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INEOS Chemicals Grangemouth Limited

Annual report and financial statements

Registered number 06981897

31 December 2022

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Strategic report for the year ended 31 December 2022

The directors present their Strategic report on the Company for the year ended 31 December 2022.

Review of business and future developments

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

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

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

The Company has recognised an exceptional impairment charge of £123,490,000 for the year ended 31 December 2022, in relation to the tangible fixed assets. The recent trading performance of the O&P UK business has been challenging in the midst of market volatility that has seen very high natural gas prices. Consequently, operating rates have remained constrained. The impairment loss was based on a value in use calculation. The business valuation was negatively impacted by lower than expected cash flows within the current business plan, reflecting the challenging economic and competitive conditions expected in the near term for the site.

The Company encountered various challenges during the year, the effects of high inflation, the Ukraine war and reduced market demand due to reduced consumer confidence in demand from their customers. During the first 6 months of the year, although challenging, the business continued to see high demand and profitability. However, the second 6 months were difficult as a result of market volatility. Demand for the business' products declined as a result of reduced consumer demand and cheaper imports into Europe being available particularly from the U.S. The impact of the Ukraine war, which broke out in February 2022, saw energy prices escalate beyond the very high level already seen in Q4 2021 which had a profound impact on the business due to the Company's high steam and power demand, resulting in significant exposure to natural gas prices.

During September and November 2022, there were planned turnaround events (TAR) on the Polymer plants. During a TAR, the plant is shutdown to perform critical maintenance activities and the production volume of the site is reduced during the outage period. The TAR was delivered safely, on time and on budget.

During the year, the Company invested £38,926,000 in assets under construction. This mainly related to the new energy plant, the TAR on the Polymer assets and an additional furnace on the gas cracker to increase production capacity.

Looking forward into 2023 the business expects the natural gas price to remain high although at lower levels experienced in 2022. Demand is expected to grow during the first half of 2023 as customer re-stock, however levels of imports from the U.S. will remain a challenge. The business also expects to commission the additional furnace on the gas cracker thus enabling higher utilisation levels subject to demand. The new energy project will continue to be temporarily suspended during 2023 and the business will continue to manage its cost base and capital expenditure in line with affordability.

Results and dividends

The loss for the financial year before taxation was £115,495,000 (2021: profit of £6,461,000). The directors do not propose the payment of a dividend (2021: £nil).

Strategic report for the year ended 31 December 2022 (continued)

Strategy

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

During the year, the Company announced its 'Road Map' to achieving Net Zero. Emission savings of more than 60% (compared to 2006 when INEOS acquired the site) across the site are targeted by 2030, through a series of investments, partnerships and innovative engineering. The Road Map involves a proposed move to the production and use of hydrogen by all businesses at the Grangemouth site accompanied by carbon capture and storage of at least 1 million tonnes per annum of CO₂ by 2030. This will include capturing CO₂ from existing hydrogen production and the construction of a carbon capture enabled hydrogen production plant.

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

Section 172(1) statement

The directors have the duty under section 172 to promote the success of the Company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment. In the performance of its duty to promote the success of the Company and fairness in decision making the Board have regard (amongst other matters) for:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The Company's governance and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long-term success, which are discussed below.

Long-term factors (a)

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

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

Strategic report for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Long-term factors (a) (continued)

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

Stakeholder considerations (b – e)

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The Company engages in regular, open, and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns, and needs. For example, in many instances suppliers are located on the same chemical parks which helps develop partnerships, facilitate discussions as well as reduce waste inefficiency. The Company also works with trade unions and have open and constructive discussions as well as investing in training programmes to continue to develop employees at all levels of the organisation. In this way, the Company is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Company the opportunity to explain its clear and committed approach to sustainability as well as the value of the Company's work, products and services for society.

Key stakeholders contribute to the Company's economic, social, and environmental performance. Stakeholders include customers, suppliers, employees, investors, financial experts and rating agencies, local communities, industry associations, NGOs, scientific institutions, universities, government, and value chain partners. The Company is very conscious of having a sustainable business, so INEOS produces an annual sustainability report which aligns with the Global Reporting Initiative ("GRI") framework and focuses on the issues most material to the Company and its stakeholders. The report focuses on seven key areas, being:

- 1) Climate change – advancing the transition to net zero;
- 2) Circular economy – maximising resource efficiency and eliminating waste;
- 3) Zero pollution – driving progress towards sustainable chemical value chains;
- 4) Our people – prioritising workplace health and safety (SHE) and fairness;
- 5) People in our value chain – safeguarding conditions and human rights;
- 6) People in our communities – respecting and supporting local communities;
- 7) Governance – maintaining the highest standard of ethics and compliance.

These matters are considered by the directors in making decisions and in assessing the long-term viability of the business.

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

Strategic report for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Stakeholder considerations (b – e) (continued)

The Company is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its employees, contractors, suppliers, customers, visitors, and the communities in which it operates. For example, INEOS is a signatory to the 'International Council of Chemical Associations' ("ICCA") Responsible Care Global Charter which demonstrates the Company's commitment to strengthening chemicals management systems, safeguarding people and the environment, and working towards sustainable solutions through our value chain. Compliance with all legislation intended to protect people, property and the environment is one of the Company's fundamental priorities and applies to its products as well as to its processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

The need to act fairly as between members of the Company (f)

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

Principal decisions

There were no principal decisions that management took in the year ending 31 December 2022.

Key performance indicators ("KPIs")

The Company uses a number of financial and non-financial key performance indicators ("KPIs") to measure performance, which are monitored against budget and the prior year.

The main financial KPI for the business is earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA before exceptional items"). EBITDA before exceptional items for the Company for the year ending 31 December 2022 was £76,407,000 (2021: £74,824,000). The Company also closely monitors fixed costs against budget and prior year.

The Company uses a number of other non-financial key performance indicators to measure performance including health, safety and environmental ("SHE") metrics such as Occupational Safety and Health Administration ("OSHA") incident and injury rates to measure the safe working of employees and contractors. Other KPIs include monitoring the reliability of operating assets and working capital ratios of the Company.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of INEOS Grangemouth Limited which include those of the Company are discussed in the Group's annual report.

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



C G Mound
Director
4 July 2023
Registered number 06981897

Directors' report for the year ended 31 December 2022

The directors present their report and financial statements of the Company for the year ended 31 December 2022.

Principal activities

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

Results and dividends

Results and dividends are discussed in the Strategic report.

Future developments

Future developments are discussed in the Strategic report.

Post balance sheet events

In January 2023, an agreement was made with PetroIneos to write off a number of open debtor and creditor balances that had been in dispute for a number of years. There was no cash settlement between the parties and this write-off has been adjusted for in the December 2022 results.

Covid-19 and the Ukraine conflict

The Company continues to implement contingency plans for the COVID-19 pandemic, with the primary objective of maintaining the safety of personnel and the reliable operation of the Company's plants.

The chemical industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Company plants have continued to operate fully and supply chains have operated without significant disruption. Protecting employees and ensuring that they remain healthy has been the first priority of the Company. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

The Company does not have operations in Belarus, Russia or Ukraine. During 2021 and 2022 revenue generated in these countries was not material to the Company. The Company is not currently experiencing any material disruption to its operations and does not foresee any direct impact as a result of the conflict, but will continue to monitor the evolving situation closely.

Whilst there is still uncertainty due to the COVID-19 pandemic and the disruption on the energy market resulting from the conflict in Ukraine, the directors have undertaken a rigorous assessment of the potential impact on demand for the Company products and services and the impact on margins for the next 12 months and the directors do not expect a material impact on the Company's ability to operate as a going concern.

Directors' report for the year ended 31 December 2022 (*continued*)

Going concern

The directors have considered the Company's projected future cash flows and working capital requirements for a period of at least 12 months from signing of these financial statements. As at 31 December 2022, the Company had net assets of £161,728,000 (2021: £294,280,000). The Company held cash of £738,000 (2021: £2,380,000) and loans and borrowings of £422,638,000 (2021: £440,732,000). The loss for the year was £94,439,000 (2021: profit £3,887,000). The directors have stress tested the projected future cash flows through taking account of reasonable possible changes in performance to determine the level of support that may be required from the parent company. The directors have received confirmation that the parent, INEOS Industries Limited, will continue to support the Company for at least the 12 months from signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the parent's going concern assessment confirms that there is sufficient forecast committed liquidity headroom for the parent to provide this support and the Company will therefore have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Financial risk management

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

Directors

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

S M Collings

P Q Grant

C G Mound

M Plevoets (resigned 1 May 2022)

A T Hughes (appointed 1 May 2022)

Employees

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

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

Directors' report for the year ended 31 December 2022 (*continued*)

Streamlined Energy and Carbon Reporting ("SECR")

The SECR disclosures relating to the Company are included within the SECR disclosures made in the annual report of INEOS Industries Limited, the parent undertaking of the largest group of undertakings to consolidate these financial statements. The Company has taken advantage of the exemption from the requirement to make SECR disclosures in these financial statements

Health & safety

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

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

Business relationships

The business relationships with suppliers and customers are of strategic importance to the directors of the Company and their decision-making process. The business relationships of INEOS O&P UK are described in the Section 172(1) statement in the Strategic report.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

Directors' report for the year ended 31 December 2022 (continued)

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

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

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



C G Mound

Director

4 July 2023

Registered number 06981897

Profit and Loss Account

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	2	366,890	298,796
Cost of sales		(346,524)	(276,796)
Exceptional cost of sales	3	(123,490)	-
Total cost of sales		(470,014)	(276,796)
Gross (loss)/profit		(103,124)	22,000
Other operating income		740	777
Distribution costs		(3,982)	(3,715)
Administrative income		2,179	63
Operating (loss)/profit	4	(104,187)	19,125
Interest receivable and similar income	7	1,095	440
Interest payable and similar expenses	8	(12,403)	(13,104)
(Loss)/profit before taxation		(115,495)	6,461
Tax on (loss)/profit	9	21,056	(2,574)
(Loss)/profit for the financial year		(94,439)	3,887

All activities of the Company relate to continuing operations.

Statement of Comprehensive Income

for the year ended 31 December 2022

	Note(s)	2022 £000	2021 £000
(Loss)/profit for the financial year		(94,439)	3,887
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (loss)/gain recognised in the pension scheme	15	(50,817)	36,141
Deferred tax arising on actuarial (loss)/gain in the pension scheme	9, 14	12,704	(6,655)
Other comprehensive (expense)/income for the year, net of income tax		(38,113)	29,486
Total comprehensive (expense)/income for the year		(132,552)	33,373

Balance Sheet

as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	10	10,749	4,702
Tangible assets	11	443,039	582,800
		<u>453,788</u>	<u>587,502</u>
Current assets			
Stocks	12	11,627	14,087
Debtors (including £29,816,000 (2021:£76,445,000) due after more than one year)	13	186,810	245,915
Deferred tax asset	14	26,645	-
Cash at bank and in hand		738	2,380
		<u>225,820</u>	<u>262,382</u>
Creditors: amounts falling due within one year	16	<u>(497,262)</u>	<u>(520,687)</u>
Net current liabilities		<u>(271,442)</u>	<u>(258,305)</u>
Total assets less current liabilities		<u>182,346</u>	<u>329,197</u>
Creditors: amounts falling due after more than one year	17	<u>(20,618)</u>	<u>(30,121)</u>
Provisions for liabilities			
Deferred tax liabilities	14	-	(4,796)
		<u>(20,618)</u>	<u>(34,917)</u>
Net assets		<u>161,728</u>	<u>294,280</u>
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account		161,728	294,280
Total equity		<u>161,728</u>	<u>294,280</u>

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Balance Sheet

as at 31 December 2022 (continued)

These financial statements on pages 9 to 42 were approved by the Board of Directors on 4 July 2023 and were signed on its behalf by:



C G Mound
Director
Registered number 06981897

Statement of Changes in Equity

for the year ended 31 December 2022

	Note(s)	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021		-	260,907	260,907
Profit for the financial year		-	3,887	3,887
Other comprehensive income for the year, comprising				
Actuarial gain in the pension scheme	15	-	36,141	36,141
Deferred tax arising on actuarial gain in the pension scheme	9,14	-	(6,655)	(6,655)
Other comprehensive income		-	29,486	29,486
Total comprehensive income for the year		-	33,373	33,373
Balance at 31 December 2021		-	294,280	294,280

		Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022		-	294,280	294,280
Loss for the financial year			(94,420)	(94,420)

