

versalis uk limited

Annual Report and Financial Statements

Registered number 00557780

31 December 2018



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Corporate information

Directors

A Tomasino Chairman & Managing Director
V Muccioli Director
G Carianni Director

Company Secretary

J McCormick

Auditors

Ernst & Young LLP
Atria One
144 Morrison St
Edinburgh
EH3 8EB

Bankers

Banque Eni SA
Boulevard du Regent 43-44
B-1000 Brussels
Belgium

Registered Office

Eni House
Ebury Bridge Road
London
SW1W 8PZ

Strategic report

Business review and future developments

The Company continued to benefit from the increased production capacity at the Grangemouth site from the additional finishing line, allowing the Company to take advantage of improved market conditions for many of its products. Aligned with improving production reliability, significant work continued to improve the overall quality of production.

The loss before taxation for 2018 amounted to £2,660,000 compared to a loss before taxation of £4,586,000 for 2017. Capital expenditure during the year amounted to £3,762,000 (2017: £3,020,000), including the new Head Office which was occupied in September 2018.

The Company's sole shareholder, versalis SpA, the holding/parent Company for the Eni group's chemical sector, takes an active interest in the operations of the Company. The directors of versalis SpA manage the group's chemical sector operations on a business segment basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The development, performance and position of the Elastomers business segment of versalis SpA, which includes the Company, is discussed within the group's annual report, which may be obtained from Eni S.p.A, Piazzale E. Mattei 1, 00144 Rome, Italy.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategic objectives are subject to a number of risks. The key business risks and uncertainties affecting the Company, which are regularly monitored to mitigate (where possible) their effect, are considered to be:

- **Markets:** in recent years the Company has expanded its sales into emerging markets and therefore there exists a risk that the Company could be adversely affected by a significant reduction in market demand in these regions.
- **Competition:** the Company operates in a competitive market particularly with regards to price and product availability/quality. This places pressures on the Company's margins and on its continuous efforts to maintain its competitive edge.
- **Customers:** the Company has some risk relating to the concentration of customers in the EU for some of its product groups.
- **Raw material prices:** the Company is exposed to volatility in the global pricing of its key raw materials Butadiene and Styrene largely driven by changes in oil prices.

Strategic report (continued)

Financial risk management

The Company's operations expose it to a number of financial risks, these being primarily price risk, foreign currency risk, customer credit risk and interest rate risk. Where possible and deemed appropriate, the Company has in place procedures that seek to limit the adverse effects that these risks might otherwise have on its operating performance. The Company has a policy of not utilising financial instruments except for forward purchases and sales of foreign currencies to hedge actual purchase and sales exposures in these currencies.

Price risk

The Company's major price risks relate to sales prices for its finished products and the market prices of its major raw materials. There are no markets for hedging these items.

Foreign currency risk

The Company has policies in place to assess exposure of assets and liabilities denominated in foreign currencies, principally Euros and US dollars, and where appropriate, match these with an equivalent liability or asset or with forward sales or purchases of the same foreign currency.

Customer credit risk

The Company has credit control procedures in place that require appropriate credit checks on potential customers before sales are made. The amount of exposure to each individual customer is subject to a limit, which is re-assessed and authorised at the frequency and approval level as defined by procedures in place.

Interest rate risk

The Company is exposed to interest rate fluctuations on its short term loan notes which are held with the group. The loan notes are subject to variable interest rates depending on financial market conditions.

By order of the Board



J McCormick
Company Secretary

ENI House, Ebury Bridge Road, London, SW1W 8PZ

Date: 10th April 2019

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Results and dividends

The Company's loss after tax for the year amounted to £2,660,000 (2017: loss £4,586,000). The profit and loss reserve of the Company at 31 December 2018 amounted to a surplus of £12,169,000 (2017: surplus of £14,829,000).

The directors do not recommend the payment of a dividend.

Going concern

The Company is reliant on the loan facilities provided to it by other group entities. These facilities, adequate to meet the working capital requirements of the company, are expected to be made available through 2019 and 2020. The directors, having made appropriate enquiries and receiving relevant support, have therefore formed a judgement, at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Directors and directors' interests

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

A Tomasino	Chairman & Managing Director
V Muccioli	Director
G Carianni	Director

Employees

The Company continues to keep employees informed on relevant matters pertaining to its business. This is achieved through both formal and informal meetings and Company intranet notices; employee representatives are consulted regularly on matters affecting their current and future interests.

It is Company policy to employ disabled persons under exactly the same terms and conditions of employment as for all other employees and their requirements for training and eligibility are determined in accordance with standard company procedures.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

Directors' Report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

By order of the board



A Tomasino
Chairman & Managing Director

ENI House, Ebury Bridge Road, London, SW1W 8PZ

Date: 10th April 2019

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, 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). 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.

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.

Independent auditor's report to the members of versalis uk limited

Opinion

We have audited the financial statements of versalis uk limited for the year ended 31 December 2018 which comprise of the Statement of comprehensive income, the Statement of changes in equity, the Statement of Financial Position and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Ernst & Young LLP

Julie Cavin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
Date: 10 April 2019

Statement of Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	3	130,339	125,750
Cost of sales		(113,559)	(111,278)
		<hr/>	<hr/>
Gross profit		16,780	14,472
Distribution costs		(11,902)	(11,244)
Administrative expenses	7	(7,133)	(7,620)
		<hr/>	<hr/>
Operating loss		(2,255)	(4,392)
Other interest receivable and similar income	8	-	-
Interest payable and similar charges	9	(405)	(194)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2,660)	(4,586)
Tax charge	10	-	-
		<hr/>	<hr/>
Loss for the financial year		(2,660)	(4,586)
		<hr/>	<hr/>
Other comprehensive income			
<i>Other comprehensive income in the year:</i>			
Tax on items relating to other comprehensive income		-	-
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		-	-
		<hr/>	<hr/>
		<hr/>	<hr/>
Total comprehensive expense for the year		(2,660)	(4,586)
		<hr/>	<hr/>

Statement of Financial Position
at 31 December 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Intangible assets	<i>11</i>	-		-	
Tangible assets	<i>12</i>	46,689		46,994	
Deferred tax asset	<i>17</i>	469		469	
			47,158		47,463
Current assets					
Stocks	<i>13</i>	28,115		25,235	
Debtors	<i>14</i>	26,612		23,258	
Cash at bank and in hand		802		1,091	
Creditors: amounts falling due within one year	<i>15</i>	(84,200)		(75,857)	
Net current liabilities			(28,671)		(26,273)
Total assets less current liabilities			18,487		21,190
Creditors: amounts falling due after more than one year	<i>16</i>	(410)		(453)	
Deferred tax liability	<i>17</i>	(469)		(469)	
			(879)		(922)
Net assets			17,608		20,268
Capital and reserves					
Called up share capital	<i>19</i>	4,004		4,004	
Revaluation reserve		1,435		1,435	
Profit and loss account		12,169		14,829	
Total equity			17,608		20,268

These financial statements were approved by the board of directors on 10th April 2019 and were signed on its behalf by:



A Tomasio
Chairman & Managing Director

Company registered number: 00557780

Statement of Changes in Equity

	Called up Share capital £000	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	4,004	-	1,435	19,415	24,854
Total comprehensive expense for 2017					
Loss for the year	-	-	-	(4,586)	(4,586)
Balance at 31 December 2017	4,004	-	1,435	14,829	20,268
	Called up Share capital £000	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	4,004	-	1,435	14,829	20,268
Total comprehensive expense for 2018					
Loss for the year	-	-	-	(2,660)	(2,660)
Total comprehensive expense for the year	-	-	-	(2,660)	(2,660)
Balance at 31 December 2018	4,004	-	1,435	12,169	17,608

Called up share capital and share premium account

Share capital comprises the nominal value of on issue of the Company's share capital, comprising of 4,004,042 (2017: 4,004,042) ordinary shares of £1 each.

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of land and decreases to the extent that such decreases relate to an increase on the same asset previously recognised.

Notes

(forming part of the financial statements)

1 Authorisation of financial statements and statement of compliance with FRS101

versalis uk limited (the "Company") is a Company incorporated and domiciled in the UK. The registered office is listed on page 3. The operations and principal activities of the Company are discussed in the Strategic Report. The financial statements for the year ended 31 December 2018 were authorised for issue by the board of directors on the date shown on the Statement of Financial Position which was signed on the board's behalf by Mr A Tomasino.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and in accordance with applicable accounting standards.

The Company's ultimate parent undertaking as at 31 December 2018, Eni SpA includes the Company in its consolidated financial statements. The consolidated financial statements of Eni SpA are prepared in accordance with adopted IFRS and are available to the public and may be obtained from Eni S.p.A, Piazzale E. Mattei 1, 00144 Rome, Italy.

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

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 45(b) and 46-52 of IFRS 'Share based payments';
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose transactions with other wholly owned subsidiaries of the Eni S.p.A group.

As the consolidated financial statements of Eni S.p.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* by IFRS 7 Financial Instrument Disclosures and IAS 36 Impairment of Assets.

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

Notes (continued)

1 Authorisation of financial statements and statement of compliance with FRS101 (continued)

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 2.16.

The Company's functional currency is Sterling. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2 Accounting policies

2.1 Measurement convention

The financial statements are prepared on the historical cost basis modified to include the re-evaluation of certain land and buildings.

2.2 Going concern

The Company is reliant on the loan facilities provided to it by other group entities. These facilities, adequate to meet the working capital requirements of the company, are expected to be made available through 2019 and 2020. The directors, having made appropriate enquiries and receiving relevant support, have therefore formed a judgement, at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

2.3 Foreign currency

Transactions in currencies other than the entity's functional currency ("foreign currencies") are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Initial recognition and measurement

All financial instruments within the scope of IAS 39 are recognised initially at fair value, subject to any directly attributable transaction costs for relevant instruments in line with their classification under IAS 39.

Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Notes (continued)

Accounting policies (continued)

2.4 Non-derivative financial instruments (continued)

Financial instruments at fair value through profit and loss

Financial instruments at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Loans and receivables

Loans and receivables are subsequently measured at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Interest-bearing borrowings

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

2.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Notes (continued)

Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold interest term of lease or 50 years whichever is lower
- Freehold buildings 10 to 27 years
- Plant and equipment 7 to 15 years

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

2.8 Intangible assets

Intangible assets

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

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Licences 5 years

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

Accounting policies (continued)

2.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or "CGU") which for the company represents each production location. Central costs are then allocated to each CGU proportionally. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income in administrative expenses.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Employee benefits

Defined contribution plans

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

Short-term benefits

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

Notes (continued)

Accounting policies (continued)

2.11 Employee benefits (continued)

Termination benefits

Termination benefits are recognised as an expense when the Company has announced that it is committed, without realistic possibility of withdrawal, to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

2.12 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.13 Turnover

Turnover represents sales to customers net of rebates and any other applicable deductions and excludes value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. This is deemed to be at the point at which the customer assumes the risk of product ownership, normally on delivery of the product to the customers.

2.14 Expenses

Operating lease payments

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

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income includes net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

2.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

Accounting policies (continued)

2.15 Taxation (continued)

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

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

2.16 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Tangible Fixed Assets

The results of the Company are showing a loss for the year ended 31 December 2018 and 2017. An impairment review has been performed which shows that no adjustment is required to the carrying value of the tangible fixed assets.

Stocks

In preparing these financial statements the Company has estimated the valuation of stock totalling £28.1 million (2017: £25.2 million) at the balance sheet date based on the stated accounting policy and recorded a net realisable value provision of £1.9 million (2017: £2.5 million) against stocks resulting from volatility in commodity prices after the balance sheet date. As further information became available after the balance sheet date the provision recognised within the financial statements reflects this information accordingly (see note 13).

Provisions

No provisions were provided or released during the year leaving no provision at the balance sheet date.

Taxation

Judgement is required to determine the amount of deferred tax assets that can be recognised in the accounts, based upon the likely timing reversals and level of future taxable profits. The outcome of this review has been to restrict the deferred tax asset recognised in the Company's accounts to £0.5 million (2017: £0.5 million) (see note 17).

Notes (continued)

3 Turnover

	2018 £000	2017 £000
Sale of goods	130,339	125,750
Total turnover	<u>130,339</u>	<u>125,750</u>

	2018 £000	2017 £000
By geographical market:		
UK & Eire	2,441	2,411
Other European countries	97,472	89,183
Rest of the world	30,426	34,156
	<u>130,339</u>	<u>125,750</u>

4 Expenses and auditor's remuneration

Included in operating loss are the following:

	2018 £000	2017 £000
Depreciation of property, plant and equipment	4,067	3,696
Operating lease payments	2,145	1,798
Net foreign currency exchange differences (gain)/loss	(201)	860
Cost of stocks recognised as an expense (included in cost of sales)	93,493	91,547
Write (back)/down of stock to net realisable value	(578)	2,498

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	64	64

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2018	2017
Production	144	143
Administration	6	7
	<hr/>	<hr/>
	150	150
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	6,796	6,616
Social security costs	722	758
Expenses related to pension plans	473	478
	<hr/>	<hr/>
	7,991	7,852
	<hr/>	<hr/>

Expenses related to pension plans are wholly in relation to defined contribution schemes

6 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	218	228
Company contributions to money purchase pension plans	6	17
	<hr/>	<hr/>
	224	245
	<hr/>	<hr/>

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined Contribution pension scheme	-	-
	<hr/>	<hr/>

Notes (continued)

7 Administrative Expenses

	2018	2017
	£000	£000
Administrative expenses before separately disclosed exceptional items	(7,133)	(8,370)
Exceptional Items:		
Release of closure provision for Hythe site (Note 18)	-	750
	<u>(7,133)</u>	<u>(7,620)</u>
	<u><u>(7,133)</u></u>	<u><u>(7,620)</u></u>

8 Other interest receivable and similar income

	2018	2017
	£000	£000
Interest income on unimpaired financial assets with group companies	-	-
	<u>-</u>	<u>-</u>
Total interest receivable and similar income	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

9 Interest payable and similar charges

	2018	2017
	£000	£000
Interest on overdrafts with group companies	1	1
Interest on loan notes with group companies	401	193
Charges paid to third parties	3	-
	<u>405</u>	<u>194</u>
Total interest payable and similar charges	<u><u>405</u></u>	<u><u>194</u></u>

Notes (continued)

10 Taxation

Recognised in the profit and loss account

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
	<hr/>		<hr/>	
Total current tax		<hr/>		<hr/>
		-		-
<i>Deferred tax (see note 17)</i>				
Origination and reversal of temporary differences	-		-	
Impact of change in tax laws and rates	-		-	
	<hr/>		<hr/>	
Total deferred tax		<hr/>		<hr/>
		-		-
Tax on loss on ordinary activities		<hr/>		<hr/>
		-		-
		<hr/>		<hr/>

Notes (continued)

10 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Loss for the year	(2,660)	(4,586)
Total tax expense	-	-
	<hr/>	<hr/>
Loss excluding taxation	(2,660)	(4,586)
	<hr/>	<hr/>
Tax using the applicable UK corporation tax rate of 19.00 % (2017: 19.25%)	(506)	(883)
Non-deductible expenses	-	-
Tax timing differences not recognised	506	883
	<hr/>	<hr/>
Total tax expense	-	-
	<hr/>	<hr/>

The tax reconciliation above reflects the reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017). Further reductions to 17% (effective 1 April 2020) were substantively enacted in 2017. This will reduce the Company's future current tax charge accordingly.

11 Intangible assets

	Licences £000
Cost	
Balance at 1 January 2018 and 31 December 2018	571
	<hr/>
Amortisation and impairment	
Balance at 1 January 2018 and 31 December 2018	(571)
	<hr/>
Net book value	
At 1 January 2018 and 31 December 2018	-
	<hr/>

Notes (continued)

12 Tangible fixed assets

	Land And Buildings £000	Plant, machinery and other equipment £000	Total £000
Cost			
Balance at 1 January 2018	1,492	141,206	142,698
Additions	2,786	976	3,762
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	4,278	142,182	146,460
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Balance at 1 January 2018	-	95,704	95,704
Depreciation charge for the year	-	4,067	4,067
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	-	99,771	99,771
	<hr/>	<hr/>	<hr/>
 At 1 January 2018	 1,492	 45,502	 46,994
	<hr/>	<hr/>	<hr/>
 At 31 December 2018	 4,278	 42,411	 46,689
	<hr/>	<hr/>	<hr/>

Capitalised borrowing costs

The amount of borrowing costs capitalised into tangible fixed assets during the year ended 31 December 2018 was £nil (2017: £2,942), using an average borrowing rate of 0.70% for the borrowing in GBP, and 0.12125% for the borrowing in Euro (2017 £41,000 using an average borrowing rate of 0.58%). The group loan notes are repayable over short periods (usually 2 weeks) and have an interest rate based on LIBOR plus a margin. The net rate varied between 0.12% and 0.84% during the year depending on the currency.

Notes (continued)

13 Stocks

	2018 £000	2017 £000
Raw materials, consumables and work in progress	5,154	4,247
Finished goods	21,207	19,316
Engineering spares	1,754	1,672
	<u>28,115</u>	<u>25,235</u>

14 Debtors

	2018 £000	2017 £000
Trade debtors	12,615	12,388
Amounts owed by group undertakings	10,955	7,869
Other debtors	1,409	1,664
Prepaid pension scheme contributions	-	9
Prepayments and accrued income	1,633	1,328
	<u>26,612</u>	<u>23,258</u>

15 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Group companies : loan notes - unsecured	57,000	56,000
Group companies : overdrafts - unsecured	222	-
Trade creditors	17,000	11,473
Amounts owed to group undertakings	3,132	2,559
Taxation and social security	329	327
Accruals and deferred income	6,517	5,498
	<u>84,200</u>	<u>75,857</u>

The group loan notes are repayable over short periods (usually 2 weeks) and have an interest rate based on LIBOR plus a margin. The net rate varied between 0.12% and 0.81% during the year depending on the currency. The group overdraft attracts a flat rate of interest of 5% for Euro and 7% for GBP and USD.

16 Creditors: amounts falling due after more than one year

	2018 £000
Balance at 1 January 2018	453
Amounts payable in less than one year	(43)
	<u>410</u>
Balance at 31 December 2018	410

Notes (continued)

17 Deferred tax

The gross deferred tax is as follows:

	2018 £000	2017 £000
Deferred tax liability		
Capital allowances lower than depreciation	-	-
Other timing differences	(469)	(469)
	<u>(469)</u>	<u>(469)</u>
Deferred tax asset		
Provision for Hythe site closure	-	-
Capital allowances higher than depreciation	3,940	5,275
Other timing differences (including trading losses)	23,102	21,315
	<u>27,042</u>	<u>26,590</u>
Recognised in the Statement of Financial Position		
Deferred tax liability	(469)	(469)
Deferred tax asset	469	469
	<u>-</u>	<u>-</u>

Net unrecognised deferred tax assets

Net deferred tax assets of £26,573,000 (2017 £26,121,000) have not been recognised due to the inherent uncertainties as to exactly when taxable profits will be available against which the timing differences will reverse and losses carried forward can be utilised.

Notes (continued)

18 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £392,917 (2017: £531,000)

19 Authorised, issued and called up share capital

In thousands of shares	Ordinary shares	
	2018	2017
On issue at 1 January	4,004	4,004
On issue at 31 December – fully paid	4,004	4,004
	2018	2017
	£000	£000
<i>Allotted, called up and fully paid</i>		
4,004,042 Ordinary shares of £1 each	4,004	4,004
(1 Ordinary share of £1.00 was issued in November 2017.)	4,004	4,004
Shares classified in shareholders' funds	4,004	4,004
	4,004	4,004

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20 Operating leases

Future total minimum rentals payable under non-cancellable operating leases are as follows:

	2018	2017
	£000	£000
Plant, vehicles and equipment:		
Less than one year	68	34
Between one and five years	83	34
More than five years	-	-
	151	68

The Company has entered into commercial leases on plant & machinery, motor vehicles, ICT items and office equipment.

All other operating leases have an average duration of 3 years.

Notes (continued)

20 Operating leases (continued)

During the year £2,145,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £1,798,000).

21 Commitments

Capital commitments

During the year ended 31st December 2018, the Company did not enter into any contracts to purchase property, plant and equipment which generated a capital commitment at the year end date (2017: £-). No values have been provided for in relation to these costs in the financial statements.

22 Contingencies

The Company has no contingent assets or liabilities at the balance sheet date.

23 Related parties

versalis uk limited has taken advantage of FRS 101.8(j) not to disclose transactions with fellow wholly owned group companies.

24 Ultimate parent Company and parent Company of larger group

The Company is a subsidiary undertaking of versalis SpA, which is the immediate parent Company incorporated in Italy. The ultimate controlling party is Eni SpA, incorporated in Italy.

The largest group in which the results of the Company are consolidated is that headed by Eni SpA, Italy, and the smallest group is that headed by versalis S.p.A. Italy. The consolidated financial statements of these groups are available to the public and may be obtained from Eni SpA, Piazzale E. Mattei, 1, 00144 Rome, Italy.