

COMPANIES HOUSE
21 SEP 2023
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INEOS Grangemouth Limited
Annual report and financial statements
Registered number 08698417
Year ended - 31 December 2022

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Contents

Section 1 – Strategic report and Directors’ report

Strategic report for the year ended 31 December 2022	2
Directors’ report for the year ended 31 December 2022	7

Section 2 - Consolidated financial statements

Independent auditor’s report to the members of INEOS Grangemouth Limited	12
Consolidated Income Statement for the year ended 31 December 2022	16
Consolidated Statement of Comprehensive Income for the year ended 31 December 2022	17
Consolidated Balance Sheet as at 31 December 2022	18
Consolidated Statement of Changes in Equity for the year ended 31 December 2022	20
Consolidated Statement of Cash Flows for the year ended 31 December 2022	21
Notes to the Consolidated Financial Statements for the year ended 31 December 2022	22

Section 3 - Company financial statements

Company Balance Sheet as at 31 December 2022	70
Company Statement of Changes in Equity for the year ended 31 December 2022	71
Notes to the Company Financial Statements for the year ended 31 December 2022	72

Section 1 – Strategic report and Directors’ report

Strategic report for the year ended 31 December 2022

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

Results for the year

The results of the Group are set out in the consolidated income statement on page 16, which shows a loss before taxation for the year of €297,930,000 (2021: profit of €10,140,000).

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, and is the majority shareholder of Grangemouth Energy Company Limited, also a UK domiciled company. These companies constitute the Grangemouth business of INEOS O&P UK ("the Group").

The Grangemouth business produces olefins, olefins by-products, synthetic ethanol and a range of polymers. Products are sold either directly or through a network of Limited Risk Distributors across Europe for which the Group pays a small margin.

The Group has recognised an exceptional impairment charge of €223,585,000 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 Group 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 Group'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 Group invested €170,856,000 in assets under construction additions which 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.

On 30 December 2021, Petroineos Refining Limited, the minority related party shareholder, gave notice to stop investing in the energy project and planned to exit as a shareholder. Any future funding after this date will be provided solely by the Company, subsequently on 5 April 2022, due to escalating costs on the new energy project caused by delays due to COVID working restrictions and impact to commodity prices, the directors took the decision to temporarily suspend the project. At the date of signing these financial statements the length of the subsequent delay and the impact to the ultimate operational date of the plant is not known.

Looking forward into 2023 the business expects the natural gas price to remain high, although at lower levels than experienced in 2022. Demand is expected to grow during the first half of 2023 as customers 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.

On 10 January 2023, the Group repaid in full their Senior Term and Revolving loan Facilities. This was facilitated by a loan from the parent company INEOS Industries Holdings Limited.

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

Review of business and future developments (*continued*)

As referenced earlier, the Group encountered various challenges during the year such as the effects of high inflation and the Ukraine war, which had a profound impact on the business due to the Group's high steam and power demand, resulting in significant exposure to natural gas prices. Accordingly, the Group requested and was granted consent to waive the leverage financial covenant at both 30 May 2022 and 22 September 2022. The leverage covenant at 31 December 2022 was remediated post year end via the full repayment of the Senior Term and Revolving Loan Facilities on 10 January 2023.

Strategy

The Group'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, which will eliminate the feedstock constraints the business has 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 businesses on the Grangemouth site announced its 'Road Map' to achieving Net Zero. The significant integration of the three site businesses at Grangemouth (INEOS O&P UK, INEOS FPS and Petroineos) has meant that the journey embarked upon is a collaborative one. 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 Grangemouth 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.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Management undertakes an annual risk identification and assessment process to identify the key business risks affecting the Group. The key business risks affecting the Group which were identified within this risk assessment process are set out below:

- The petrochemical industry is 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 operations and results 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;

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

Principal risks and uncertainties (*continued*)

- Outbreaks of disease — the outbreak of contagious diseases may have a negative impact on the Group's business and performance, and an adverse impact on the global economy generally. During the course of 2021 and into 2022, the Group has managed the outbreak of the COVID-19 coronavirus by implementing various measures to ensure the safety of employees and the ongoing operation of the plants;
- Substantial debt – the Group's substantial debt could adversely affect its financial position and prevent it from fulfilling its debt obligations;
- Cyber security — a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss;
- Climate change – existing and proposed regulations to address climate change by limiting greenhouse gas emissions may cause us to incur significant additional operating and capital expenses. In addition compliance with new regulation could limit the useful economic life of our plants, lead to a reduction in demand for fossil fuel derived products and result in a lack of competitiveness if our competitors develop new technologies.
- Regulation – the Group is highly regulated and may have substantial obligations and liabilities arising from health, safety, security and environmental ("HSSE") laws, regulations and permits applicable to our operations;
- Customers — the Group is subject to the risk of loss resulting from non-payment or non-performance by our customers. Our credit procedures and policies may not be adequate to minimise or mitigate customer credit risk. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations;
- Employees — the success of the Group depends on the continued service of certain key personnel and on good relations with our workforce as any significant disruption could adversely affect the Group.

Section 172(1) statement

The directors have the duty under section 172 to promote the success of the Group 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 Group 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 Group's employees;
- c) the need to foster the Group's business relationships with suppliers, customers and others;
- d) the impact of the Group's operations on the community and the environment;
- e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Group.

The Group'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 Group's long-term success, which are discussed below.

Long-term factors (a)

The Group'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 Group has the following key strategies:

- a) Maintain health, safety, security, and environmental excellence;
- b) Maintain and grow the Group's leadership positions to enhance competitiveness;

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

Section 172(1) statement (continued)

Long-term factors (a) (continued)

- c) Reduce costs and realise synergies;
- d) Maximise utilisation of assets;
- c) Access advantaged feedstock and energy opportunities; and
- f) Develop and implement a sustainable business.

The Group 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 Group 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 Group's leading position in the market and also in a circular world. The directors ensure that the Group has sufficient resources to support its long-term growth strategy and to fund its investments. An important element is the Group'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 Group 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 Group 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 Group is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Group the opportunity to explain its clear and committed approach to sustainability as well as the value of the Group's work, products and services for society.

Key stakeholders contribute to the Group'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 Group 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 Group 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 Group is committed to maintaining a workplace that is safe, professional, and supportive of teamwork and trust. The Group 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 Group value 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 Group 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 Group'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 Group'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 Group (f)

The Group 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

On 5 April 2022, due to escalating costs on the new energy project caused by delays due to COVID working restrictions and impact to commodity prices, the directors took the decision to temporarily suspend the project.

Key performance indicators ("KPIs")

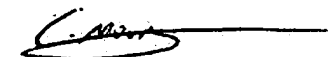
The Group uses a number of financial and non-financial key performance indicators ("KPIs") to measure performance, which are monitored against budget and the prior year.

The main financial KPI for the Group is earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA before exceptional items"). The Group also closely monitors fixed costs against budget and prior year. Details of actual and comparative EBITDA results are provided below:

	2022 €000	2021 €000
Operating (loss)/profit for the year	(269,985)	27,825
Amortisation charge for the year	395	30
Depreciation charge for the year	67,302	64,706
Exceptional impairment charge for the year	223,585	-
	21,297	92,561

The Group 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 Group.

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



C G Mound
Director

4 July 2023

Registered Number 08698417

Directors' report for the year ended 31 December 2022

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

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 ethanol and polymer assets on site where it can be manufactured further to produce synthetic ethanol, polyethylene and polypropylene. The cracker also produces a number of by-products which are either processed further in the onsite assets, or sold to external customers through a network of Limited Risk Distributors across Europe for which the Group pays a small margin. The Group has started constructing a new energy plant on the site at Grangemouth, although the expected operational date is not yet known as the project was paused in April 2022.

INEOS Grangemouth Limited's principal activities are that of a holding company for its direct subsidiary entities INEOS Commercial Services UK Limited, INEOS Chemicals Grangemouth Limited and Grangemouth Energy Company Limited.

Future developments

Future developments are discussed in the Strategic report.

Post balance sheet events

Post balance sheet events are discussed in the Strategic report and Note 27.

COVID-19 and the Ukraine conflict

The Group 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 Group's plants.

The chemical industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Group's 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 Group. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

The Group does not have operations in Belarus, Russia or Ukraine. During 2021 and 2022 revenue generated in these countries was not material to the Group. The Group 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 Group's products and services and the impact on margins for the next 12 months and the directors do not expect a material impact on the Group's ability to operate as a going concern.

Going Concern

The directors have considered the Group'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 Group had net assets of €293,334,000 (2021: €657,470,000). The Group held cash of €42,328,000 (2021: €82,955,000) and loans and borrowings of €674,035,000 (2021: €517,687,000). The loss for the year was €261,799,000 (2021: profit €14,637,000). 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 Group 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 Group will therefore have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

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

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. Note 21 of the financial statements provides further 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 the payment of a dividend (2021: *€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:

S M Collings

P Q Grant

C G Mound

A T Hughes (appointed 1 May 2022)

M Plevoets (resigned 1 May 2022)

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 a 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 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 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.

Streamlined Energy and Carbon Reporting ("SECR")

The SECR disclosures relating to the Group 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, see Note 25. The Group has taken advantage of the exemption from the requirement to make SECR disclosures in these financial statements.

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

Health & safety

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

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

Business relationships

The business relationships with suppliers and customers are of strategic importance to the directors of the Group 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, 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 Group financial statements in accordance with United Kingdom adopted international accounting standards. The Group financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 "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 the Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

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

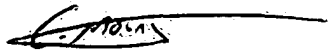
- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the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

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

Independent Auditor

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

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



C G Mound

Director

4 July 2023

Registered number 08698417

Section 2 – Consolidated Financial Statements

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of INEOS Grangemouth Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes to the consolidated financial statements note 1 to 27 and the related notes to the company financial statements 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

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

Report on the audit of the financial statements (continued)

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These include UK Companies Act, Money Laundering Regulations, Health and Safety at work legislation, Data Protection Act, Pensions Legislation, Tax legislation and Bribery Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- Revenue is generally a highly automated process with few complex revenue transaction, therefore we pinpointed our significant risk to non-standard revenue transactions that do not follow the expected transaction flow (revenue/debtor/cash). Those items which did not follow the typical transaction process were investigated and agreed through to supporting documentation such as invoice, good dispatch note, third party documentation and payment to assess whether the revenue has occurred.
- Impairment of tangible assets within the O&PUK cash generating unit. We have challenged the reasonableness of the future cash flow assumptions used in the value in use model, with focus on key assumptions including natural gas pricing, discount rate and growth rate used. The EBTIDA run rate year to date has been reviewed and compared to budget and forecast. Furthermore, sensitivities and breakeven analysis have been performed to understand the circumstances which would result in a different impairment being recognised. We have performed a review of management's control procedures including review of the impairment model and we have performed a review of the mathematical accuracy of the model. We also engaged valuation experts to assess the reasonableness of the discount rate used in the calculation.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
4 July 2023

Consolidated Income Statement

for the year ended 31 December 2022

	Note	2022 €000	2021 €000
Revenue	2	1,184,795	922,682
Cost of sales		(1,150,925)	(821,797)
Exceptional cost of sales	3	(223,585)	-
Total cost of sales		(1,374,510)	(821,797)
Gross (loss)/ profit		(189,715)	100,885
Other operating income		-	876
Distribution costs		(59,294)	(46,746)
Administrative expenses		(20,976)	(27,190)
Operating (loss)/profit	4	(269,985)	27,825
Finance income	7	2,018	563
Finance costs	7	(29,963)	(18,248)
Net finance cost		(27,945)	(17,685)
(Loss)/profit before taxation from continuing operations		(297,930)	10,140
Tax credit	8	36,131	4,497
(Loss)/profit for the financial year		(261,799)	14,637
Attributable to:			
Owners of the parent		(233,165)	14,626
Non-controlling interest		(28,634)	11
		(261,799)	14,637

All activities of the Group relate to continuing operations.

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	<i>Note(s)</i>	2022 €000	2021 €000
(Loss)/profit for the financial year		(261,799)	14,637
Other comprehensive (expense)/income			
Items that will not be recycled to profit or loss:			
Re-measurement of post-employment benefit plan, net of tax	8,14	(65,058)	47,726
Items that may subsequently be recycled to profit or loss:			
Foreign exchange translation differences, net of tax	8	(37,279)	52,803
Other comprehensive (expense)/income for the financial year, net of tax		(102,337)	100,529
Total comprehensive (expense)/income for the year		(364,136)	115,166
Total comprehensive (expense)/income for the year is attributable to:			
Owners of the parent		(335,502)	115,155
Non-controlling interest		(28,634)	11
		(364,136)	115,166

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

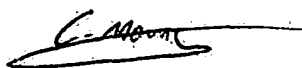
as at 31 December 2022

	Note	2022 €000	2021 €000
Non-current assets			
Intangible assets	9	12,328	5,600
Property, plant and equipment	10	787,458	940,223
Deferred tax asset	12	45,087	2,540
Trade and other receivables	13	23,705	17,596
Employee benefits	14	3,492	88,697
Total non-current assets		872,070	1,054,656
Current assets			
Inventories	15	86,368	94,081
Trade and other receivables	13	229,211	253,881
Tax receivables		153	11,084
Cash and cash equivalents		42,328	82,955
Total current assets		358,060	442,001
Total assets		1,230,130	1,496,657
Equity			
Share capital	16	57	57
Other reserves		(85,593)	16,744
Retained earnings		407,485	640,650
Total shareholders' funds		321,949	657,451
Non-controlling interest		(28,615)	19
Total equity		293,334	657,470
Non-current liabilities			
Interest-bearing loans and borrowings	17	298,123	444,796
Lease liabilities	18	12,764	10,321
Trade and other payables	19	16,701	25,726
Total non-current liabilities		327,588	480,843
Current liabilities			
Interest bearing loans and borrowings	17	375,912	72,891
Lease liabilities	18	4,781	885
Trade and other payables	19	224,646	268,302
Tax payable		3,869	16,266
Total current liabilities		609,208	358,344
Total liabilities		936,796	839,187
Total equity and liabilities		1,230,130	1,496,657

Consolidated Balance Sheet (continued)
as at 31 December 2022

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

These financial statements on pages 16 to 68 were approved by the Board of Directors on 4 July 2023 and were signed on its behalf by:



C G Mound
Director
Registered Number 08698417

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Note(s)	Share capital €000	Other reserves €000	Retained earnings €000	Total €000	Non-controlling interest €000	Total equity €000
Balance at 1 January 2021		57	(83,785)	626,024	542,296	8	542,304
Profit for the year		-	-	14,626	14,626	11	14,637
Other comprehensive income:							
Foreign exchange translation differences	8	-	52,803	-	52,803	-	52,803
Re-measurement of post-employment benefit plan	8,14	-	47,726	-	47,726	-	47,726
Total other comprehensive income		-	100,529	14,626	115,155	11	115,166
Balance at 31 December 2021		57	16,744	640,650	657,451	19	657,470
Loss for the year		-	-	(233,165)	(233,165)	(28,634)	(261,799)
Other comprehensive expenditure:							
Foreign exchange translation differences	8	-	(37,279)	-	(37,279)	-	(37,279)
Re-measurement of post-employment benefit plan	8,14	-	(65,058)	-	(65,058)	-	(65,058)
Total other comprehensive expense		-	(102,337)	(233,165)	(335,502)	(28,634)	(364,136)
Balance at 31 December 2022		57	(85,593)	407,485	321,949	(28,615)	293,334

Analysis of other reserves:

	Note(s)	Translation reserve €000	Re-measure post-employ benefit plan €000	Total other reserves €000
Balance at 1 January 2021		(114,933)	31,148	(83,785)
Foreign exchange translation differences	8	52,803	-	52,803
Re-measurement of post-employment benefit plan	8,14	-	47,726	47,726
Balance at 31 December 2021		(62,130)	78,874	16,744
Foreign exchange translation differences	8	(37,279)	-	(37,279)
Re-measurement of post-employment benefit plan	8,14	-	(65,058)	(65,058)
Balance at 31 December 2022		(99,409)	13,816	(85,593)

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
(Loss)/profit for the financial year		(261,799)	14,637
Adjustments for:			
Net finance cost	7	27,945	17,685
Tax credit	8	(36,131)	(4,497)
Depreciation and impairment	10	290,887	64,706
Amortisation	9	395	30
Increase/(decrease) in provisions and employee benefits		21,802	(2,041)
Pension service cost		677	856
Decrease/(increase) in trade and other receivables		39,806	(79,482)
Decrease/(increase) in inventories		6,954	(27,082)
(Decrease)/increase in trade and other payables		(19,954)	90,822
Tax paid		-	(95)
Net cash generated from operating activities		70,582	75,539
Cash flows from investing activities			
Interest received		294	23
Proceeds from sale of property, plant and equipment		-	3
Acquisition of intangible assets		(17,020)	(5,093)
Acquisition of property, plant and equipment		(212,385)	(150,662)
Net cash used by investing activities		(229,111)	(155,729)
Cash flows from financing activities			
Interest paid		(6,310)	(6,504)
Drawdown Senior Secured Term Loans		-	85,000
Proceeds of related party loan		142,903	57,480
Capital element of lease payments		(2,014)	(721)
Net cash generated from financing activities		134,579	135,255
Net (decrease)/increase in cash and cash equivalents		(23,950)	55,065
Cash and cash equivalents at beginning of year		82,955	39,852
Effect of exchange rate fluctuations on cash held		(16,677)	(11,962)
Cash and cash equivalents at end of year		42,328	82,955

The notes on pages 22 to 68 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1. Accounting Policies

1.1 Overview

INEOS Grangemouth Limited (the "Company") is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG. The nature of the operations and principal activities of the Company and its subsidiaries is the production of olefins, olefins by-products, synthetic ethanol and a range of polymer products and selling the products either directly or through a network of Limited Risk Distributors across Europe for which it pays a small margin, and the construction of a new energy plant on the Grangemouth site.

1.2 Basis of accounting

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and about its Group.

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB which 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 26.

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the principal risk identified on page 4. There has been no material impact identified on the financial reporting judgements and estimates. The directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

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

1.3 Going concern

The directors have considered the Group'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 Group had net assets of €293,334,000 (2021: €657,470,000). The Group held cash of €42,328,000 (2021: €82,955,000) and loans and borrowings of €674,035,000 (2021: €517,687,000). The loss for the year was €261,799,000 (2021: profit €14,637,000). 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 Group for at least the 12 months from signing of these financial statements.

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

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2022

1. Accounting Policies (*continued*)

1.4 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.

1.5 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 2022 was €1:£0.88490 (2021: €1:£0.83960).

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

1.6 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.

1.7 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.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2022

1. Accounting Policies (*continued*)

1.8 Classification of financial instruments issued by the Group

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 Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group 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 Group'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.

1.9 Non-derivative financial instruments

Non-derivative 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 tested for classification as per IFRS 9. If the trade receivables satisfy the criteria for cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost they are recognised at fair value through profit or loss.

Trade and other 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.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2022

1. Accounting Policies (*continued*)

1.9 Non-derivative financial instruments (*continued*)

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, less any impairment losses.

1.10 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.

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
- Right-of-use assets 1 – 29 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.

1.11 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.

Notes to the Consolidated Financial Statements (*continued*) for the year ended 31 December 2022

1. Accounting Policies (*continued*)

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

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 tested for impairment annually, and whenever there is an indication that goodwill may be impaired. Goodwill is allocated to cash-generating units.

