

# **INEOS UK E&P HOLDINGS LIMITED**

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

**Annual report and financial statements**

**Registered number SC200459**

**Year ended - 31 December 2015**

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# INESO UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

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# **INEOS UK E&P HOLDINGS LIMITED**

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## **Directors and advisers**

### **Directors**

The directors who served during the period and up to the date of signing the financial statements were as follows:

Geir Tuft (appointed 30 November 2015)  
Andrew Pizzey (appointed 30 November 2015)  
Jonathan Ginns (appointed 30 November 2015, resigned 6 May 2016)  
Dr. Paul Jeffs (resigned 21 April 2016)  
Dr. Friedrich Radwitz (appointed 1 June 2015, resigned 30 November 2015)  
Dirk Schoene (resigned 31 May 2015)  
Annette Lippold (resigned 30 November 2015)  
Dr. Thomas Kremksi (resigned 30 November 2015)  
Dr. Hans-Juergen Bister (appointed 9 May 2016)  
Adrian Coker (appointed 9 May 2016)  
Mark Hughes (appointed 9 May 2016)  
Douglas Scott (appointed 9 May 2016)

### **Company secretaries**

Stuart Corey (appointed 5 February 2015)  
Gemma McLucas (appointed 28 January 2015)  
Nicholas Mitchell (resigned 17 June 2016)

### **Registered Office**

Brodies House  
31-33 Union Grove  
Aberdeen  
Scotland  
AB10 6SD

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

### **Solicitors**

Berwin Leighton Paisner LLP  
Adelaide House  
London  
EC4R 9HA

### **Bankers**

Commerzbank AG  
30 Gresham Street  
London  
EC2P 2XY

# **INEOS UK E&P HOLDINGS LIMITED**

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## **Strategic report for the year ended 31 December 2015**

The directors present their strategic report of INEOS UK E&P Holdings Limited ("the Company") for the year ended 31 December 2015.

### **Business Review**

The Company does not trade, but is a holding company.

INEOS UK E&P Holdings Limited and its subsidiaries, INEOS UK SNS Limited, INEOS Clipper South B Limited and INEOS Clipper South C Limited (together "the Group" or "the Companies") have interests in a number of licences for the exploration, development and production of gas in various fields in the North Sea ("the Fields").

On 2 March 2015 the ultimate ownership of the company changed from RWE AG to LetterOne Holdings S.A.

DEA UK E&P Holdings Limited changed its name from RWE Dea UK Holdings Limited on 23 March 2015. On the same date, DEA UK SNS Limited changed its name from RWE Dea UK SNS Limited.

On 20 April 2015, the Department of Energy and Climate Change ("DECC") served a notice on DEA UK SNS Limited and LetterOne that requires them to effect a change of control of the Fields. DEA UK E&P Holdings Limited and LetterOne agreed to do this by 21 October 2015. Had a change of control not occurred by 21 October 2015, DECC stated that they would revoke the licences relating to the Fields, meaning that DEA UK SNS Limited would be unable to continue to undertake the exploration, development and production of gas in the North Sea.

On 9 October 2015 INEOS Offshore BCS Limited agreed to purchase the entire issued share capital of DEA UK E&P Holdings Limited. The purchase was completed on 30 November 2015.

INEOS UK E&P Holdings Limited changed its name from DEA UK E&P Holdings Limited on 1 December 2015. On the same date, INEOS UK SNS Limited changed its name from Dea UK SNS Limited. The Group began trading using the name INEOS Breagh from this date.

On 23 December 2015, the Company completed an intra-group share purchase from its immediate parent undertaking INEOS Offshore BCS Limited by acquiring 100% of issued share capital of INEOS Clipper South B Limited and INEOS Clipper South C Limited for a combined consideration of \$1. The principal asset jointly owned by the entities is an interest in the Clipper South field, of which 24% is owned by INEOS Clipper South B Limited and 1% owned by INEOS Clipper South C Limited.

### **Key performance indicators**

Given the company is a holding company and does not trade, the directors view the main KPI as being the management of the Company's investment in subsidiary undertakings. The results for the financial year include expenses relating to the impairment of assets associated with the Company's interest in oil and gas activities. The impairment of investments in subsidiary undertakings and amounts receivable from subsidiary undertakings reflect the significantly reduced cash flows from the production and sale of oil and gas by those subsidiaries due to the significant fall in commodity prices. In accordance with accounting standards the value of these investments and assets have been impaired to their recoverable amounts resulting in £299,174,000 of expense in the financial year.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Strategic report for the year ended 31 December 2015 (continued)

### Future outlook

The directors are satisfied with the results for the year and expect the Company's subsidiaries (INEOS UK SNS Limited, INEOS Clipper South B Limited, INEOS Clipper South C Limited) to participate in future licence rounds with the objective to expand their exploration portfolio in the Central and Southern North Sea and the West of Shetlands. Other activities will include studies to evaluate prospectivity in existing licences in order to mature prospects for drilling.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the Company's subsidiaries ability to find and exploit gas reserves in the United Kingdom Continental Shelf. The Company deploys highly skilled and experienced resources to identify, evaluate and financially assess development opportunities, applies the best safety and environmental practices in the production of proven gas reserves and adopts robust financial management which, together with appropriate monitoring of business performance, seeks to mitigate such risks and uncertainties. The main uncertainty is currently the volatility in market prices, with recent reduction in price impacting the assessment and development opportunities. The financial risk management process has been discussed in the directors' report.

By order of the board:



Stuart Corey  
Company secretary

30 September 2016

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of INEOS UK E&P Holdings Limited ("the Company") for the year ended 31 December 2015.

### Principal activities

The principal activity of the Company is to act as a holding company and to provide services to its subsidiary undertakings.

### Results and dividends

The loss for the financial year was £299,676,000 (2014: £1,488,000 profit) and has been transferred to reserves. The directors do not recommend the payment of any dividends (2014: nil).

### Future developments

Future developments have been discussed in the strategic report.

### Political donations and political expenditure

The Company made no political donations during the year (2014: nil).

### Post balance sheet events

Events since the balance sheet date are disclosed in note 18 of the financial statements.

### Directors

The directors of the Company during the year and up to the date of signing the financial statements are shown on page 1.

### Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of its parent company. The directors have received confirmation that the parent company intends to support the Company for at least one year after the approval of the financial statements.

### Financial risk management

The Company's operations are exposed to a variety of financial risks that include effects of credit risk, liquidity risk, and interest rate risk. The Company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the Company where appropriate.

The main financial risks which could affect the Company are set out below:

- (a) **Interest rate risk:** All borrowings are intra-group and interest on intra-group loans and receivables are at a fixed rate of 7% set by the parent company, INEOS Offshore BCS Limited. The directors review the interest rate and assess the cost benefit of interest rate hedging.
- (b) **Currency risk:** The Company undertakes transactions in various currencies. Although the significant majority of transactions are denominated in Sterling (Company's functional currency) the directors review the cost benefit of currency hedging.
- (c) **Price risk:** The Company is not exposed to price risk as it is a holding company.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Directors' report for the year ended 31 December 2015 (continued)

### Financial risk management (continued)

- (d) **Credit risk:** The Company has no significant exposure to credit risk as the majority of its receivables are due from other group companies which the directors believe will be able to meet their obligations as they fall due.
- (e) **Liquidity and cash flow risk:** The Company has no significant exposure to liquidity and cash flow risk as it is a holding company. Its main sources of income are the recharge of operating cost incurred to its subsidiary undertakings and interest received on loans and dividends. The directors consider the income sources as sufficient to meet the Company's cash requirements to service the Company's own obligations.

### Qualifying third-party indemnity provision

The directors are all covered by a Directors' and Officers' Liability Insurance policy maintained by the Company with a qualifying third party insurance company which was maintained throughout the financial period and is still in place as at the date of the approval of these financial statements.

### Statement of directors' responsibilities

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Directors' report for the year ended 31 December 2015 (continued)

### Disclosure of information to auditors

As at the date of this report, each director of the Company confirms that:

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and resolution concerning their re-appointment will be proposed at the board meeting.

By order of the board:



Stuart Corey  
Company secretary  
30 September 2016



# ***Independent auditors' report to the members of INEOS UK E&P HOLDINGS LIMITED***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, INEOS UK E&P HOLDINGS LIMITED's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.
- 

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, 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.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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### **What an audit of financial statements involves**

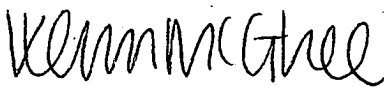
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Kevin McGhee (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 September 2016

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Profit and loss account for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Other operating income		502	1,323
<b>Operating profit</b>	2	<b>502</b>	1,323
Other interest receivable and similar income	4	1,448	1,723
Interest payable and similar charges	5	(2,420)	(1,128)
Impairment	6	(299,174)	-
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(299,644)</b>	1,918
Tax on (loss) / profit on ordinary activities	7	(32)	(430)
<b>(Loss) / profit for the financial year</b>		<b>(299,676)</b>	1,488

The above results relate to continuing operations.

The Company has no other comprehensive income and therefore no separate statement of comprehensive income has been presented.

The notes on pages 12 to 26 form part of the financial statements.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Intangible assets	8	328	367
Tangible assets	9	1,100	939
Investments	10	0	155,793
		<b>1,428</b>	<b>157,099</b>
<b>Current assets</b>			
Debtors	12	7,218	161,671
Deferred tax	13	151	164
Cash at bank and in hand	11	9,089	-
<b>Total current assets</b>		<b>16,458</b>	<b>161,835</b>
Creditors: amounts falling due within one year	14	(84,064)	(85,512)
<b>Net current assets</b>		<b>(67,606)</b>	<b>76,323</b>
<b>Total assets less current liabilities</b>		<b>(66,178)</b>	<b>233,422</b>
Provisions for liabilities	15	(566)	(490)
<b>Net assets</b>		<b>(66,744)</b>	<b>232,932</b>
<b>Capital and reserves</b>			
Called up share capital	17	74,327	74,327
Capital redemption reserve		22,547	22,547
Profit and loss account		(163,618)	136,058
<b>Total shareholder's funds</b>		<b>(66,744)</b>	<b>232,932</b>

The financial statements on pages 9 to 26 were approved by the board of directors on 30 September 2016 and were signed on its behalf by:



Andrew Pizzey  
Director

Company registered number: SC200459

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholder's funds / (deficit) £'000
Balance at 1 January 2014	74,327	22,547	134,570	231,444
Profit for the financial year	-	-	1,488	1,488
<b>Balance at 31 December 2014</b>	<b>74,327</b>	<b>22,547</b>	<b>136,058</b>	<b>232,932</b>
Loss for the financial year	-	-	(299,676)	(299,676)
<b>Balance at 31 December 2015</b>	<b>74,327</b>	<b>22,547</b>	<b>(163,618)</b>	<b>(66,744)</b>

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies

#### 1.0 Accounting convention

INEOS UK E&P Holdings Limited (the "Company"), incorporated and domiciled in the UK, is a private limited company involved in the holding of investments in subsidiary companies.

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 Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied the requirements of paragraphs 6 to 33 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* except for the requirement of paragraph 6 and 21 to present an opening statement of financial position at the date of transition. Details are included in note 22.

The Company's ultimate parent undertaking (refer note 21) include the Company in their consolidated financial statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are available to the public.

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

- presentation of an opening statement of financial position at the date of transition;
- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the Company's ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit or loss or as available-for-sale. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies (continued)

#### 1.2 Going concern

The financial statements of the Company have been prepared on the going concern basis. The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the parent company. The directors have received confirmation that the parent company intends to support the Company for at least one year after the approval of the financial statements.

#### 1.3 Foreign currency

The financial statements are presented in Pound Sterling which is the functional currency of the Company. Transactions in 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.

All the amounts in the financial statements have been stated to the nearest £'000.

#### 1.4 Non-derivative financial instruments

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

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

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

##### *Investments in debt and equity securities*

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

##### *Loans and borrowings*

Interest-bearing loans/borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans/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.

##### *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

#### 1.5 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies (continued)

#### 1.6 Tangible assets

Tangible assets are stated at historical 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 on a straight line basis over the estimated useful lives of each part of the tangible fixed assets. Depreciation commences from the date an asset is brought into service.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The carrying amount of tangible fixed assets 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.

#### 1.7 Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses. These intangible assets primarily represent software licence fees that are not an integral part of the related hardware.

Amortisation is charged on a straight line basis over the estimated useful life from the date the asset is available to use. The estimated useful life of software is up to 15 years.

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

#### 1.8 Investments

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

#### 1.9 Impairment

##### Financial assets

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.



# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies (continued)

#### 1.9 Impairment (continued)

##### **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 pre-tax 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 units exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account.

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.

#### 1.10 Provisions

A provision is recognised in the balance sheet 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 pre-tax rate that reflects risks specific to the liability.

##### ***Dilapidation and Restoration***

The Company makes full provision for the future restoration costs of leased properties on a discounted basis. The restoration provision relates to the total costs of returning the property at the end of the lease to its original state. An offsetting tangible fixed asset is also recognised. The asset is depleted on a straight line method. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates are reflected prospectively over the remaining life of the lease.

#### 1.11 Accounting estimates and judgements

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.

##### ***Provisions***

Provisions are recognised for the cost of dilapidation and restoration work where there is a legal or constructive obligation for such work to be carried out. The nature and amount of provisions included in the financial statements are detailed in note 15.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies (continued)

#### 1.11 Accounting estimates and judgements (continued)

##### *Impairment of investments*

An impairment test requires an assessment as to whether the carrying value of an asset can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate. Estimations of the future cash flows require application of judgments and actual cash flows can differ from the estimate due to change in assumptions. Details have been discussed in note 6.

#### 1.12 Expenses

##### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

##### *Interest receivable and Interest payable*

Interest payable includes 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. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### 1.13 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.

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 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.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 1 Principal accounting policies (continued)

#### 1.14 Employee benefits

##### *Defined contribution plans*

The Company operates a defined contribution retirement plan. 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.

The Company does not operate any defined benefit retirement plan.

##### *Short-term employee 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 or profit sharing plan if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be measured reliably.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 2 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after (charging) / crediting:		
Amortisation of intangible assets	(151)	(200)
Depreciation of tangible fixed assets	(219)	(188)
Land and buildings operating lease rentals	(1,343)	(1,268)
Management fees recharges to subsidiary company	19,908	21,028
Staff costs (note 3)	(11,259)	(8,837)
Contractor costs	(6,398)	(6,442)
Other operating income/ (expenses)	80	(2,670)
Services provided by the Company's auditor:		
Fees payable to the Company's auditor for the audit of the Company's financial statements and the financial statements of its subsidiary:		
INEOS UK E&P Holdings Limited	(20)	(20)
INEOS UK SNS Limited	(96)	(80)
	502	1,323

### 3 Directors and employees

	2015 £'000	2014 £'000
Wages and salaries	9,678	7,498
Social security costs	972	689
Pension costs (note 19)	609	650
	11,259	8,837

The average monthly number of employees (including executive directors employed by the Company during the year) was:

	2015 Number	2014 Number
Geoscience	13	13
Reservoir and Engineering	11	11
Finance and Commercial	26	26
Administration and Corporate	11	12
Drilling	5	5
Development	3	4
	69	71

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 3 Directors and employees (continued)

#### Directors' emoluments

	2015 £'000	2014 £'000
Aggregate emoluments	940	617
Pension contributions	62	53
	1,002	670

At 31 December 2015, the number of directors who were accruing benefits under a money purchase pension scheme was 1 (2014: 1).

#### Highest paid director

	2015 £'000	2014 £'000
Aggregate emoluments	432	261
Pension contributions	23	13
	455	274

### 4 Other interest receivable and similar income

	2015 £'000	2014 £'000
On loans to group companies	1,408	1,723
On bank deposits	40	-
	1,448	1,723

### 5 Interest payable and similar charges

	2015 £'000	2014 £'000
On loans from group companies	2,397	1,109
Unwinding of discount on dilapidation and restoration provision (note 15)	23	19
	2,420	1,128

### 6 Impairment

	2015 £'000	2014 £'000
Impairment loss on investment in subsidiary	(155,793)	-
Impairment loss on subsidiary undertakings	(143,381)	-
	(299,174)	-

The impairment of investment in subsidiary and amounts receivable from subsidiary undertakings reflect the significantly reduced cash flows from the production and sale of oil and gas by those subsidiaries due to the significant fall in commodity prices.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 7 Tax on (loss) / profit on ordinary activities

	2015 £'000	2014 £'000
<b>Current tax:</b>		
UK corporation tax on profits of the year	17	440
Prior year	2	-
<b>Total current tax</b>	<b>19</b>	<b>440</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(3)	(10)
Prior year adjustment	16	-
<b>Total tax charge for the year</b>	<b>32</b>	<b>430</b>

### Reconciliation of effective tax rate

	2015 £'000	2014 £'000
<b>(Loss) / profit on ordinary activities before taxation</b>	<b>(299,644)</b>	<b>1,918</b>
Profit on ordinary activities multiplied by standard rate in the UK of 20.25% (2014: 21.5%)	(60,678)	412
Effects of:		
Expenses not deductible for tax purposes	60,704	20
Prior year adjustment	18	-
Group relief received for nil consideration	(12)	(2)
<b>Total tax charge for the year</b>	<b>32</b>	<b>430</b>

### Factors affecting current and future tax charges:

The Finance Bill 2015 was substantively enacted on 26 October 2015 and included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017, and further reduce to 18% from 1 April 2020. In the March 2016 Budget, it was subsequently announced that the rate of corporation tax of 18% will be reduced by 1% to 17% from 1 April 2020. The main rate of UK corporation tax reduced from 21% to 20% from 1 April 2015.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 8 Intangible assets

	Software £'000
<b>Cost</b>	
At 1 January 2015	2,292
Additions	112
<b>At 31 December 2015</b>	<b>2,404</b>
<b>Accumulated depreciation</b>	
At 1 January 2015	1,925
Charge for the year	151
<b>At 31 December 2015</b>	<b>2,076</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>328</b>
At 31 December 2014	367

### 9 Tangible assets

	Furniture and equipment £'000
<b>Cost</b>	
At 1 January 2015	2,307
Additions	380
Disposals	(5)
<b>At 31 December 2015</b>	<b>2,682</b>
<b>Accumulated depreciation</b>	
At 1 January 2015	1,368
Charge for the year	219
Disposals	(5)
<b>At 31 December 2015</b>	<b>1,582</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>1,100</b>
At 31 December 2014	939

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 10 Investments

Investment in  
subsidiary  
undertakings  
£'000

<b>Cost and net book value</b>	
At 1 January 2015	155,793
Additions (i)	-
Impairment (ii)	(155,793)
<b>At 31 December 2015</b>	<b>-</b>

(i) On 23 December 2015, the Company completed an intra-group share purchase from its immediate parent undertaking INEOS Offshore BCS Limited by acquiring 100% of issued share capital of INEOS Clipper South B Limited and INEOS Clipper South C Limited for a combined consideration of \$1.

(ii) The Company incurred an impairment loss of £155,793,000 in relation to its investment in INEOS UK SNS Limited as the recoverable amount was lower than the carrying amount.

Details of the Company's subsidiaries are as follows:

Name of undertaking	Country of incorporation or registration	Principal nature of business	Proportion of issued ordinary shares held
INEOS UK SNS Limited	England and Wales	Oil and gas exploration, development and production	100%
INEOS Clipper South B Limited	England and Wales	Oil and gas exploration, development and production	100%
INEOS Clipper South C Limited	England and Wales	Oil and gas exploration, development and production	100%

### 11 Cash at bank and in hand

	2015 £'000	2014 £'000
Cash at bank and in hand	9,089	-
	<b>9,089</b>	<b>-</b>

The Company had Cash Pooling Agreements with its subsidiaries and former parent. The parties agree to a joint cash management system (CMS) under which funds belonging to the subsidiary are transferred to the parent through the company's bank accounts at the end of each working day.

The Company terminated the CMS with its former parent on 25 February 2015, but retains the CMS with its subsidiaries.

### 12 Debtors

	2015 £'000	2014 £'000
Amounts owed by group undertakings (i)	5,809	160,205
Other debtors	15	15
Prepayments	707	477
VAT receivable	687	974
	<b>7,218</b>	<b>161,671</b>



# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 12 Debtors (continued)

(i) Amounts owed by group undertakings represent balances on internal cash accounts. They are due on demand and bear interest at LIBOR plus a margin of 0.50%.

The directors believe that the amounts due from group companies are supported by their underlying net assets, their forecasted cash flows, the intention of the Company's intermediate parent to provide financial support to those group companies to ensure they have sufficient funds to meet their working capital requirements and outstanding obligations.

### 13 Deferred tax

	2014 £'000	Recognised in income £'000	2015 £'000
Accelerated capital allowances	160	(16)	144
Other timing differences	4	3	7
<b>At 31 December 2015</b>	<b>164</b>	<b>(13)</b>	<b>151</b>

### 14 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	2,376	3,497
Amounts owed to group undertakings (i)	79,772	79,781
Other creditors	1,854	1,751
Taxation and social security	19	440
Accruals	43	43
	<b>84,064</b>	<b>85,512</b>

(i) On 30 June 2009, RWE Dea AG (the former parent) and the Company entered in to a cash management agreement under which the funds belongs to the subsidiary are transferred between respective multi-currency bank accounts held by them at the end of each working day.

On 25 February 2015, the above cash management system was terminated and a loan facility was granted by RWE Dea AG. The loan bears interest at the GBP 3 month LIBOR rate plus a margin of 0.5%. The loan was unsecured and is repayable after 15 months and 1 day for the grant date.

On 30 November 2015, INEOS Offshore BCS Limited took ownership of the Company and the existing outstanding loan was replaced by another inter-company loan of \$117,438,791. The loan bears interest of 7% and the interest is payable on a quarterly basis. The full amount is unsecured and repayable on demand.

### 15 Provisions for liabilities

Dilapidation and restoration provisions	Total £'000
At 1 January 2015	490
Increase during the year	53
Unwinding of discount (note 5)	23
<b>At 31 December 2015</b>	<b>566</b>

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 15 Provisions for liabilities (continued)

The Company has provided restoration costs in relation to leased properties. The Company has an obligation to return the properties at the end of the lease to their original state. The restoration is expected to occur when the leases expire between 2019 and 2022.

### 16 Operating lease commitments

The total rentals under operating leases, charged for the year as an expense in the profit and loss account, are disclosed below:

	2015 £'000	2014 £'000
Land and buildings	(1,343)	(1,268)
The total future minimum lease payments under non-cancellable operating leases are given below:		
Not later than one year	1,253	1,104
Later than one year but not later than five years	4,926	4,892
Later than five years	1,463	2,672
	7,642	8,668

The lease on the Company's office was renewed in 2013. As part of the negotiation a rent free period was agreed until 28 March 2015. Therefore the amount to be charged to the profit and loss account will be different to the amount paid.

### 17 Called up share capital

	Authorised £'000	Allotted and fully paid £'000
At 1 January 2015 (74,327,239 ordinary shares of £1 each)	74,327	74,327
At 31 December 2015 (74,327,239 ordinary shares of £1 each)	74,327	74,327

### 18 Events after the reporting period

On 5 September 2016 the Company, together with its subsidiaries INEOS UK SNS Limited, INEOS Clipper South B Limited and INEOS Clipper South C Limited entered into a 5 year £200m revolving loan and £20m letter of credit facility (the "Reserves Based Lending (or "RBL") Facility". The RBL Facility is secured on customary terms and bears interest at a margin above LIBOR. On the same date, and in connection with the RBL Facility, the Company entered into new loan arrangement with its subsidiaries. Proceeds from the facility were used to part repay shareholder loans.

### 19 Pensions

The Company contributed to personal pension schemes on behalf of certain directors and employees. These schemes are administered independently of the Company. The total pension cost which is charged to profit or loss represents contributions payable by the Company and amounted to £609,000 (2014: £650,000). No amounts were outstanding as at 31 December 2015.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 20 Related party transactions

During the year the Company entered into transactions, in the ordinary courses of business, with related parties. The nature and terms of the transactions have been discussed in notes 2, 4, 5, 10, 11, 12 and 14. 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.

### 21 Ultimate parent undertaking

The immediate parent undertaking is INEOS Offshore BCS Limited and the ultimate parent company is INEOS AG, a company incorporated in Switzerland.

The ultimate parent undertaking and controlling party up to 2 March 2015 was RWE AG which was then replaced by LetterOne Holdings S.A, a company incorporated in Luxembourg. LetterOne Holdings S.A. was subsequently replaced on 30 November 2015 by INEOS AG.

The results of the Company up to 30 November 2015 are included in the Consolidated Financial Statements of DEA Deutsche Erdoel AG. The Consolidated Financial Statements of DEA Deutsche Erdoel AG are available from Überseering 40, 22297 Hamburg, Germany or at [www.dea-group.com](http://www.dea-group.com).

The results of the Company after 30 November 2015 are included in the Consolidated Financial Statements of INEOS Industries Limited. The Consolidated Financial Statements of INEOS Industries Limited are available from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom or from Companies' House.

The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent undertaking INEOS AG.

### 22 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous UK GAAP). An explanation of how the transition from previous UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

# INEOS UK E&P HOLDINGS LIMITED

(FORMERLY DEA UK E&P HOLDINGS LIMITED and RWE DEA UK HOLDINGS LIMITED)

## Notes to the financial statements for the year ended 31 December 2015

### 22 Explanation of transition to FRS 101 (continued)

	Previous UK GAAP	Adjustments made for transition	FRS 101
	£'000	£'000	£'000
<b>As at 31 December 2014</b>			
<i>Fixed assets</i>			
Net book value of intangible assets	-	367	367
Net book value of tangible assets	1,306	(367)	939
<b>As at 31 December 2015</b>			
<i>Fixed assets</i>			
Net book value of intangible assets	-	328	328
Net book value of tangible assets	1,428	(328)	1,100

Intangible assets, note 8, relate to software purchased by the Company. Under previous UK GAAP these assets were included in Tangible assets, note 9. The effect of the transition to FRS 101 has been detailed above.

There is no impact on profit and loss account and equity as a result of the transition to FRS 101 from previous UK GAAP.