board of directors on 26 April 2018 and were signed on its behalf by:



G S Hepburn
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Note	Share capital	Other reserves	Retained earnings	Total equity
		€000	€000	€000	€000
Balance at 1 January 2016		57	6,997	346,831	353,885
Profit for the year		-	-	159,163	159,163
Other comprehensive expense:					
Foreign exchange translation differences	7	-	(74,602)	-	(74,602)
Remeasurement of post-employment benefit plan	7	-	(82,691)	-	(82,691)
Transactions with owners, recorded directly in equity					
Amount arising on common control transactions	15	-	-	(12,420)	(12,420)
Balance at 31 December 2016		57	(150,296)	493,574	343,335
Profit for the year		-	-	153,215	153,215
Other comprehensive (expense)/income:					
Foreign exchange translation differences	7	-	(17,565)	-	(17,565)
Remeasurement of post-employment benefit plan	7	-	71,346	-	71,346
Balance at 31 December 2017		57	(96,515)	646,789	550,331

Analysis of other reserves:

	Note	Translation reserve	Re-measurement of post-employment benefit plan	Total other reserves
		€000	€000	€000
Balance at 1 January 2016		(1,399)	8,396	6,997
Foreign exchange translation differences	7	(74,602)	-	(74,602)
Remeasurement of post-employment benefit plan	7	-	(82,691)	(82,691)
Balance at 31 December 2016		(76,001)	(74,295)	(150,296)
Foreign exchange translation differences	7	(17,565)	-	(17,565)
Remeasurement of post-employment benefit plan	7	-	71,346	71,346
Balance at 31 December 2017		(93,566)	(2,949)	(96,515)

The notes on pages 19 to 72 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Note	2017 €000	2016 €000
Cash flows from operating activities			
Profit for the financial year		153,215	159,163
Adjustments for:			
Net finance cost/(income)	6	22,823	(2,420)
Tax credit	7	(23,264)	(5,903)
Depreciation and impairment	8	51,286	44,079
Decrease in provisions and employee benefits		(12,475)	(13,574)
Pension service cost		1,232	4,481
Decrease in trade and other receivables		24,079	4,748
(Increase)/decrease in inventories		(13,011)	5,201
Increase in trade and other payables		9,595	13,835
Net cash generated from operating activities		213,480	209,610
Cash flows from investing activities			
Acquisition of property, plant and equipment		(63,023)	(179,750)
Interest received		754	512
Cash subsequently designated as restricted cash		(54,019)	-
Net cash used by investing activities		(116,288)	(179,238)
Cash flows from financing activities			
Interest paid		(9,169)	(9,658)
Repayment of loans	17	(126,973)	-
Capital element of finance lease payment		(645)	(150)
Net cash used by financing activities		(136,787)	(9,808)
Net (decrease)/ increase in cash and cash equivalents		(39,595)	20,564
Cash and cash equivalents at beginning of year		161,234	143,833
Cash held for sale at beginning of year		-	83
Effect of exchange rate fluctuations on cash held		(8,892)	(3,246)
Cash and cash equivalents at end of year		112,747	161,234

The notes on pages 19 to 72 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

1. Accounting Policies

Overview

INEOS Grangemouth plc (the "Company") is a public limited company, limited by shares, incorporated and registered in England. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG. The nature of the operations and principal activities of the Company and its subsidiaries is the production of olefins and related polymers products and selling the products either directly or through a network of Limited Risk Distributors in the UK and across Europe for which it pays a small margin.

Basis of accounting

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared on a going concern basis and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("Adopted IFRSs") effective of 31 December 2017 and with the Companies Act 2006 as applicable to companies using Adopted IFRSs.

The Group financial statements have been prepared and approved by the directors in accordance with IFRSs as adopted by the European Union ("Adopted IFRSs") effective as of 31 December 2017.

The preparation of financial statements in conformity with Adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. 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 27.

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

Measurement convention

The financial statements are prepared on the historical cost basis except that financial instruments classified as fair value through the profit or loss are stated as their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Functional and presentation currency

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group's primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

The exchange rate as at 31 December 2017 was €1:£0.88830 (2016: €1:£0.85790).

All financial information presented in euro has been rounded to the nearest €1,000.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Basis of consolidation

Subsidiaries are entities controlled by the Group, control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

Foreign Exchange

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Financial instruments not held at fair value through profit and loss

Non-derived financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

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 as amortised cost using the effective interest method.

Property plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Assets are capitalised in recognition of future economic benefit or for Health and Safety Executive compliance.

Capital work in progress is held as assets under construction until fully commissioned and transferred into active use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The assets are depreciated over the shorter of their useful life or asset lease term. Lease payments are accounted for as described below.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Property plant and equipment (*continued*)

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

- Buildings 20 years
- Plant and Machinery 4 – 25 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

Business combinations, goodwill and intangible assets

All business combinations are accounted for by applying the acquisition method except acquisitions under common control which are outside the scope of IFRS 3. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interests in the recognised amounts of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Goodwill

Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. All transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Business combinations, goodwill and intangible assets (*continued*)

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of the other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Amortisation

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

- | | |
|--------------------------------|-----------------------|
| ▪ Customer relationships | 3 – 12 years |
| ▪ Intellectual property rights | 10 – 15 years |
| ▪ Non-compete agreements | life of the agreement |
| ▪ Licences | up to 15 years |

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Acquisitions under common control

Acquisitions under common control are accounted for at book value. The difference in the book value of the assets acquired and consideration paid is recognised in the retained earnings.

Disposals under common control

Disposals under common control are accounted for at book value. The difference in the book value of the assets sold and consideration received is recognised in the retained earnings.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

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

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

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Impairment excluding inventories and deferred tax assets (*continued*)

Calculation of recoverable amounts

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

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

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

Reversals of Impairment

An impairment loss in respect of a held-to-maturity security or 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.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

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.

Inventories

Inventories are stated at the lower of cost, using the first-in first-out method, and net realisable value. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provisions are made for obsolete, slow-moving or defective items where appropriate. Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

Commodities

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the Group's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derived finance instruments, but rather as executory contracts.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Defined contribution plan

The Group operates a defined contribution plan for its employees.

A defined contribution plan is a post-employment benefit plan under which the Group 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 are recognised as an expense in the consolidated income statements as incurred. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan that is not a defined contribution plan. The Group operates a defined benefit plan for certain employees. The defined benefit pension plan was historically final salary in nature, with a normal retirement age of 60. The plan is now closed to any new entrants and frozen to future accrual. The plan operates under trust law and is managed and administered by Trustees in accordance with the terms of the Trust Deed and Rules and relevant legislation. The assets of the scheme are held separately from those of the Group.

The Group's net obligation in respect of the defined benefit pension plan and other post-employment benefits 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 discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense' or 'finance income'.

When the benefits of a plan are amended or curtailed, the portion of the increased or decreased benefit relating to past service by employees is recognised as an expense immediately in the consolidated income statement.

The Group recognises actuarial gains and losses in the period they occur directly in equity through the statement of comprehensive income.

The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full.

The movement in the scheme surplus/deficit is split between:

- operating charges;
- net finance costs; and
- recognised directly in equity, the remeasurements of post-employment benefit obligations.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Provisions

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

Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods and supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw materials prices plus an agreed additional amount (formula contracts).

Sales are recognised when significant risks and rewards of ownership have passed to the buyer and sales can be reliably measured. This is either when goods are dispatched or delivered depending on the relevant delivery terms, when the prices are determined or when collectability is considered probable.

Government grants

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

Leases

Finance leases

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease calculated using the interest rate implicit in the lease, less accumulated depreciation and less accumulated impaired losses. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Leased assets are depreciated over the shorter of their useful life or asset lease term.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Leases (*continued*)

Finance leases (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Minimum lease payments are apportioned between a 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.

Operating leases

All other leases other than finance leases are classified as operating leases.

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

Finance income and costs

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payment is established.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives, net interest on employee benefit liabilities and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange 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. Finance income comprise interest receivable on funds invested and from related party loans, net interest cost on the defined benefit plan assets, net fair value gain on derivatives and net foreign exchange gains.

Taxation

Taxes on the profit or loss for the year comprise current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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 end of the reporting period. 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.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Segmental analysis

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers are the members of the executive committee of the ultimate parent undertaking, INEOS Limited.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total payments made during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

Emission trading scheme

The Group 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 consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Group 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.

Exceptional items

The presentation of the Group's results separately identifies the effect of the 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 managements and are presented in order to provide readers with clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Changes in accounting policies

There were no new standards applied during the year ended 31 December 2017 by the Group. The Group has applied the following amendments to accounting standards for the first time in 2017 with effect from 1 January 2017 (with material prior period comparative information restated, to the extent required and as explained below):

- **Amendments to IAS 7: Disclosure Initiative** (mandatory for year commencing on or after 1 January 2017).
The amendment introduces a requirement to reconcile cash flows arising from financing activities to the corresponding liabilities in the opening and closing statements of financial position. This disclosure is included in the reconciliation of net cash flow to movement in net debt in Note 24.
- **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** (mandatory for year commencing on or after 1 January 2017).
The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

Accounting standards not applied

A number of new accounting standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The impact of their adoption is being assessed and is not expected to have a material effect on the financial statements unless otherwise indicated:

- **IFRS 15 Revenue from Contracts with Customers** (mandatory for year commencing on or after 1 January 2018 with early adoption permitted).

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised and replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 introduces a five-step model to determine when to recognise revenue and at what amount, based on transfer of control over goods or services to the customer. New qualitative and quantitative disclosures will also be required.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Accounting standards not applied (continued)

i. Contracts for goods and services

Currently, revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms, the point at which risks and rewards have been transferred to the buyer, when the prices are determinable, and when collectability is considered probable.

The Group has analysed its material contracts for goods and services, and identified that a number of contracts include distinct performance obligations. The Group's assessment indicates that this will result, in a limited number of cases, revenue for certain performance obligations (being primarily separate shipping obligations) being recognised later than under current policies. However the Group has assessed that the application of IFRS 15 would not have a material impact on revenues recognised.

Certain customer contracts offer various forms of volume or early payment discount. Revenue is currently recognised when a reasonable estimate of the discount can be made, and provided that all other criteria for revenue recognition are met. Under IFRS 15, revenue will only be recognised for these contracts to the extent that it is highly likely that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group has assessed that this change will not result in any material impact on the timing of revenue recognition.

ii. Transition

Changes in accounting policies resulting from the adoption of IFRS 15 will be applied retrospectively with the effect of initially applying the standard recognised at the date of the earliest comparative period (i.e. 1 January 2017). The Group plans to take advantage of the practical expedients offered on transition to IFRS 15 as presented below.

- The Group will take advantage of the exemption to not restate completed contracts that begin and end within the same annual reporting period or to restate contracts that are completed contracts at the beginning of the earliest comparative period presented.
- The Group will use the transaction price at the date on which the contract was completed, rather than estimating the variable consideration amounts in each comparative reporting period.
- The Group will take advantage of the exemption to not separately evaluate the effects of contract modifications before the beginning of the earliest reporting period presented using the contract modifications requirements in the new standard. Instead, the Group will reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented in:
 - identifying the satisfied and unsatisfied performance obligations;
 - determining the transaction price; and
 - allocating the transaction price to the satisfied and unsatisfied performance obligations
- The Group will take advantage of the exemption to not disclose for reporting periods presented before the date of initial application (i.e. 1 January 2018):
 - the amount of the transaction price allocated to the remaining performance obligations; nor
 - an explanation of when the entity expects to recognise that amount as revenue.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Accounting standards not applied (continued)

- **IFRS 9 Financial Instruments** (mandatory for year commencing on or after 1 January 2018 with early adoption permitted).

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for financial assets or liabilities.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

All financial assets are in the scope of the impairment model except for financial instruments measured at FVTPL or FVOCI.

As a practical expedient the Lifetime ECL measurement applies for trade receivables and contract assets without a significant financing component.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Accounting standards not applied (continued)

The application of IFRS 9's impairment requirements at 1 January 2018 requires a change of impairment methodology; however the Group has estimated that application of the lifetime ECL measurement will not result in any material change to the impairment losses.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has no financial liabilities designated as FVTPL.

The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

iv. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the new requirements of IFRS 9.

The Group's preliminary assessment indicates that the types of hedge accounting relationships that the Group currently designates should be capable of meeting the requirements of IFRS 9 if the Group completes certain planned changes to its internal documentation and monitoring processes.

As the Group is not applying hedge accounting as at 31 December 2017, the application of IFRS 9's hedge accounting requirements at 1 January 2018 will not have a material impact.

v. Disclosures

IFRS 9 will require extensive new disclosures, in particular regarding credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

vi. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- The new hedge accounting requirements should generally be applied prospectively.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Accounting standards not applied (continued)

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- **IFRS 16 Leases (mandatory for year commencing on or after 1 January 2019 with early adoption permitted only for companies that also apply IFRS 15 Revenue from Contracts with Customers).**

IFRS 16 replaces existing 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.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Accounting standards not applied (continued)

i. Transition approach

The Group has a number of arrangements that are not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group does not plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that the new definition of a lease under IFRS 16 will be applied to all of the contracts in place on transition.

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

• *Other standards*

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.*
- *Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Transfers of Investment Property (Amendments to IAS 40).*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration.*
- *IFRIC 23 Uncertainty over Income Tax Treatments.*

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

2. Operating Segments

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group has two reportable segments, as described below;

- O&P UK – This reportable segment produces olefins and related products and a broad range of polymers at a major cracker complex in Grangemouth.
- Chemical Intermediates – This reportable segment relates to toll manufacturing for the ethanol plant at the Grangemouth site.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items, measured under IFRS ("Segment EBITDA"). Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding segments reviewed by management includes management accounts comprising the profit or loss, cash flows and other financial and non-financial information used to manage the business.

Segmental analysis

	2017		
	O&P UK	Chemical Intermediates	Amounts in financial statements
	€000	€000	€000
Reportable segment revenue	922,583	23,835	946,418
Reportable segment EBITDA	202,118	1,942	204,060
Depreciation of property, plant and equipment	(49,697)	(1,589)	(51,286)
Operating profit	152,421	353	152,774
Net finance cost			(22,823)
Profit before taxation			129,951
Payments for capital expenditure			63,023

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

2. Operating Segments (*continued*)

	2016		
	O&P UK	Chemical Intermediates	Amounts in financial statements
	€000	€000	€000
Reportable segment revenue	805,651	28,969	834,620
Reportable segment EBITDA	192,018	2,901	194,919
Depreciation of property, plant and equipment	(42,167)	(1,912)	(44,079)
Operating profit	149,851	989	150,840
Net finance income			2,420
Profit before taxation			153,260
Payments for capital expenditure			179,750

Geographic Segments

	Revenues	
	2017 €000	2016 €000
Geographical information location of customers:		
UK	423,489	394,397
Rest of Europe	504,757	433,752
The Americas	4,801	2,127
Rest of World	13,371	4,344
Total	946,418	834,620

All revenue is derived from UK operations and from sale of goods and services. All assets of the Group are located in the UK.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

2. Operating Segments (*continued*)

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the directors are of the opinion that the cost to develop it would be excessive.

3. Operating Profit

Included in operating profit are the following:

	2017 €000	2016 €000
Depreciation of property, plant and equipment:		
Owned assets	50,994	43,961
Finance leased assets	292	118
	<u>51,286</u>	<u>44,079</u>
Operating lease rental charges:		
Land and buildings	<u>277</u>	<u>326</u>
Auditors' remuneration:		
	2017 €000	2016 €000
Audit of these financial statements	51	51
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	145	166
Other tax advisory services	346	-
	<u>542</u>	<u>217</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

4. Staff numbers and costs

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

	Number of employees	
	2017	2016
Distribution	7	5
Sales and Marketing	4	4
Administration	302	274
Operations	262	261
Maintenance	102	95
	<u>677</u>	<u>639</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	€000	€000
Wages and salaries	54,011	46,993
Social security costs	5,486	4,710
Other pension costs - defined benefit plan (note 19)	2,917	3,781
Other pension costs - defined contribution plan (note 19)	1,400	3,623
	<u>63,814</u>	<u>59,107</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

5. Directors' Remuneration

	2017 €000	2016 €000
Short-term employee benefits		
Directors' emoluments	3,146	2,854
Social security costs	429	384
	<u>3,575</u>	<u>3,238</u>
Company contribution to money purchase scheme		
Company contribution to money purchase scheme	-	34
	<u>-</u>	<u>34</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €1,306,000 (2016: €1,006,000), and Company pension contributions of €nil (2016: €15,000) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to the following number of directors under:

	Number of Directors	
	2017	2016
Money purchase schemes	-	3
Defined benefit schemes	1	2

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

6. Finance income and costs

Recognised in the consolidated income statement

	2017 €000	2016 €000
Finance income		
Bank interest	750	-
Other interest receivable	4	512
Exchange movements	-	12,326
Total finance income	754	12,838
Finance costs		
Interest payable to related parties	4,235	7,577
Interest on Guaranteed Notes	8,654	9,155
Amortisation of issue costs	1,098	1,099
Interest payable on employee benefit liabilities	3,020	1,201
Other finance charges	516	503
Unwinding of discount on provisions	152	318
Exchange movements	5,902	-
Borrowing costs capitalised in property, plant and equipment	-	(9,435)
Total finance costs	23,577	10,418
Net finance cost/ (income)	22,823	(2,420)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

7. Tax credit

Taxation recognised in the consolidated income statement	2017	2016
	€000	€000
Current tax credit		
Current tax on profits for the year	(3,690)	(19,178)
Adjustments in respect of prior years	(8,323)	(20,784)
Total current tax credit	(12,013)	(39,962)
Deferred tax expense		
Origination and reversal of temporary differences	29,354	38,957
Adjustments in respect of prior years	(40,605)	(4,898)
Deferred tax (credit)/charge (See note 11)	(11,251)	34,059
Total tax credit	(23,264)	(5,903)

Reconciliation of effective tax rate

	2017	2016
	€000	€000
Profit before taxation	129,951	153,260
Tax using the UK corporation tax rate of 19.25% (2016: 20.0%)	25,016	30,652
Non-deductible expenses/tax exempt revenues	648	(10,872)
Adjustments in respect of prior years	(48,928)	(25,683)
Total tax (credit)	(23,264)	(5,903)

The prior year adjustment arose primarily on a change in expected recoverability of deferred tax assets and the expected method of realising the asset.

Taxation recognised in other comprehensive income

	Gross €000	2017 Tax €000	Net €000	Gross €000	2016 Tax €000	Net €000
Translation differences	(19,740)	2,175	(17,565)	(74,602)	-	(74,602)
Remeasurements of post employment benefit plan	85,714	(14,368)	71,346	(98,775)	16,084	(82,691)
Total	65,974	(12,193)	53,781	(173,377)	16,084	(157,293)

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2017

8. Property, plant and equipment

	Land and Buildings €000	Plant and Machinery €000	Assets under construction €000	Total €000
Cost				
Balance at 1 January 2016	1,991	1,193,447	231,461	1,426,899
Additions	-	65	173,649	173,714
Disposals	(237)	(3,146)	-	(3,383)
Transfers	24,710	250,567	(275,277)	-
Effect of movements in foreign exchange	(250)	(169,413)	(57,656)	(227,319)
Balance at 31 December 2016	26,214	1,271,520	72,177	1,369,911
Additions	-	1,310	60,415	61,725
Disposals	-	(74,592)	-	(74,592)
Transfers	(3,298)	92,241	(88,943)	-
Effect of movements in foreign exchange	(897)	(42,240)	(3,511)	(46,648)
Balance at 31 December 2017	22,019	1,248,239	40,138	1,310,396
Accumulated depreciation and impairment				
Balance at 1 January 2016	(1,990)	(892,181)	-	(894,171)
Depreciation charge for the year	-	(44,079)	-	(44,079)
Disposals	237	3,146	-	3,383
Transfers	(412)	412	-	-
Effect of movements in foreign exchange	249	128,852	-	129,101
Balance at 31 December 2016	(1,916)	(803,850)	-	(805,766)
Depreciation charge for the year	(457)	(50,829)	-	(51,286)
Disposals	-	74,592	-	74,592
Transfers	(607)	607	-	-
Effect of movements in foreign exchange	70	27,097	-	27,167
Balance at 31 December 2017	(2,910)	(752,383)	-	(755,293)
Net book value				
At 31 December 2016	24,298	467,670	72,177	564,145
At 31 December 2017	19,109	495,856	40,138	555,103

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

8. Property, plant and equipment (*continued*)

Leased plant and machinery

Included within plant and machinery is leased computer equipment and vehicles with a net book value of €1,250,000 (2016: €264,000). The leased equipment is secured by lease obligations (See note 17). Depreciation charged on these assets for the year was €292,000 (2016: €118,000).

Security

All assets included within property, plant and equipment form security for the guarantee provided by Her Majesty's Treasury ("HMT") against Guaranteed Notes issued during 2014 (2016: *all assets*) as described in note 17.

Capitalised borrowing costs

Included in the additions are amounts capitalised for borrowing costs related construction of plant and equipment of £nil (2016: €9,435,000) calculated using capitalisation rates of 3.15% and 6% being the effective rates of interest applicable to each source of finance.

9. Intangible assets

	Environmental Certificates €000
Cost and Net Book Value	
Balance at 1 January 2016 and 1 January 2017	4
Additions	-
	<hr/>
Balance at 31 December 2016 and 31 December 2017	4
	<hr/> <hr/>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

10. Investments in subsidiary undertakings

The Company has the following investments in subsidiaries:

Name	Address of the registered office	Class of shares held	Ownership	
			2017	2016
INEOS Commercial Services UK Limited	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG	Ordinary	100%	100%
INEOS Chemicals Grangemouth Limited	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG	Ordinary	100%	100%

INEOS Chemicals Grangemouth Limited is a "Toll Manufacturer", INEOS Commercial Services UK Limited is an "Entrepreneur". All subsidiary undertakings are included in the consolidation.

11. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets €000	2017 Liabilities €000	Total €000
Property, plant and equipment	27,550	-	27,550
Employee benefits	4,765	-	4,765
Tax value of losses carried forward	12,147	-	12,147
Tax assets	44,462	-	44,462
	Assets €000	2016 Liabilities €000	Total €000
Property, plant and equipment	1,712	-	1,712
Employee benefits	20,893	-	20,893
Tax value of loss carry-forwards	25,597	-	25,597
Tax assets	48,202	-	48,202

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

11. Deferred tax assets and liabilities (*continued*)

Movement in deferred tax during the year

	Property, plant and equipment €000	Losses €000	Employee benefits €000	Total €000
At 1 January 2016	6,332	51,832	8,013	66,177
Recognised in consolidated income statement	(4,620)	(26,235)	(3,204)	(34,059)
Recognised in other comprehensive income	-	-	16,084	16,084
At 31 December 2016	1,712	25,597	20,893	48,202
Recognised in consolidated income statement	25,896	(13,450)	(1,195)	11,251
Recognised in other comprehensive income	-	-	(14,368)	(14,368)
Effects of movement in foreign exchange	(58)	-	(565)	(623)
At 31 December 2017	27,550	12,147	4,765	44,462

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on an assessment of expected future profits. The Group has unrecognised deferred tax assets on temporary differences of €nil (2016: €nil) and unused tax losses of €nil (2016: €48,472,000).

Any deferred tax expected to reverse after 1 April 2020 has been remeasured using the rates substantively enacted at 31 December 2017.

12. Trade and other receivables

	2017 €000	2016 €000
Current		
Trade receivables	34,741	38,814
Amounts due from related parties	120,903	95,287
Prepayments and accrued income	8,954	21,752
Other receivables	3	267
	164,601	156,120
Non-current		
Prepayments and accrued income	18,787	19,691
	18,787	19,691

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

12. Trade and other receivables (*continued*)

Credit quality of financial assets and impairment losses

The ageing of trade and other receivables at the end of the reporting year was:

	2017			
	Trade receivables		Amounts due from related parties	
	Gross €000	Impairment €000	Gross €000	Impairment €000
Not past due	34,546	-	120,903	-
Past due 0-30 days	76	-	-	-
Past due 31-90 days	150	(31)	-	-
More than 90 days	14	(14)	-	-
	<u>34,786</u>	<u>(45)</u>	<u>120,903</u>	<u>-</u>
	2016			
	Trade receivables		Amounts due from related parties	
	Gross €000	Impairment €000	Gross €000	Impairment €000
Not past due	36,823	-	95,287	-
Past due 0-30 days	1,170	-	-	-
Past due 31-90 days	23	-	-	-
More than 90 days	855	(57)	-	-
	<u>38,871</u>	<u>(57)</u>	<u>95,287</u>	<u>-</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting year 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. As at 31 December 2017 there was no significant trade, related party or other receivable balances not past due that were substantially impaired.

The concentration of credit risk for trade receivables and amounts due from related parties at the balance sheet date by geographic region was:

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

12. Trade and other receivables (*continued*)

	2017 €000	2016 €000
Geographic region		
UK	97,635	88,679
Rest of Europe	57,816	45,330
Americas	60	1
Rest of the World	133	91
	<u>155,644</u>	<u>134,101</u>

The concentration of credit risk for trade receivables and amounts due from related parties at the balance sheet date by type of counterparty was:

	2017 €000	2016 €000
Type of counterparty		
Oil, gas and chemicals	146,208	126,509
Transport	196	146
Other	9,240	7,446
	<u>155,644</u>	<u>134,101</u>

Movement in the allowance for impairment:

	Trade receivables €000
Balance at 1 January 2016	(66)
Allowance released in the year	9
	<u>(57)</u>
Balance at 31 December 2016	(57)
Allowance released in the year	12
	<u>(45)</u>
Balance at 31 December 2017	(45)

Security

€20,232,000 (2016: €23,142,000) included within trade receivables is pledged to RBS in relation to the asset based lending facility entered into in 2015. No drawdowns on this facility have been made to date.

All other assets included within trade receivables for security for the guarantee provided by Her Majesty's Treasurer ("HMT") against Guaranteed Notes issued in 2014 (2016: *all assets*), as described in Note 17.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

13. Inventories

	2017 €000	2016 €000
Raw materials and consumables	15,492	11,895
Process chemicals	13,825	14,212
Finished goods and goods for resale	46,389	36,587
	<u>75,706</u>	<u>62,694</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €273,414,000 (2016: €415,368,000). The write-down of stocks to net realisable value amounted to €nil (2016: €nil). The reversal of write-downs amounted to €nil (2016: €323,000). The write-down and reversal are included in cost of sales. The reversal in 2016 was the result of a favourable pricing environment.

Security

€10,000,000 included within finished goods are pledged to RBS in relation to the asset based lending facility entered into in 2015. No drawdowns on this facility have been made to date.

All other assets included within the inventories form security for the guarantee provided by Her Majesty's Treasury ("HMT") against Guaranteed Notes issued in 2014 (2016: *all assets*), as described in Note 17.

14. Restricted cash

	2017 €000	2016 €000
Restricted cash	54,019	-
	<u>54,019</u>	<u>-</u>

Restricted funds are not available for normal business use. They relate to funds specifically ring fenced for repayment of the Guaranteed Notes issued by INEOS Grangemouth plc.

15. Assets and liabilities classified as held for sale and discontinued operations

On 1 January 2016, the Group sold its ethanol entrepreneur business to INEOS Solvents Ethanol Limited, a related party for €1 cash. As the transaction was under common control no gain or loss was recognised on the sale of the business. The difference between proceeds and net assets disposed of is reported in reserves.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

15. Assets and liabilities classified as held for sale and discontinued operations (*continued*)

Effect of the disposals on individual assets and liabilities

	2017 €000	2016 €000
Inventories	-	(9,543)
Trade and other receivables	-	(13,858)
Trade and other payables	-	11,064
Net identifiable assets and liabilities	-	(12,337)
Consideration received, satisfied in cash	-	-
Cash and cash equivalents disposed of	-	(83)
Amount arising on common control transactions	-	(12,420)

Included within the 2016 balances transferred are intercompany amounts due from the ethanol business to INEOS Commercial Services UK Limited that crystallised on the sale of the business. These amounts were not recognised in 2015 as they were internal to the INEOS Commercial Services UK Limited entity. The movement resulted in a decrease in debtors of €556,000 and an increase in creditors of €6,867,000.

16. Share capital

	No. of Shares 000	€1 Ordinary Shares €000	Total €000
Authorised, allotted, called up and fully paid			
At 31 December 2016 and 31 December 2017	57	57	57

The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares have been issued on fully-paid up basis.

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

17. Interest-bearing loans and borrowings

The note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 21.

	2017 €000	2016 €000
Non-current liabilities		
Loan due to related parties	-	122,240
Guaranteed Note due 2019	283,582	282,687
Finance lease liabilities	469	164
	<u>284,051</u>	<u>405,091</u>
Current liabilities		
Finance lease liabilities	473	144
	<u>473</u>	<u>144</u>

Gross debt and issue costs

	2017		
	Gross loans and borrowings €000	Issue costs €000	Net loans and borrowings €000
Guaranteed Note due 2019	285,000	(1,418)	283,582
Finance lease liabilities	942	-	942
	<u>285,942</u>	<u>(1,418)</u>	<u>284,524</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

17. Interest-bearing loans and borrowings(*continued*)

	2016		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	€000	€000	€000
Loan due to related parties	122,240	-	122,240
Guaranteed Note due 2019	285,000	(2,313)	282,687
Finance lease liabilities	308	-	308
	<u>407,548</u>	<u>(2,313)</u>	<u>405,235</u>

Terms and debt repayment schedule

	Currency	Nominal Interest rate	Year of maturity
Loan due to related parties	€ / £ / \$	6.00 %	2021
Guaranteed Note due 2019	€	3.15%	2019
Finance lease liabilities	€/£	2.60% - 17.70%	2018-2021
Asset based lending facility	€ / £ / \$	variable	2018

Guaranteed Notes due 2019

The Group issued Guaranteed Notes in an aggregate nominal principal amount of €285,000,000 (2016: €285,000,000) pursuant to a Subscription Agreement dated 28 July 2014. The Notes were issued at the issue price of 99.688%.

The Notes have been admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

The Notes bear interest at a rate per annum equal to 0.750%, payable annually in arrears on 30 July of each year, with the first payment made on 30 July 2015, and calculated on the basis of an actual/actual day-count fraction convention.

The Group will repay the aggregate principal amount of the Notes in full five years after the utilisation date of 30 July 2014. The Notes may be redeemed in whole or in part at the option of the Issuer on any date upon the Issuer giving not fewer than 30 nor more than 60 days' notice to Noteholders at the Make Whole Redemption Price.

The Lords Commissioners of Her Majesty's Treasury ("HMT") has issued an unconditional and irrevocable guarantee of the INEOS Grangemouth plc's obligations in respect of payments of scheduled principal and scheduled interest at any time becoming due and payable in respect of the Notes pursuant to a Subscription Agreement dated 30 July 2014.

The guarantee provided by HMT for the Notes is secured against all assets of the Group.

The guarantee provided by HMT for the Notes contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

17. Interest-bearing loans and borrowings (*continued*)

As consideration for the issue of the guarantee, INEOS Grangemouth plc paid an annual fee to HMT of €5,637,000 (2016: €6,840,000) payable in advance. Interest is payable on the issues date and each subsequent anniversary until the repayment date. The annual interest rate is 1.8% (2016: 2.4%).

The Guaranteed Notes due 2019 are stated net of debt issue costs of €1,418,000 (2016: €2,313,000).

Interest is capitalised as part of the construction of plant and machinery.

Loan from related party

The Group has a €200,000,000 multi-currency term loan facility from INEOS Holdings Limited, which matures on 28 July 2021 and carries an interest rate of 6%. The facility is secured by second ranking liens against all assets of the Group. The shareholder loan was repaid in full in July 2017.

Qualifying interest is capitalised as part of the construction of plant and machinery.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017			2016		
	Future minimum lease payments €000	Interest €000	Present value of minimum lease payments €000	Future minimum lease payments €000	Interest €000	Present value of minimum lease payments €000
Less than one year	493	(20)	473	163	(19)	144
Between one and two years	454	(39)	415	84	(6)	78
Between two and five years	64	(10)	54	93	(7)	86
Total	1,011	(69)	942	340	(32)	308

Asset based lending facility

The Group has entered into a €40,000,000 asset based lending facility agreement which matures in August 2018. The facility is secured by pledges over trade receivables and inventory. No drawdown has been made on this facility since it commenced in August 2015. As at 31 December 2017 unamortised debt issue costs were €286,000 (2016: €667,000).

Notes to the Consolidated Financial Statements (*continued*)
for the year ended 31 December 2017

18. Trade and other payables

	2017 €000	2016 €000
Current		
Trade payables	18,835	18,709
Amounts due to related parties	46,660	36,487
Accruals and deferred income	56,956	72,525
	<u>122,451</u>	<u>127,721</u>
Non-current		
Deferred income	25,859	18,753
Amounts due to related parties	9,792	10,139
	<u>35,651</u>	<u>28,892</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

19. Employee Benefits

Pension Plan

The Group operates a defined benefit plan for certain employees. The defined benefit pension plan was historically final salary in nature, with a normal retirement age of 60. The plan is now closed to new entrants and frozen to future accrual. The plan operates under trust law and are managed and administered by Trustees in accordance with the terms of the Trust Deed and Rules and relevant legislation. The assets of the plan are held separately from those of the Group.

The most recent full valuation of the significant defined benefit plan was carried out on 31 December 2014. These valuations have been updated where appropriate to 31 December 2017 by independent qualified actuaries.

Pension plan assumptions

The principal actuarial assumptions (expressed as weighted averages or ranges) at the year end were as follows:

	2017 %	2016 %
Major assumptions:		
Rate of increase to pension in payments	3.0 – 5.0	3.0 – 5.0
Discount rate for scheme liabilities	2.7	2.6
Inflation (RPI)	3.2	3.3

The assumptions relating to longevity underlying the pension liabilities at the reporting 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:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners	22.1-23.8	23.1 – 24.5

The following table presents the sensitivity of the defined benefit obligation to each significant actuarial assumption:

	2017 %	2016 %
Discount rate: 1.0% decrease	30.0	30.0
Rate of inflation: 0.5% increase	9.4	11.3
1 year increase in longevity for a member currently aged 65	3.0	3.4

The sensitivity to the inflation assumption change includes corresponding changes to the future salary increase and future pension increase assumptions where the assumptions are set to be linked to the inflation assumption.

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%.

	2017 €000	2016 €000
Discount rate*	156,714	188,387
Inflation (RPI, CPI)	50,215	70,826

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

19. Employee Benefits (*continued*)

In valuing the liabilities of the pension fund at €532,553,000 (2016: €628,200,000), 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 €548,647,000 (2016: €649,737,000) having increased by €16,094,000 (2016: €21,537,000) 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 2014 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.

History of plan

The history of the plan for the current and prior years is as follows:

Consolidated Balance Sheet

	2017 €000	2016 €000
Present value of the defined benefit obligation in respect of the pension plan	532,553	628,200
Fair value of plan assets	(504,524)	(505,314)
Deficit	28,029	122,886

The Group's net liability in respect of defined benefit obligations is as follows:

	2017 €000	2016 €000
Net liability for defined benefit obligations in the United Kingdom	28,029	122,886

The Group expects to contribute approximately €9,958,000 (2016: €10,345,000) to its funded defined benefit plan in the next financial year.

Consolidated Income Statement

	2017 €000	2016 €000
Current service cost	1,232	4,481
Interest cost on defined benefit obligation	15,910	17,953
Interest income on plan assets	(12,890)	(16,752)
	4,252	5,682

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

19. Employee Benefits (*continued*)

The expense is recognised in the following line items in the consolidated income statement:

	2017 €000	2016 €000
Cost of sales	1,232	4,481
Finance cost	3,020	1,201
	<u>4,252</u>	<u>5,682</u>

Pension Plans

	2017 €000	2016 €000
Present value of funded obligations	532,553	628,200
	<u>532,553</u>	<u>628,200</u>
Fair value of plan assets	(504,524)	(505,314)
	<u>28,029</u>	<u>122,886</u>

Movements in present value of defined benefit obligation:

	Total €000
On 1 January 2016	527,242
Current service cost	4,481
Interest cost on defined benefit obligation	17,953
Remeasurements:	
Actuarial gain – experience	(2,820)
Actuarial gain – demographic assumptions	(235)
Actuarial loss – financial assumptions	180,085
Disbursements from plan assets	(13,426)
Exchange	(85,080)
At 31 December 2016	<u>628,200</u>
Current service cost	1,232
Interest cost on defined benefit obligation	15,910
Remeasurements:	
Actuarial gain – experience	(14,904)
Actuarial gain – demographic assumptions	(9,173)
Actuarial gain – financial assumptions	(18,761)
Disbursements from plan assets	(49,776)
Exchange	(20,175)
At 31 December 2017	<u>532,553</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

19. Employee Benefits (*continued*)

Movements in fair value of plan assets:

	Total €000
On 1 January 2016	486,400
Interest income on plan assets	16,752
Remeasurements:	
Return on plan assets greater than discount rate	78,254
Employer contributions	11,589
Disbursements	(13,426)
Exchange	(74,255)
At 31 December 2016	505,314
Interest income on plan assets	12,890
Remeasurements:	
Return on plan assets greater than discount rate	42,875
Employer contributions	10,809
Disbursements	(49,776)
Exchange	(17,588)
At 31 December 2017	504,524

The fair value of the plan assets were as follows:

	2017 €000	2016 €000
As at 31 December		
Cash and cash equivalents	7,230	3,570
Equities	146,097	253,017
Bonds	244,333	153,180
Property	58,666	57,737
Other	48,198	37,810
Total plan assets	504,524	505,314

All the investments in plan assets except property are quoted. The plan does not hold investments in the Group's own financial instruments, or hold assets or property which are used by the Group.

Defined Contribution Plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans in the current year were €3,104,000 (2016: €3,104,000).

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

20. Provisions

	Other provisions €000
On 1 January 2016	3,183
Provisions utilised during the year	(1,985)
Discount unwinding	318
	<hr/>
At 31 December 2016	1,516
Provisions utilised during the year	(1,668)
Discount unwinding	152
	<hr/>
At 31 December 2017	-
	<hr/> <hr/>
Non-current	-
Current	1,516
	<hr/>
Balance at 31 December 2016	1,516
	<hr/> <hr/>
Non-current	-
Current	-
	<hr/>
Balance at 31 December 2017	-
	<hr/> <hr/>

Other provisions

As part of the acquisition of INEOS Commercial Services UK Limited by INEOS Grangemouth plc, a provision was recognised for the cost of flaring at the Kinneil plant in Grangemouth, which is operated by BP. Under the terms of the contract the Group was obligated to pay for flare gas streams it was unable to consume on its gas cracker plant in Grangemouth. By their nature the amounts and timing of any outflows in respect of the provision for cost of flaring are difficult to predict.

The provision is discounted at a rate of 10% (2016: 10%) and covers the period of the contract which expired during 2017.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments

21. a) Fair values of financial instruments

Investments in debt and equity securities

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available based on the present value of future cash flows based on estimated financial information made available during the period.

Trade and other receivables

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Trade and other payables

The carrying amount of trade and other payables generally approximates to fair value due to short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. The fair value of finance leases is determined by reference to market rates for similar lease agreements. The fair value of the related parties' loans is the same as the carrying value. The loan due to third parties is in form of Guaranteed Notes that are listed on the Irish Stock Exchange and the fair value has been calculated using the market rate as on 31 December 2017 and 31 December 2016.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. a) Fair values of financial instruments (*continued*)

Fair values

The fair values of each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	2017		2016	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Loans and receivables carried at amortised cost:				
Trade receivables	34,741	34,741	38,814	38,814
Amounts due from related parties	120,903	120,903	95,287	95,287
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and receivables	155,644	155,644	134,101	134,101
Cash and cash equivalents	112,747	112,747	161,234	161,234
Restricted cash	54,019	54,019	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	322,410	322,410	295,335	295,335
	<hr/>	<hr/>	<hr/>	<hr/>
Financial liabilities carried at amortised cost:				
Trade payables	(18,835)	(18,835)	(18,709)	(18,709)
Amounts due to related parties	(46,660)	(46,660)	(36,487)	(36,487)
Amounts due to related parties (non-current)	(9,792)	(9,792)	(10,139)	(10,139)
Loan due to related parties	-	-	(122,240)	(122,240)
Loan due to third parties	(283,582)	(287,914)	(282,687)	(290,590)
Finance lease liabilities	(942)	(942)	(308)	(308)
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	(359,811)	(364,143)	(470,570)	(478,473)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. b) Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, and recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

Net losses from financial liabilities measures at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses.

The item 'financial instruments at fair value through profit or loss' comprise valuations gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

The following table shows the gross gains and losses during the year and on which financial instruments they arose:

	Loans and receivables	
	2017	2016
	€000	€000
Financing income	754	512
Foreign exchange gains	-	12,326
Net result	754	12,838
Carrying value at 31 December	269,369	295,335

	Liabilities measured at amortised cost	
	2017	2016
	€000	€000
Finance cost	(13,987)	(8,396)
Other finance cost	(516)	(503)
Foreign exchange losses	(5,902)	-
Net (cost)/income	(20,405)	(8,899)
Carrying value at 31 December	(359,811)	(470,570)

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. c) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with financial institutions.

Group Treasury policy and objectives in relation to credit risk is to minimize the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The geographical concentration of credit risk is shown in the Note 12. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investments, cash and cash equivalents

Surplus cash investments are only made with banks with which the Group has a relationship.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 12.

Notes to the Consolidated Financial Statements *(continued)* for the year ended 31 December 2017

21. Financial instruments *(continued)*

21. d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial year.

Refer to Note 17 for detailed information and loan covenants on each of the loans. In addition to these loans the Group has an asset based lending facility with RBS Invoice Finance Limited. To date no funds have been drawn from this facility.

The maturity profile of the Group's undrawn committed facilities at 31 December 2017 and 2016 was as follows:

	2017 Undrawn facilities €000	2016 Undrawn facilities €000
In one year	(40,000)	-
In more than one year, but not more than two years	-	(40,000)
In more than two years, but not more than five years	(200,000)	(77,760)
	<u>(240,000)</u>	<u>(117,760)</u>

There are undrawn committed facilities at 31 December 2017 of €240,000,000 (2016: €117,760,000).

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. d) Liquidity risk (*continued*)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2017						
	Carrying amount €000	Contractual cash flows €000	1 year or less €000	1 to <2 years €000	2 to <5 years €000	5 years and over €000
Non derivative financial liabilities						
Trade payables	(18,835)	(18,835)	(18,835)	-	-	-
Amounts due to related parties	(56,452)	(56,452)	(46,660)	(9,792)	-	-
Loan due to third parties	(283,582)	(297,591)	(7,952)	(289,639)	-	-
Finance lease liabilities	(942)	(1,011)	(494)	(453)	(64)	-
	<u>(359,811)</u>	<u>(373,889)</u>	<u>(73,941)</u>	<u>(299,884)</u>	<u>(64)</u>	<u>-</u>
2016						
	Carrying amount €000	Contractual cash flows €000	1 year or less €000	1 to <2 years €000	2 to <5 years €000	5 years and over €000
Non derivative financial liabilities						
Trade payables	(18,709)	(18,709)	(18,709)	-	-	-
Amounts due to related parties	(46,626)	(46,626)	(36,487)	(10,139)	-	-
Loan due to related parties	(122,240)	(164,891)	-	-	(164,891)	-
Loan due to third parties	(282,687)	(308,651)	(9,155)	(9,155)	(290,341)	-
Finance lease liabilities	(308)	(340)	(163)	(84)	(93)	-
	<u>(470,570)</u>	<u>(539,217)</u>	<u>(64,514)</u>	<u>(19,378)</u>	<u>(455,325)</u>	<u>-</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. e) Market risk

Financial risk management

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchanges rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows.

i. Market risk – foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

A substantial portion of the Group's revenue is generated in, or linked to, Sterling and the Euro. Product prices, certain feedstock costs and most other costs are denominated in US Dollar, Sterling and Euro.

The Group does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group may do so in the future.

The foreign currency exposure where the Group's financial assets/(liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement / other comprehensive income of the Group.

	2017 €000	2016 €000
Euros	(1,930)	(464)
US dollars	12,672	(22,855)
Sterling	356,236	296,842
Other	(158)	(863)
	<u>366,820</u>	<u>272,660</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. e) Market risk (*continued*)

i. Market risk – foreign currency risk (*continued*)

Sensitivity analysis

A 10% percent weakening of the following currencies at 31 December would have decreased equity and profit by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative year.

	Profit or loss	
	2017 €000	2016 €000
Euros	(193)	(46)
US dollars	1,267	(2,286)
Sterling	35,624	29,684
Other	(16)	(86)
	<u>36,682</u>	<u>27,266</u>

A 10% percent strengthening of the above currencies against the Euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

ii. Market risk – interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2017 €000	2016 €000
Carrying amount of liability		
Fixed rate instruments		
Financial assets	166,766	161,234
Financial liabilities	(284,524)	(405,235)
	<u>(117,758)</u>	<u>(244,001)</u>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

21. Financial instruments (*continued*)

21. e) Market risk (*continued*)

iii. Market risk – Commodity price risk

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of feedstocks and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

21. f) Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €668,089,000 (2016: €587,336,000) as shareholders' equity of €550,331,000 (2016: €343,335,000) and net debt (net of debt issue cost) of €117,758,000 (2016: €244,001,000).

The principal sources of debt available to the Group at 31 December 2017 includes the Guaranteed Notes due 2019 and loans from related parties are described in Note 17 along with the key operating and financial covenants that apply to these facilities. There is also an asset based lending facility entered into with RBS Invoice Finance Limited in 2015.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

22. Operating leases

Future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 €000	2016 €000
Land and buildings		
Less than one year	319	311
Between one and five years	1,441	1,823
More than five years	561	581
	<hr/>	<hr/>
	2,321	2,715
	<hr/>	<hr/>

23. Capital commitments

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2017 by the Group amounted to approximately €10,639,000 (2016: €16,045,000).

Notes to the Consolidated Financial Statements (*continued*)

for the year ended 31 December 2017

24. Reconciliation of net cash flow to movement in net debt

	2017 €000	2016 €000
(Decrease)/increase in cash and cash equivalents in the year	(39,595)	20,564
Cash outflow from disposal	-	83
Increase in restricted cash	54,019	-
Cash outflow from change in debt financing	127,618	150
	<hr/>	<hr/>
Change in net debt resulting from cash flows	142,042	20,797
Other net non-cash transactions	(14,903)	4,860
	<hr/>	<hr/>
Movements in net debt in year	127,139	25,657

	1 Jan 2017 €000	Cash held for sale €000	Cash flow €000	Non-cash changes €000	31 Dec 2017 €000
Cash at bank in hand	161,234	-	(39,595)	(8,892)	112,747
Increase in restricted cash in the year	-	-	54,019	-	54,019
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Debt due after more than one year	(407,241)	-	126,973	(4,732)	(285,000)
Finance leases	(308)	-	645	(1,279)	(942)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(407,549)	-	127,618	(6,011)	(285,942)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(246,315)	-	142,042	(14,903)	(119,176)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	1 Jan 2016 €000	Cash held for sale €000	Cash flow €000	Non-cash changes €000	31 Dec 2016 €000
Cash at bank in hand	143,833	83	20,564	(3,246)	161,234
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Debt due after more than one year	(415,561)	-	-	8,320	(407,241)
Cash outflow from disposal	-	(83)	83	-	-
Finance leases	(244)	-	150	(214)	(308)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(415,805)	(83)	233	8,106	(407,549)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(271,972)	-	20,797	4,860	(246,315)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

25. Related parties

Related party transactions

Related parties comprise:

- Parent entity, their subsidiaries, associates and joint venture not included within the INEOS Grangemouth plc group;
- Entities controlled by the shareholders of INEOS Limited, the ultimate parent Company of INEOS Grangemouth plc, including INEOS AG and INEOS Holdings Limited, entities with significant influence; and
- Key managerial personnel.

Mr J A Ratcliffe, Mr A C Currie and Mr J Reece are the shareholders of INEOS Limited. INEOS AG provides operational management services to the Group through a management service agreement. INEOS AG management fees of €1,054,000 (2016: €1,028,000) were charged to the income statement during the year ended 31 December 2017.

At 31 December 2017 there was an outstanding balances with INEOS AG of €263,500 (2016: €nil). At 31 December 2017 amounts owed to INEOS Holdings Limited were €89,164 (2016: €125,373,000). Amounts due from INEOS Holdings Limited were €1,000 (2016: €1,000). There were a number of transaction with INEOS Holdings Limited, all of which arose in the normal course of the business. The Group has recorded interest payable of €4,235,000 (2016: €7,577,000), costs payable to INEOS Holdings Limited of €296,000 (2016: €1,545,000) and recovered costs of €nil (2016: €8,000) in the income statement during the year ended 31 December 2017.

INEOS Limited owns and controls a number of operating subsidiaries and joint ventures that are not included in the INEOS Grangemouth plc group, including the Inovyn Limited group, INEOS Group Holdings S.A. group and the INEOS Industries Limited group. During the year ended 31 December 2017 the Group has made sales to these subsidiaries, associates and joint ventures of €562,072,000 (2016: €577,898,000), recovered costs of €87,845,000 (2016: €128,540,000) and made purchases of €314,601,000 (2016: €208,315,000). At 31 December 2017 €120,903,000 (2016: €95,286,000) was owed by these subsidiaries, associates and joint ventures and €56,099,000 (2016: €43,493,000) was owed to these subsidiaries, associates and joint ventures.

Compensation to key management personnel (including directors)

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 5.

26. Ultimate parent undertaking and controlling party

The immediate parent undertaking is INEOS Industries Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking at 31 December 2017 was INEOS Limited, a company registered in the Isle of Man.

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

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

27. Accounting estimates and judgements

Fair value measurement on business combination

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

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

Taxation

All the Group's operations are in the UK. Management is required to estimate the tax payable and this involves estimating the actuarial 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 the deferred tax assets and liabilities, which may be included in the consolidated balance sheet of the Group. 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 Group'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 Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

Details of amounts recognised with regard to taxation are disclosed in Notes 7 and 11.

Post-retirement benefits

The Group 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-retirement benefits are set out in Note 19.

Provisions

Other provisions are recognised in the period where it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to change in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

The nature and amount of provisions included within the financial statements are detailed in Note 20.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2017

27. Accounting estimates and judgements (*continued*)

Impairment reviews

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

An impairment test required 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 Group's impairment evaluation and results.

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

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 8 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 Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 12 for the net carrying amount of the debtors and associated impairment provision.

Section 3 – Company Financial Statements

Company Balance Sheet

as at 31 December 2017

	Note	2017 €000	2016 €000
Fixed assets			
Investments	5	-	-
Total fixed assets		-	-
Current assets			
Debtors (including €269,357,000 (2016: €390,376,000) due after one year)	6	276,945	401,177
Cash at bank and in hand	7	3,949	4,553
Total current assets		280,894	405,730
Creditors: amounts falling due within one year	8	(1,680)	(4,060)
Net current assets		279,214	401,670
Total assets less current liabilities		279,214	401,670
Creditors: amounts falling due after more than one year	9	(283,582)	(404,927)
Net liabilities		(4,368)	(3,257)
Capital and reserves			
Called up share capital	10	57	57
Profit and loss account *		(4,425)	(3,314)
Total shareholders' deficit		(4,368)	(3,257)

* The parent company recorded a loss after tax for the year of €1,111,000 (2016: €1,699,000).

The notes on pages 76 to 81 are an integral part of these Company financial statements.

The financial statements on pages 74 to 81 were approved by Board of Directors on 26 April 2018 and signed on its behalf by:



G S Hepburn
Director

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Called up Share Capital €000	Profit and loss account €000	Total share- holders' deficit €000
Balance at 1 January 2016	57	(1,615)	(1,558)
Loss for the year	-	(1,699)	(1,699)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	57	(3,314)	(3,257)
Loss for the year	-	(1,111)	(1,111)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	57	(4,425)	(4,368)
	<hr/>	<hr/>	<hr/>

The notes on pages 76 to 81 are an integral part of these Company financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2017

1. Accounting Policies

Overview

INEOS Grangemouth plc (the "Company") is a public limited company, limited by shares, incorporated and domiciled in the UK. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG. The nature of the operations and principal activities of the Company and its subsidiaries is the production of olefins and related polymers products and selling the products either directly or through a network of Limited Risk Distributors in the UK and across Europe for which it pays a small margin.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, on a going concern basis and under the historical cost accounting rules.

Under section s408 of the Companies Act 2006 the Company has taken exemption from the requirement to present its own profit and loss account.

The Company financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financing Reporting Standard 101 *Reduced Disclosure Framework* ("FRS101").

These financial statements were prepared in accordance with Financing Reporting Standard 101 *Reduced Disclosure Framework* ("FRS101").

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;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- financial instrument disclosures as required by IFRS 7;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently in the Company's financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that financial instruments classified as fair value through the profit or loss are stated as their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

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 subsidiaries, show that the Company should be able to operate within the levels of its current facilities. After making enquiries, 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.

Notes to the Company Financial Statements (*continued*) for the year ended 31 December 2017

1. Accounting Policies (*continued*)

Functional and presentation currency

These Company financial statements are presented in euro, which is the functional currency of the majority of operations. The exchange rate as at 31 December 2017 was €1:£0.88830 (2016 €1:£0.85790).

All financial information presented in euro has been rounded to the nearest €1,000.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

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

Trade and other 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 measured at amortised cost using the effective interest method, less any impairment losses.

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.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

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 as amortised cost using the effective interest method.

Notes to the Company Financial Statements (*continued*) for the year ended 31 December 2017

2. Auditors' Remuneration

	2017 €000	2016 €000
Audit of these financial statements	32	32
Amounts receivable by the Company's auditors and its associates in respect of audit of consolidated financial statements	19	19
	<u>51</u>	<u>51</u>

3. Staff Numbers and Costs

There were no employees with contracts of employment in the name of the Company during the year or prior year.

4. Directors' Remuneration

None of the directors received any fees or remuneration for services as a director of the Company during the financial year (2016: *€nil*).

5. Investments

Investments in subsidiaries are carried at cost. The subsidiary and undertakings of the Company and the percentage of equity share capital held are set out below. The principal country of operation is generally indicated by the Company's country of incorporation or by its name.

Name	Address of the registered office	Class of shares held	Ownership	
			2017	2016
INEOS Commercial Services UK Limited	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG	Ordinary	100%	100%
INEOS Chemicals Grangemouth Limited	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG	Ordinary	100%	100%

INEOS Chemicals Grangemouth Limited is a "Toll Manufacturer", INEOS Commercial Services UK Limited is an "Entrepreneur".

	Subsidiaries €000	Total €000
At 31 December 2016 and 31 December 2017	<u> </u>	<u> </u>

Notes to the Company Financial Statements (*continued*)
for the year ended 31 December 2017

6. Debtors

	2017 €000	2016 €000
Amounts due from group undertakings	272,788	396,935
Trade receivables	625	-
Other taxes recoverable	244	252
Prepayments and accrued income	3,288	3,990
	<u>276,945</u>	<u>401,177</u>
Due within one year	8,227	10,801
Due after more than one year	269,357	390,376

7. Cash at bank and in hand

	2017 €000	2016 €000
Cash at bank and at hand	<u>3,949</u>	<u>4,553</u>

8. Creditors: Amounts falling due within one year

	2017 €000	2016 €000
Amounts due to related parties	132	3,133
Accruals and deferred income	1,548	927
	<u>1,680</u>	<u>4,060</u>

Notes to the Company Financial Statements (*continued*) for the year ended 31 December 2017

9. Creditors: Amounts falling due after more than one year

	2017 €000	2016 €000
Amounts due to related parties	-	122,240
Amounts due to third parties	283,582	282,687
	<u>283,582</u>	<u>404,927</u>

Guaranteed Notes due 2019

The Company issued Guaranteed Notes in an aggregate nominal principal amount of €285,000,000 pursuant to a Subscription Agreement dated 28 July 2014. The Notes were issued at the issue price of 99.688%.

The Notes have been admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

The Notes will bear interest at a rate per annum equal to 0.750%, payable annually in arrears on 30 July of each year, with the first payment made on 30 July 2015, and calculated on the basis of an actual/actual day-count fraction convention.

The Company will repay the aggregate principal amount of the Notes in full five years after the utilisation date of 30 July 2014. The Notes may be redeemed in whole or part at the option of the Issuer on any date upon the Issuer giving not fewer than 30 nor more than 30 days' notice to Noteholders at the Make Whole Redemption Price.

The Lords Commissioners of Her Majesty's Treasury ("HMT") has issued an unconditional and irrevocable guarantee of the INEOS Grangemouth plc's obligations in respect of payments of scheduled principal and scheduled interest at any time becoming due and payable in respect of the Notes pursuant to a Subscription Agreement dated 30 July 2014.

The guarantee provided by HMT for the Notes is secured against all assets of the Company.

The guarantee provided by HMT for the Notes contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

As consideration for the issue of the guarantee, INEOS Grangemouth plc will pay an annual fee to HMT of €5,636,751.74 payable in advance. This has been reduced from €6,840,000 per annum as a result of €50,000,000 being placed on deposit in July 2017. This is payable on the Issue Date and each subsequent anniversary until the repayment date. This is equal to annual interest of 2.4%

The Guaranteed Notes due 2019 are stated net of debt issue costs of €1,418,000 (2016: €2,313,000).

Notes to the Company Financial Statements (*continued*) for the year ended 31 December 2017

10. Called up share capital

	2017 €000	2016 €000
Fully Paid		
57,100 (2015:57,100) ordinary shares of €1 each	57	57

11. 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 FRS101 not to disclose transactions with fellow subsidiaries under common ownership. At 31 December 2017 amounts owed to INEOS Holdings Limited were €nil (2016: €125,373,000).

12. Ultimate parent undertaking and controlling party

The immediate parent undertaking is INEOS Industries Holdings Limited.

The ultimate parent undertaking at 31 December 2017 was INEOS Limited, a company registered in the Isle of Man.

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 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 regarded Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent undertaking INEOS Limited.

13. Subsequent events

No significant subsequent events have occurred after the balance sheet date.

14. Accounting estimates and judgements

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of the trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.