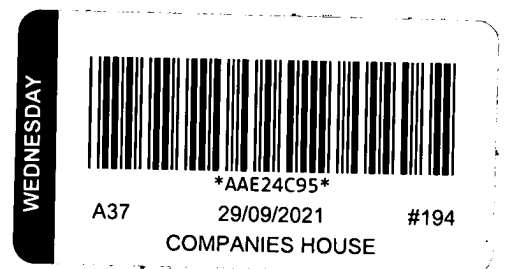


Registration number: 09121775

INEOS Upstream Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



INEOS Upstream Limited

Contents

Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 6
Independent Auditor's Report	7 to 10
Income Statement	11
Statement of Comprehensive Income	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 to 31

INEOS Upstream Limited

Company Information

Directors	Tom Pickering Douglas Scott Michael Llewellyn
Company secretary	Gemma McLucas Cordelia Pace
Registered office	Anchor House 15-19 Britten Street London SW3 3TY
Solicitor	Slaughter and May 1 Bunhill Row London EC1Y 8YY
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP
Independent Auditor	Deloitte LLP Statutory Auditor Union Plaza 1 Union Wynd Aberdeen United Kingdom AB10 1SL

INEOS Upstream Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present the strategic report of INEOS Upstream Limited ("the Company") for the year ended 31 December 2020.

Fair review of the business

Operationally, the focus of the business continued to be on two sites (Tinker Lane and Springs Road), both operated by our joint venture partner IGas and INEOS Upstream Limited working interest being 45% and 40% respectively.

Drilling of the vertical well Springs Road 1 concluded on 22 March 2019. A hydrocarbon bearing shale sequence of over 250 metres was encountered within the upper and lower Bowland Shale. Significant gas indications were observed throughout the shale section and additionally within sands in the Millstone Grit sequence. This phase of data acquisition included the recovery of approximately 150 metres of shale core and an extensive wireline logging program across the Millstone Grit, and Upper and Lower Bowland Shale. An IGas press release on 27 June 2019 made public known key elements of the results in respect of key Shale Play attributes.

The initial gas readings provide an encouraging technical perspective with which to view the wider basin; however the section was considered too thin for the site to be considered as a host to further horizontal drilling and hydraulic fracture stimulation. Petrophysical and core analysis continued during 2019 in the lead up to the moratorium, which will give management further insight into the resource potential and shale characterisation that will be utilised for future appraisal and development of the wider East Midlands area. That future activity is expected to be severely restricted in the near-term due to the moratorium on hydraulic fracturing in England that was announced by the UK Government in November 2019.

As at 31 December 2020, the Company has net liabilities of £208,117,000 (2019: £205,838,000).

In 2019, Exploration and Evaluation costs written off were £63 million and there was an impairment of PPE of £0.4 million. The unsuccessful Exploration and Evaluation and impairment totalling £63 million relates to the UK Government announcing in November 2019 an effective moratorium on hydraulic fracturing in Britain. The Company concluded that the carrying value of non-current assets cannot be commercially supported and consequently the assets were fully impaired.

The strategic aim of the Company is to explore for hydrocarbons in the UK and generally help promote and develop the safe extraction of unconventional gas in the UK. The Company aspires to quickly but deliberately explore onshore opportunities in the UK and rapidly develop producing assets where that exploration is successful, upon lifting of the moratorium.

INEOS Upstream Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Normalised Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)*	£000	(1,825)	(4,395)
Loss for the financial year	£000	(2,279)	(77,545)

* The normalised EBITDA has been adjusted for non-recurring expenses such as impairment loss, unsuccessful exploration and evaluation and gain/loss on disposals.

The main KPI of the business is earnings before interest, taxation, depreciation, amortisation and exceptional items (Normalised EBITDA). Management closely monitors Normalised EBITDA compared to budget and prior year.

Normalised EBITDA is a Non GAAP measure with a reconciliation to the GAAP measure below:

	2020 £ 000	2019 £ 000
Operating loss	(2,047)	(69,303)
Depreciation and Amortisation charge for the year	-	87
EBITDA	<u>(2,047)</u>	<u>(69,216)</u>
Unsuccessful evaluation and exploration activities	-	63,081
Impairment loss on property plant and equipment	-	1,740
Write-down of inventory to net realisable value	222	-
Normalised EBITDA	<u>(1,825)</u>	<u>(4,395)</u>

Principal risks and uncertainties

Climate change and transition to low carbon economy

The Company recognises the scientific consensus on climate change and has committed to reduce its own emissions, and, as part of the wider Oil and Gas industry, will continue to play a vital role in delivering a low-carbon solution. The Company is continuously reviewing its process to improve the environmental performance of its operations. The Company acknowledges the global trend to move toward net zero carbon emissions. Depending on the nature and speed of any such changes and the Company's response, this could adversely affect the Company's financial performance and competitiveness.

The impact of the UK's exit from the European Union (EU) ("Brexit")

On 31 January 2020, the UK withdrew from the EU, entering into the one-year transition period during which a new trade agreement was negotiated. During the transition period, most EU law continued to apply to the UK and therefore to the Company's UK business during that period. On 30 December 2020, the EU-UK Trade and Cooperation Agreement was signed between the European Union (EU) and the UK. The Company continues to face uncertainties as the future relationship with the EU changes. However, the Company considers that the direct impact of these uncertainties is limited in the short term. The Company will continue to monitor this aspect.

INEOS Upstream Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

The impact of the emergence and spread of Coronavirus ("COVID-19")

The spread of COVID-19, actions from OPEC+ together with oversupply caused a significant drop in the oil and gas price in 2020. The Company is closely monitoring the evolution of the COVID-19 outbreak and is following the World Health Organisation and local governments' advice. The Company has taken measures to mitigate the risk to keep employees safe and the fields operational, such as requesting all staff who are able to do so to work from home and introducing social distancing measures on all premises.

Approved by the Board on 24 September 2021 and signed on its behalf by:



Michael Llewellyn
Director

INEOS Upstream Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Directors of the Company

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

Gareth Anderson (resigned 11 November 2020)

Tom Pickering

Douglas Scott (appointed 11 September 2020)

David Brooks (resigned 11 September 2020)

Geir Tuft (resigned 18 February 2020)

Adrian Coker (appointed 2 November 2020 and resigned 29 January 2021)

Michael Llewellyn (appointed 2 November 2020)

Principal activities

The principal activity of the Company is the exploration and evaluation of land leading to development and ultimately production of shale gas. See strategic report for update on exploration and evaluation activities.

Dividends

The Directors do not propose the payment of a dividend (2019: £Nil).

Financial instruments

Objectives and policies

The strategic aim of the Company is to explore for hydrocarbons in the UK and generally help promote and develop the safe extraction of unconventional gas in the UK. The Company aspires to quickly but deliberately explore onshore opportunities in the UK and rapidly develop producing assets where that exploration is successful. The Company also continues to incur costs relating to potential offshore acquisitions.

Future developments

Oil and gas prices have improved in early 2021 from the lows experienced in 2020 with development and approval of several COVID-19 vaccines, OPEC+'s supply management, together with economic rebound in Asia from COVID-19. With successful rollout of vaccination and continued virus control measures, a more positive outlook is beginning to evolve for the industry and global economy, however there continues to be significant uncertainty on how the pandemic evolves and its impact on macroeconomic conditions and oil and gas prices.

Although the directors cannot predict the extent and duration of the pandemic, the improved market conditions in 2021 have indicated that the Company, in combination with the financial support of INEOS Industries Limited, would still have sufficient cash flow to meet all of its obligations as they fall due.

The strategic aim of the Company remains the exploration for hydrocarbons in the UK and generally help promote and develop the safe extraction of unconventional gas in the UK and the Company is hopeful of the lifting of the moratorium in the near future.

The Company looks forward to the coming years with optimism in developing near term resources in a safe, reliable and profitable manner.

INEOS Upstream Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

As at 31 December 2020, the Company has net liabilities of £208,117,000 (2019: £205,838,000); however, the Company meets its day-to-day working capital requirements through its intercompany loan facility. The Directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

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 he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Director's responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

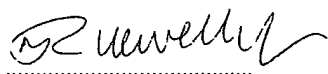
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law),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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Approved by the Board on 24 September 2021 and signed on its behalf by:



Michael Llewellyn
Director

INEOS Upstream Limited

Independent Auditor's Report to the Members of INEOS Upstream Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of INEOS Upstream Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Accounting Policies; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's 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 company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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.

INEOS Upstream Limited

Independent Auditor's Report to the Members of INEOS Upstream Limited (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

INEOS Upstream Limited

Independent Auditor's Report to the Members of INEOS Upstream Limited (continued)

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Health and Safety and tax legislation and the sector it operates in; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included Company operating licence and environmental regulations.

We discussed among the audit engagement team and relevant internal specialists such as tax 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.

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 and reviewing correspondence with local tax authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

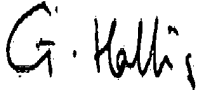
We have nothing to report in respect of these matters.

INEOS Upstream Limited

Independent Auditor's Report to the Members of INEOS Upstream Limited (continued)

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.



.....
Graham Hollis ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

24 September 2021

INEOS Upstream Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue		263	-
Cost of sales		<u>(1,081)</u>	<u>(64,144)</u>
Gross loss		(818)	(64,144)
Administrative expenses		<u>(1,229)</u>	<u>(5,159)</u>
Operating loss	4	<u>(2,047)</u>	<u>(69,303)</u>
Finance income	7	4	6
Finance costs	8	<u>(236)</u>	<u>(8,248)</u>
Net financing costs		<u>(232)</u>	<u>(8,242)</u>
Loss before tax		(2,279)	(77,545)
Tax	9	<u>-</u>	<u>-</u>
Loss for the financial year attributable to owners of the Company		<u><u>(2,279)</u></u>	<u><u>(77,545)</u></u>

The above results were derived from continuing operations.

INEOS Upstream Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Loss for the year	<u>(2,279)</u>	<u>(77,545)</u>
Total comprehensive loss for the year attributable to the owners of the Company	<u><u>(2,279)</u></u>	<u><u>(77,545)</u></u>

INEOS Upstream Limited

(Registration number: 09121775)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Current assets			
Inventories	13	-	215
Trade and other receivables	14	822	1,144
Cash and bank balances	15	2,855	3,061
		<u>3,677</u>	<u>4,420</u>
Total assets		<u>3,677</u>	<u>4,420</u>
Current liabilities			
Trade and other payables	16	(409)	(374)
Loans and borrowings	19	(2,597)	(1,198)
Provisions	17	(20)	(20)
		<u>(3,026)</u>	<u>(1,592)</u>
Total assets less current liabilities		<u>651</u>	<u>2,828</u>
Non-current liabilities			
Loans and borrowings	19	(191,243)	(191,243)
Provisions	17	(17,525)	(17,423)
		<u>(208,768)</u>	<u>(208,666)</u>
Total liabilities		<u>(211,794)</u>	<u>(210,258)</u>
Net liabilities		<u>(208,117)</u>	<u>(205,838)</u>
Equity			
Share capital	18	-	-
Retained deficit		<u>(208,117)</u>	<u>(205,838)</u>
Equity attributable to owners of the Company		<u>(208,117)</u>	<u>(205,838)</u>

The financial statements on pages 11 to 31 were approved by the Board on 24 September 2021 and signed on its behalf by:



Michael Llewellyn
Director

INEOS Upstream Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2020	-	(205,838)	(205,838)
Loss for the year	-	(2,279)	(2,279)
Total comprehensive loss	-	(2,279)	(2,279)
At 31 December 2020	-	(208,117)	(208,117)

	Share capital £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2019	-	(128,293)	(128,293)
Loss for the year	-	(77,545)	(77,545)
Total comprehensive loss	-	(77,545)	(77,545)
At 31 December 2019	-	(205,838)	(205,838)

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom and registered in England and Wales.

The address of its registered office is:

Anchor House
15-19 Britten Street
London
SW3 3TY
United Kingdom

These financial statements were authorised for issue by the Board on 24 September 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with the Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in British pound sterling (£), which is also the Company's functional currency. All the amounts in the financial statements have been rounded to the nearest £'000.

Summary of disclosure exemptions

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

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- The requirements of IFRS 7 'Financial Instruments: Disclosures' as the relevant disclosures have been made in the consolidated financial statements of the parent company, INEOS Industries Limited.
- Paragraph 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - I. paragraph 79(a)(iv) of IAS 1;
 - II. paragraph 73(e) of IAS 16 Property, plant and equipment;
 - III. paragraph 118(e) of IAS 38 Intangible assets (reconciliation between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.
- The requirements of paragraph 58 of IFRS 16 'Leases'.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets' as the relevant disclosures have been made in the consolidated financial statements of the parent company, INEOS UK E&P Holdings Limited.

Changes in significant accounting policies

Adoption for new and revised standards for 2020

The Company has adopted the following amendments to accounting standards for the first time in 2020 with effect from 1 January 2020, although none have had a material effect on the Company's financial statements in the year unless otherwise indicated:

- Amendments to IFRS 3: Definition of a Business has been adopted from 1 January 2020. The Company has applied this amendment to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business of a group of assets. The details of accounting policies are set out below;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform has been adopted from 1 January 2020. This has been applied retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to any gain or loss accumulated in the cash flow hedging reserve that existed at 1 January 2020;

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- Amendments to References to the Conceptual Framework in IFRS Standards: The Conceptual Framework for Financial Reporting is the foundation on which the IASB develops new accounting standards. The revised Framework is more comprehensive than the old one - its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures; and
- Amendments to IAS 1 and IAS 8: Definition of Material: The IASB refined its definition of material to make it easier to understand. "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

New and revised accounting standards not applied

A number of new standards and amendments are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The impact of their adoption is being assessed and is not expected to have a material impact on the Company's financial statements in the period of initial application unless otherwise indicated.

- Amendment to IFRS 16- COVID-19- Related Rent Concessions (effective date 1 June 2020);
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform - Phase 2 (effective date 1 January 2021);
- Amendments to IAS 37: Onerous Contracts-Cost of Fulfilling a Contract (effective date 1 January 2022);
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment-Proceeds before Intended Use (effective date 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022);
- IFRS 17 Insurance Contracts (effective date 1 January 2023); and
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023).

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of INEOS Industries Limited. The directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed.

Exemption from preparing group financial statements

The financial statements contain information about INEOS Upstream Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, INEOS Industries Limited, a company incorporated in United Kingdom.

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Finance income and expense

Finance expenses comprise interest payable and other finance charges, unwinding of the discount on provisions, and net foreign exchange losses. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Finance income includes interest receivable on funds invested and net foreign exchange gains.

Finance income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end 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 statement of comprehensive income.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax on the profit or loss for the period comprises tax. Tax is recognised in the income statement 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 period end date, and any adjustment to tax payable in respect of previous years.

Property plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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.

The carrying amount of property, plant and equipment is reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Company makes an estimation of 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 impaired and 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.

Oil and gas properties

Oil and gas properties are carried at cost, net of accumulated depletion and accumulated impairment losses. Depletion and depreciation of the capitalised costs for producing oil and gas properties is provided by the unit-of-production method based upon estimated recoverable oil and gas reserves. Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Depreciation

Depletion and depreciation of the capitalised costs for producing oil and gas properties is provided by the unit-of-production method based upon estimated recoverable oil and gas reserves. The unit-of-production method used by the Company takes the current year's production as a proportion of the sum of the estimated recoverable reserves at the end of the prior year and current year production, and applies this proportion to the undepleted cost to determine a charge for the year.

Asset class

Oil and gas properties

Depreciation method and rate

3-7 years

Intangible assets

Exploration & Evaluation

The Company follows a successful efforts accounting policy for oil and gas assets. The success or failure of each exploration or appraisal effort is assessed on a well-by-well basis. Exploration costs prior to obtaining the licence interest are charged to the profit and loss account as they are incurred.

Exploration and evaluation expenditure associated with an exploration well, including related exploration and evaluation activities are initially capitalised as intangible assets. If the prospects are determined to be successful on completion of evaluation and the project is initially sanctioned by management, the relevant expenditure including licence acquisition costs are capitalised as oil and gas properties.

If the prospects are subsequently determined to be unsuccessful, and the asset is impaired, the associated costs are expensed in the period in which that determination is made.

Investments

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid, less accumulated impairment losses.

Inventories

Inventories consist of petroleum, condensate, liquid petroleum gas and materials. Inventories are valued at the lower of cost and net realisable value. Cost is determined using a weighted average of purchase prices. Provision is made for obsolete, slow-moving and defective items where appropriate.

Long lead items and other special material, which are only purchased for a particular property or approved project are classified as property, plant and equipment.

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. Provisions are determined by discounting the expected future cash flows at a rate that reflects risks specific to the liability.

Decommissioning and restoration

The Company makes full provision for the future costs of the decommissioning and restoration of oil and gas properties on a discounted basis. The decommissioning and restoration provision relates to total cost of plugging and abandoning the existing wells and any costs associated with returning the sites to their original use. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also recognised. The asset is depleted using the unit of production method. The unwinding of discount in the net present value of the total expected cost is treated as an interest expense. Changes in the estimates are reflected prospectively over the remaining life of the field.

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Interests in joint ventures (joint operation)

The Company's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator the Company takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis. Joint venture expenses and the Company's entitlement to production are recognised on a pro rata basis according to the Company's joint venture interest.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial 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 intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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").

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

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.

Share capital

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

Financial instruments

Classification and measurement

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.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Financial assets at amortised cost

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 the 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 recognition at amortised cost they are recognised at fair value through profit and loss.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Company and therefore is not considered highly liquid, it is disclosed within other receivables in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing loans/borrowings

Interest-bearing loans/borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. They are included in current assets/liabilities, except for maturities greater than 12 months after the end of the reporting period.

Financial liabilities at amortised cost

Trade and other payables

Trade payables are obligations to pay for products or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as amounts falling due after more than one year.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment of financial assets

Measurement of Expected Credit Losses

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost. The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade receivables and contract assets. This approach requires the Company to recognise the lifetime expected loss provision for all trade receivables taking in consideration historical as well as forward looking information.

Financial assets which are considered low risk are not provided for impairment by the Company.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The Company prepares its financial statements in accordance with FRS 101, which requires management to make judgements, estimates and assumptions which affect the application of accounting policies, and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods. There are no critical judgements.

The following areas are considered to involve a significant degree of estimation:

Estimates - Provisions

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related assets and depreciated over its estimated useful life.

Other provisions are recognised in the year when it becomes probable that there will be future outflow of funds resulting from past operations or events that can be estimated with reasonable accuracy. The timing of the recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Estimates of the amount of provisions recognised are based on current legal and constructive requirements, technology, and prices. Because actual outflows can differ from the estimate due to changes in laws, regulations, public expectation, technology, prices and can take place many years in the future, the carrying amounts of the provisions are regularly reviewed and adjusted to take account of such changes.

The decommissioning of oil and gas assets may not be due to occur for many years into the future. Consequently, judgement is required in relation to the estimated cash flows, removal date, environmental legislation, inflation and discount rate used to calculate present value.

The Company has provided for its share of the estimated decommissioning and restoration costs of its exploration sites of £17,545,000 (2019: £17,443,000) and the discount rate utilised is 0.48% (2019: 0.95%). Decommissioning is expected to occur after the sites have reached the end of their economic useful life or have been determined to be unfeasible. Decommissioning is due to commence in 2024, however, this is subject to delay following the UK Government's November 2019 moratorium on shale production.

The nature and amount of provisions included in the financial statements are detailed in note 17.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Operating loss

Arrived at after charging:

	2020 £ 000	2019 £ 000
Depreciation expense (note 10)	-	87
Foreign exchange losses	4	27
Unsuccessful exploration and evaluation activities	-	63,081
Impairment of assets (note 10)	-	1,740
Write-down of inventory to net realisable value (note 13)	222	-
	<u>222</u>	<u>-</u>

5 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	22	21
	<u>22</u>	<u>21</u>

6 Directors and employees

There were no employees with contracts of employment in the name of the Company during the year (2019: none).

None of the Directors received any fees or remuneration for services as a director of the Company during the financial year (2019: none).

7 Finance income

	2020 £ 000	2019 £ 000
Interest income from group undertakings	1	2
Net foreign exchange gains	3	4
	<u>4</u>	<u>6</u>

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Finance costs

	2020 £ 000	2019 £ 000
Interest paid to group undertakings	58	8,050
Foreign exchange losses	10	-
Unwinding discount on decommissioning and restoration provision (note 17)	168	198
	<u>236</u>	<u>8,248</u>

9 Tax

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 40% (2019: 40%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	<u>(2,279)</u>	<u>(77,545)</u>
Corporation tax at standard rate	(911)	(30,794)
Increase from effect of capital allowances depreciation	-	52
Increase from effect of expenses not deductible in determining taxable profit	27	3,223
Decrease from tax losses for which no deferred tax asset was recognised	884	27,519
Total tax charge/(credit)	<u>-</u>	<u>-</u>

The Company had not commenced trade at the balance sheet date. When trade does commence, the Company's trading activities are expected to be within the UK oil and gas ring fence regime, with tax relief for qualifying pretrading expenditure available at that time. The applicable ring fence tax rate during the year was 40% comprising 30% ring fence corporation tax and 10% supplementary charge. These were also the substantively enacted rates at the balance sheet.

However, on 11 March 2021, during Budget 2021, the government announced that the main rate of corporation tax will increase to 25% from 1 April 2023. Given that the Company is not providing any deferred tax at that rate this change will not have any impact on the recorded tax position.

The Company has not provided deferred tax on net deductible temporary differences of £177,461,000 (2019: £62,413,000) which are available to offset against future trading profit. The Directors consider that the Company should not recognise any deferred tax asset as there is insufficient certainty over the future utilisation of its deferred tax assets.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Property plant and equipment

	Land and buildings £ 000	Oil and gas properties £ 000	Total £ 000
Cost			
At 1 January 2020	130	18,639	18,769
At 31 December 2020	130	18,639	18,769
Accumulated depreciation and impairment			
At 1 January 2020	130	18,639	18,769
At 31 December 2020	130	18,639	18,769
Carrying amount			
At 31 December 2020	-	-	-
At 31 December 2019	-	-	-

11 Joint operations

Joint control is defined as “the contractually agreed sharing of control of an arrangement, which exist only when the decisions about the relevant activities require the unanimous consent of the parties sharing controls”. All of the joint operations of the Company are subject to Joint Operating Agreements (JOAs) which fall into this category and where the participants in the agreements are entitled to a share of all the assets, and obligations of all the liabilities of the operations, rather than a share of the net assets.

The contractual agreement for the licence interests in which the Company has an investment do not typically convey control of the underlying joint arrangement to any one party, even where one party has a greater than 50% equity ownership of the area of interest.

The Company's material joint operations as at 31 December 2020 are:

Block	Licence	Operator	INEOS Upstream Limited Net % Interest
SJ59a	EXL273	INEOS Upstream Limited	85%
SJ75, SJ76	PEDL 293	INEOS Upstream Limited	70%
SJ64, SJ65	PEDL 295	INEOS Upstream Limited	70%
SJ58b, SJ58c, SJ58d	PEDL 145	INEOS Upstream Limited	60%

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Joint operations (continued)

Block	Licence	Operator	INEOS Upstream Limited Net % Interest
SJ68, SJ60e, SJ79	PEDL 193	INEOS Upstream Limited	60%
SJ37, SJ27, SJ28	PEDL 184	Island Gas Limited	50%
SJ47	PEDL 190	Island Gas Limited	50%
SK68b, SK58b	PEDL 200	Dart Energy (East England) Limited	45%
SK68a	PEDL 012	IGas Energy Development Limited	45%
SK69	PEDL 139	Island Gas Limited	40%
SK78f, SK79a	PEDL 140	Island Gas Limited	40%
SE74, SE84	PEDL 287	Cuadrilla South Cleveland Limited	30%
SE75	PEDL 342	Cuadrilla South Cleveland Limited	30%
SE85, SE95	PEDL 288	Cuadrilla South Cleveland Limited	30%
TA5, TA15	PEDL 346	Cuadrilla South Cleveland Limited	30%
SE31c, SE41e	PEDL 273	Island Gas Limited	30%
SK49, SK59b	PEDL 305	Island Gas Limited	30%
SK87c, SK88b, SK89e	PEDL 316	Island Gas Limited	30%
SE54a, SE55, SE56	PEDL 146	IGas Energy Development Limited	25%
SK87f, SK88h, SK88i, SK97a, SK98f, SK98g	PEDL 210	Dart Energy (East England) Limited	25%

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Joint operations (continued)

Block	Licence	Operator	INEOS Upstream Limited Net % Interest
SE51a, SE61a, SE61b, SE61c	EXL288	IGas Energy Development Limited	25%
NS/67, NS/77, NS/86. NS/87	PEDL 162	INEOS Upstream Limited	80%
SJ36a	PEDL 147	IGas Energy Development Limited	75%
SJ46	PEDL 189	Dart Energy (East England) Limited	75%

12 Investments

Subsidiaries

£ 000

Cost

At 1 January 2020

92

At 31 December 2020

92

Impairment provision

At 1 January 2020

92

At 31 December 2020

92

Carrying amount

At 1 January and 31 December 2020

-

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Investments (continued)

All holdings are of the ordinary shares of each subsidiary. Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
INEOS 120 Energy Limited	Dormant	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS 120 Power Limited	Dormant	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS 120 Exploration Limited	Exploration and evaluation of PEDL 120 leading to development and ultimately production of shale gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%

13 Inventories

	31 December 2020 £ 000	31 December 2019 £ 000
Finished goods and goods for resale	-	215

14 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade receivables	301	503
Amounts owed by group undertakings	420	356
Prepayments	101	274
Other receivables	-	11
Total current trade and other receivables	822	1,144

The trade and other receivables classified as financial instruments are disclosed below. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Trade and other receivables (continued)

All trade receivables are due within one year and none are overdue. All trade and other receivables are deemed as low risk and collectible on the basis of established credit management processes such as regular analyses of the creditworthiness of our customers and external credit checks where appropriate for new customers. Trade and other receivables owed by group undertakings are repayable on demand and do not accrue interest.

At 31 December 2019 and 2020, there were no significant trade, group or other receivables balances not past due that were subsequently impaired.

15 Cash at bank and in hand

	31 December 2020 £ 000	31 December 2019 £ 000
Cash at bank	2,855	3,061

16 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade payables	75	21
Accrued expenses	263	305
Amounts owed to group undertakings	-	48
Social security and other taxes	71	-
	409	374

17 Provisions

	Decommissioning and restoration provisions £ 000
At 1 January 2020	17,443
Decrease in provisions	(59)
Provisions used	(7)
Unwinding of discount	168
At 31 December 2020	17,545
Non-current liabilities	17,525
Current liabilities	20

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Provisions (continued)

The Company has provided for its share of the estimated decommissioning and restoration costs of its exploration sites. Decommissioning is expected to occur after the sites have reached the end of their economic useful life or have been determined to be unfeasible. Decommissioning is due to commence in 2024, however, this is subject to delay following the UK Government's November 2019 moratorium on shale production.

18 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

19 Loans and borrowings

	31 December 2020 £ 000	31 December 2019 £ 000
Non-current loans and borrowings		
Amounts owed to group undertakings	<u>191,243</u>	<u>191,243</u>
	31 December 2020 £ 000	31 December 2019 £ 000
Current loans and borrowings		
Amounts owed to group undertakings	<u>2,597</u>	<u>1,198</u>

Borrowings

The Company has a loan agreement with INEOS Industries Holdings Limited, payable on demand, with an interest rate of 4.5%. Interest is payable on a quarterly basis.

20 Related party transactions

During the year, the Company entered into transactions with related parties in the ordinary courses of business. The Company has also taken advantage of the exemption under paragraph 8 of Financial Reporting Standard 101 not to disclose transactions with the fellow subsidiaries under common ownership.

The notes on pages 15 to 31 form an integral part of these financial statements.

INEOS Upstream Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

21 Non adjusting events after the financial period

As part of a INEOS group-wide simplification project, the Directors intend to liquidate the Company's immediate subsidiary, INEOS 120 Exploration Limited with the interest held in licence PEDL 120 transferring to the Company.

22 Parent and ultimate parent undertaking

The Company's immediate parent is INEOS Upstream Holdings Limited.

The ultimate parent is INEOS Limited, a company incorporated in the Isle of Man.

The most senior parent entity producing publicly available financial statements, and the smallest and largest group to consolidate these financial statements is INEOS Industries Limited. These financial statements are available upon request from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom.

The ultimate controlling party is Mr J A Ratcliffe.