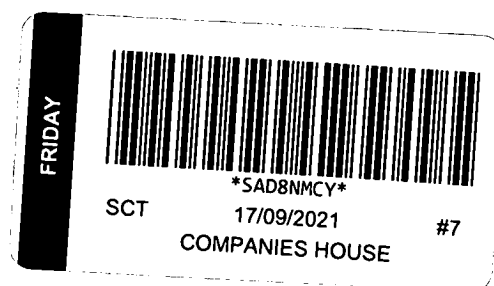


# **INEOS UK E&P Holdings Limited**

## **Annual Report and Financial Statements**

**Registered number SC200459**

**for the Year Ended 31 December 2020**



## **Corporate Information**

### **Directors**

Andrew Pizzey  
Douglas Scott  
Michael Llewellyn  
Mads Weng Gade

### **Company secretaries**

Cordelia Pace  
Gemma McLucas

### **Registered Office**

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

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
1 Union Wynd  
Aberdeen  
United Kingdom  
AB10 1SL

### **Solicitor**

Slaughter and May  
1 Bunhill Row  
London  
EC1Y 8YY

### **Banker**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

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## Strategic report

The directors present their strategic report on INEOS UK E&P Holdings Limited (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) for the year ended 31 December 2020.

### Business Review

The Group has interests in a number of licences for the exploration, development and production of oil and gas in various fields in the North Sea (“the Fields”).

As part of an internal organisational restructuring, the Group sold its entire interest in INEOS FPS Limited on 15 June 2020 to a fellow group company, INEOS Industries Holdings Limited for a consideration of \$262.7 million (£213.3 million), resulting in a gain of £67.0 million in the year. The comparative financial information for the year ended 31 December 2019 has been restated where appropriate to present the results of this discontinued operation separately. As part of the restructuring, a debt-equity exercise was performed to convert part of the Company’s loan receivables from subsidiaries into equity and increase the Company’s investment, refer to the Company standalone financial statements from page 79.

During the year, the Group entered into an agreement with Spirit Energy to acquire its Danish and Norwegian legal entities covering the participating interests in the Hejre (40% interest) and Solsort licences (27.7% interest). Initial cash consideration was £23.9 million and total consideration was £57.8 million. Refer to note 3 to the consolidated financial statements for details.

The Group reported a loss from continuing operations for the year of £260.2 million in 2020 (2019: loss of £129.8 million) as a result of lower average realised oil and gas prices compared to 2019, oil and gas properties’ impairment losses of £66.1 million (2019: £55.5 million) and unsuccessful exploration and evaluation activities of £14.7 million (2019: £45.6 million) recognised in the year. Revenue by category is set out in note 6 to the consolidated financial statements. Revenue from continuing operations decreased by £324.4 million from £707.1 million in 2019 to £382.7 million in 2020.

As at 31 December 2020, the Group had net liabilities of £601.8 million (2019: net liabilities of £522.8 million).

### *Production, operations and development update*

#### UK

Operational performance has been steady in the year with reliability of 97.0% (2019: 97.0%) on our operated fields. Sales averaged 17 kboe of oil and gas per day (2019: 26 kboe per day) with approximately 89% of the production realised by the following three key areas (2019: 89%): 21% from the operated Breagh field (2019: 28%), 25% from the operated Clipper South field (2019: 24%) and 43% from the non-operated Greater Laggan Area (“GLA”) (2019: 37%).

During the year, the Group was awarded one additional licence (P2594). Nine licences were relinquished during the year.

#### Breagh Field

Breagh is a joint venture between the Group (Operator, 70%) and ONE-Dyas UK Limited (30%). The field is located in the UK Southern North Sea and at the time of its development was one of the largest natural gas developments in the UK Continental Shelf. The Breagh field came on stream in October 2013.

Work has been underway in 2020 on Front End Engineering Design (“FEED”) for the Breagh Onshore Compression Project, which will be located at the Teesside Gas Processing Plant (TGPP). Final investment decision (“FID”) for the project is now planned for Q2 2021. Drilling an additional (extended reach) well from the Breagh Alpha platform had been planned for 2020 but was deferred due to a combination of the COVID-19 pandemic and extended period of low gas prices. The FID process is currently underway with drilling expected to commence in Q3 2021.

The Breagh field was shut in for approximately five months during the year in order to preserve gas reserves during the period of low gas prices. The field returned to production in November 2020.

#### Clipper South Field

Clipper South is a joint venture between the Group (Operator, 75%) and Spirit Energy Southern North Sea Limited (25%). The field is located in the Sole Pit Basin in the UK Southern North Sea. Production commenced in August 2012.

In 2020, an investment decision was taken to move Clipper South to low pressure operating mode in 2021 to further optimise and support continued production from the asset into late field life. This project is expected to complete in August 2021.

## Strategic report( continued)

### Greater Laggan Area

The Greater Laggan Area comprises the Laggan, Tormore, Edradour and Glenlivet fields and is a joint venture between the Group (20%), Total (Operator, 60%) and Viaro Energy (20%). The GLA fields are located 125 kilometres north-west of the Shetland Islands. Production commenced from the Laggan and Tormore fields in early 2016 and the Edradour and Glenlivet fields followed in 2017.

Operational performance over the course of the year was strong with an operational efficiency of 97%, despite changes to normal working routines introduced in response to the COVID-19 pandemic. A short Shetland Gas Plant ("SGP") shutdown was undertaken in the second half of May to conduct annual performance standards testing and was delivered safely and ahead of schedule. The next major SGP turnaround is scheduled to be undertaken in Q2 2021 and will coincide with the project to undertake repairs on the GLA subsea electrical distribution system, which was approved in August 2020.

A decision on the development of the Glendronach field via a subsea tie-back to Edradour was postponed to 2021. Evaluation of future GLA development opportunities, including potential infill drilling, will be continued in 2021.

### *Cessation of production and decommissioning*

Decommissioning activity in the UK continues on the Anglia, Minke, Markham, Orca, Victor, Topaz, Cavendish, Windermere, Saturn, Tethys and Mimas fields with well plugging & abandonment and facilities removal activities planned to continue up to 2029.

### *Exploration drilling*

No Exploration or Appraisal wells were drilled in 2020.

### *Development drilling*

No development wells were drilled in 2020, either operated by the Group or on the Group's minority share non-operated fields. The planned drilling of an additional well from the Breagh Alpha platform well was deferred due to a combination of COVID-19 pandemic and extended period of low gas prices.

### Forties Pipeline System (FPS)

#### *Production, operations and development update*

The Forties Pipeline System (FPS) is an integrated oil and gas liquid transportation, and processing system with a nominal capacity in excess of one million barrels per day serving the central area of the North Sea. Oil and gas liquids from over 80 offshore fields and the St Fergus gas terminal flow through pipelines into FPS. The system transports crude oil and gas liquids from offshore and onshore entry points, processes the liquids at the Kerse of Kinneil oil stabilisation plant in Grangemouth and redelivers to the customer Forties Blend crude oil at Hound Point and either raw gas or fractionated gas products at Grangemouth. The system operates under Transportation and Processing Agreements (TPA's) which the Group held with the operator of each field, the agreements allow the field operators access to the system for which they pay a fee. The Group also held gas purchase agreements with some of the field owners, under which the Group bought their gas output which was then either sold or consumed as fuel gas. Up to the date of disposal (15 June 2020), average daily throughput was 358 kboe per day (2019: 367 kboe per day).

As part of an internal organisational restructuring, the Group sold its entire interest in INEOS FPS Limited and its subsidiaries ("INEOS FPS Group") on 15 June 2020 to a fellow group company, INEOS Industries Holdings Limited for a consideration of \$262.7 million (£213.3 million). Refer to note 4 to the consolidated financial statements for details.

The results of INEOS FPS Group was classified as discontinued operations and presented separately in the financial statements as appropriate. 2019 comparatives have also been restated to disclose INEOS FPS Group's results separately.

## Strategic report( continued)

### Denmark

#### *Production, operations and development update*

Operational performance continued to be strong in the year with reliability of 91.6% (2019: 94.3%) on our existing operated fields. Sales averaged 6.0 kboe of oil and gas per day (2019: 8.2 kboe per day) with approximately 59% from the non-operated field Syd Arne (2019: 53%), 41% from the operated fields Siri, Nini and Cecilie (2019: 44%) and 0% from the non-operated Lulita field (2019: 3%).

#### **Siri Field**

The Siri Area comprises the Siri field, where the processing platform and associated wells are located along with satellite tie-back fields Stine, Nini, Nini East and Cecilie. Oil is exported by tanker and gas and produced water reinjected into the Siri field. The Siri license, comprising Siri and Stine is 100% owned and operated by the Group whereas the Nini (Nini and Nini East) and Cecilie licenses are joint ventures between the Group (Operator, 57.1% and 56.4% respectively) and Wintershall Dea International AG. Production from Siri commenced in 1999 with the satellite developments following in the next decade.

Operational performance over the course of the year was strong, despite changes to normal working routines introduced in response to the COVID-19 pandemic. A short Siri Plant shutdown was undertaken in January to conduct required platform maintenance. This was followed in August by the main annual turnaround, where separators were cleaned, and was delivered safely and on schedule albeit 2 months later than planned due to COVID-19 knock on effects. The next main turnaround is scheduled to be undertaken in Q2 2021 where maintenance on the main generator will be performed. A decision on the potential development of the Hejre field via a pipeline tie-back to Siri was postponed to 2022.

#### **Syd Arne Field**

The Syd Arne field is a joint venture between Hess (Operator, 61.5%), the Group (36.8%) and Danoil (1.7%). Production from the field commenced in 1999.

Operational restrictions in connection with the COVID-19 pandemic affected the execution of the 2020 well intervention plan, which was delayed to March 2021. Facilities projects were affected to a lesser degree given the local nature of the staffing. The Syd Arne biennial turn-around was successfully conducted in September 2020. The next turnaround is scheduled to be undertaken in 2022 and following the completion of the HESS Denmark ApS acquisition (see below) will be the first with the Group as operator of the field. Evaluation of potential for processing of third-party production continues in 2021.

#### **Lulita Field**

The Lulita field is a joint venture between Total (Operator, 15.6%), the Group (40%), Shell (18.4%), Noreco (10%), Nordsøfonden (10%) and Chevron (6%). Production comprises a single well drilled from the Harald platform. The well fluids are processed on Harald and oil and gas are exported separately to the Tyra complex for onwards distribution. The Lulita license expires in 2026. Production is currently shut in and expected to restart in the first quarter of 2022 following a redevelopment of the Tyra area.

#### **Hejre and Solsort**

On 2 March 2020, the Group entered into an agreement with Spirit Energy to acquire its Danish and Norwegian legal entities covering the participating interests in the Hejre (40% interest) and Solsort licences (27.7% interest) for initial consideration of £23.9 million and total consideration of £57.8 million. The acquisition was subsequently approved by the Danish Authorities in November 2020. Refer to note 3 to the consolidated financial statements for details.

During 2020, work continued identifying viable tie-back concepts for the development of the Hejre and Solsort oil discoveries. On Hejre, various tie-back concepts to existing suitable processing and export infrastructure is being investigated. On Solsort, a 2-well drilling campaign using the existing Syd Arne infrastructure is being matured.

Subsequent to the year end, the Group entered into a sales and purchase agreement to acquire HESS Denmark ApS for a total consideration of \$150.0 million. The acquisition includes 61.5% interest in the Syd Arne oil field in which the Group held a 36.8% share at the year end, and 4.8% interest in the Solsort field in which the Group holds a share of 62.8%. The acquisition is subject to approval by the Danish Energy Authority and is expected to complete later in 2021.

## Strategic report( continued)

### Denmark (continued)

#### *Cessation of production and decommissioning*

No material decommissioning was undertaken during 2020.

### Norway

#### *Production, operations and development update*

Sales averaged 32.7 kboe of oil and gas per day (2019: 37.5 kboe per day) with approximately 83% from the non-operated Ormen Lange field (2019: 85%), 12% from the non-operated Marulk field (2019: 8%) and 5% from the non-operated Alve field (2019: 6%).

In 2020, the Group was awarded two additional licences (PL 1055 and PL 1065) of which one is operated. Four licences were relinquished during the year, of which three were written off in prior year and a further one written off in 2020. One license was transferred to AkerBP & DNO in the Tambar area.

Subsequent to the year end, the Group entered into an agreement to divest its oil and gas business in Norway to PGNiG Upstream Norway for a consideration of \$615.0 million. The transaction is subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance and is expected to complete later in 2021.

#### **Ormen Lange Field**

Ormen Lange is a large gas field joint venture between the Group (14.02%), Shell (Operator, 17.81%), Petoro AS (36.49%), Equinor Energy AS (25.35%) and Var Energi AS (6.33%). The field is located approximately 120 kilometres offshore in 800 to 1,100 metres water depth. Production commenced in 2007. The reception facility for the Ormen Lange gas is the Nyhamna Gas Plant. The Group's interest in the Nyhamna Gas Plant is 8%.

During the year, the Group commenced the Ormen Lange Phase 3 project which is a subsea compression project intending to increase the ultimate recovery from the field. FID for the project is now planned for second half of 2021.

#### **Marulk/Alve**

Marulk is a gas/condensate field located 30 km southwest of the Norne field and is a joint venture between the Group (30%), Var Energi AS (Operator, 20%), Equinor Energy AS (33%) and DNO Norge AS (17%). Alve is an oil and gas field located 16 kilometres southwest of the Norne field and is a joint venture between the Group (15%), Equinor Energy AS (Operator, 53%) and DNO Norge AS (32%). Both fields have been developed using subsea wells tied back to the Norne Floating Production Storage and Offloading unit ("FPSO").

No substantial development projects have been carried out or sanctioned in 2020.

#### *Cessation of production and decommissioning*

The Gyda field is located 270 kilometres southeast of Stavanger in the North Sea and is a joint venture between the Group (34%), Repsol Norge AS (Operator, 61%) and KUFPEC Norway AS (5%). The field went into decommissioning in January 2019 and production finally ceased in February 2020. The decommissioning project includes two main phases; plugging of wells and removal of a combined drilling and production platform with related substructure. Work in 2020 primarily related to well plugging, which is expected to be finalised in 2021. Platform removal is planned in 2022. The project is expected to be finalised in 2023.

### **Other operational updates**

#### *Licence Awards*

The Group was awarded the following licences during the year:

- Awarded the P2594 (Cardhu) licence (UK)
- Awarded the PL 1065 licence (Norway)
- Awarded the PL 1055 licence (Norway)

## Strategic report( continued)

### Other operational updates (continued)

#### *Disposals, relinquishments and surrender of licences*

The Group surrendered and fully relinquished the following licences during the year:

- P2074 (Mustard) Licence (UK)
- P2414 (Vichy) Licence (UK)
- P1854 (Lyon) Licence (UK)
- P1598 (Cragganmore) Licence (UK)
- P2138 (Nth Rockall) Licence (UK)
- PL1015 Licence (Norway)
- PL844 Licence (Norway)
- PL845 Licence (Norway)
- PL995 Licence (Norway)

#### *Dry holes and write-offs*

The Glendronach appraisal well, drilled in 2019 was deemed sub-commercial and £12.5 million of costs associated with that well have been impaired and subsequently written off during the year. The Glendronach Exploration well remains suspended as a possible future producing well. Another £1.7 million of exploration costs relating to the UK segment and £0.5 million relating to the Scandinavian segment were also written off in the year.

#### *Impairments*

The significant decrease in realised gas price from an average of 43.5p per therm in 2019 to 25.2p per therm in 2020 is seen as an impairment trigger, and the Group has performed impairment assessments on its assets at year end. As a result of the assessment, an impairment charge of £66.1 million was recognised. Refer to note 12 for details.

### Key performance indicators

The performance of the Group is measured on the basis of both financial and non-financial measures. Non-financial measures include health, safety and environmental factors such as Occupational Safety and Health Administration (“OSHA”) recordable incidents, reliability of operated facilities and management of licence interests. There have been no changes in non-financial measures used and the Group met its target on these measures in both 2019 and 2020.

The main financial measure used by management is Normalised Earnings Before Interest, Tax, Depreciation and Amortisation (“Normalised EBITDA”), which excludes non-recurring expenses such as impairment, unsuccessful exploration and evaluation, and profit/loss on disposal. Normalised EBITDA is a Non GAPP measure with a reconciliation to the GAPP measure below. Normalised EBITDA from continuing operations for 2020 was £160.0 million (2019: £441.1 million) largely reflecting the fall in oil and gas prices and decrease in production under the low price environment. Reported loss from continuing operations for the year was £260.2 million (2019: £129.8 million).



## Strategic report( continued)

### Key performance indicators (continued)

Details of actual and comparative EBITDA from continuing operations are provided below:

	2020	2019
	£'000	*Restated £'000
Operating loss	(150,284)	(132,788)
Depreciation for the year	220,833	300,805
Amortisation for the year	389	376
<b>EBITDA</b>	<b>70,938</b>	<b>168,393</b>
Exceptional items	4,445	175,525
Unsuccessful exploration and evaluation activities	14,698	45,596
Impairment loss on fixed assets	66,077	55,473
Impairment loss on goodwill	3,957	-
Gain on disposal	(73)	(3,915)
<b>Normalised EBITDA from continuing operations</b>	<b>160,042</b>	<b>441,072</b>

\*2019 disclosure restated to exclude discontinued operations in relation to the FPS business, for details on discontinued operations refer to note 4.

### Safety, Health and Environment (“SHE”)

In addition to the application of Group’s internal SHE management systems, the Group has maintained ISO 14001 and OHSAS 18001 certification for its business activities. 1 OSHA recordable incident was reported in the year (2019: 2).

### Future outlook

In December 2020 INEOS announced the formation of the INEOS Energy venture. The venture will combine the existing INEOS Oil and Gas businesses with the extensive development activities that the Group has in developing low carbon technologies for the coming energy transition.

Following the year end, the Group entered into a number of agreements (see elsewhere in this report and note 32 for details) to rebalance and strengthen its portfolio whilst providing opportunities for organic growth and unlock operational and cost synergies.

As part of the Group’s response to energy transition, a consortium was formed to develop a plan to safely and cost effectively permanently store up to 8 million tonnes of CO2 per annum, in the INEOS operated Siri area, when the fields have ceased production (Project Greensand). The intended subsea reservoir was confirmed feasible for CO2 injection by an independent certification body to the endorsement of Danish authorities in November 2020. With this certification of feasibility to DNV GL’s Carbon Capture and Storage certification regime and the international standard, Project Greensand successfully completed the first phase of validation of the project aiming to develop capacity to deliver a significant part of Denmark’s CO2 reduction target by reusing discontinued offshore oil fields.

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 directors have undertaken a rigorous assessment of the potential impact on worldwide oil and gas demand and the impact on margins for over 12 months from the date of signing these financial statements. In particular, the directors have stress tested the impact on EBITDA as a result of falling oil and gas demand, due to the global economic uncertainty; the directors also assessed the impact on cash flow as a result of post year end transactions, which would improve Group liquidity over the going concern period. In conclusion, the stress testing and sensitivity analyses on both EBITDA and cash flow have indicated that the Group would have sufficient cash flow to meet all of its obligations as they fall due.

## Strategic report( *continued*)

### Future outlook (*continued*)

The Group is constantly reviewing its strategy amid a volatile commodity prices environment and will continue to pursue growth opportunities through further developments and exploration in Denmark and the United Kingdom.

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

### Section 172 statement

In governing the Company on behalf of its shareholders and discharging their duties under section 172, the board has had regard to the factors set out in section 172 (see below) and other factors which the board considers appropriate. Section 172 requires directors to have regard to the following in performing their duties, and as part of the process are required to consider, where relevant:

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

The directors have the duty to promote the success of the Company and the Group for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment. The directors focus on engagement with all stakeholders, and consider stakeholders' views when making decisions.

### *The likely consequences of any decision in the long term*

The Group's key strategic pillars are centred on the long-term cash and operational planning in relation to the capital requirements needed to grow the portfolio both through organic and inorganic means. To achieve these objectives, the Group has the following key strategies:

- Maintain a conservative financial profile through capital discipline and strong liquidity position;
- Focus the business on assets that the Group operates and maintain a balanced portfolio between oil and gas;
- Maximising cash flow from the existing asset base by applying operational and commercial expertise, whilst improving reliability and HSE performance;
- Obtain licences and pursue targeted exploration and development opportunities as part of a full cycle E&P strategy;
- Value accretive mergers and acquisitions where the Group sees opportunities to improve the operation of oil and gas assets that have become uneconomic in the hands of their existing owners.

The directors believe these are critical long-term strategies for the future success of the Group and the directors' decision-making has supported its implementation. The Group plans for strategic investments to support its goals and continually investigates potential growth opportunities.

### *Stakeholder considerations*

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success.

The Group respects the rights, values and dignity of all employees, customers, contractors, vendors and other stakeholders. The Group aims to build enduring relationships with governments, customers, partners, suppliers and communities in the countries where the Group operates.

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

## Strategic report( continued)

### Section 172 statement (continued)

The Group is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its employees, contractors, suppliers, customers, visitors and the communities in which it operates. Compliance with all legislation intended to protect people, property and the environment is one of the Group's fundamental priorities and applies to our products as well as to our processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

*The need to act fairly as between members of the Company.*

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

#### *Principal decisions*

Below outlines some of the principal decisions made by the board over the year, explain how the directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered in decision-making.

Principal decisions taken by the board is defined as decisions taken in 2020 that are of a strategic nature and significant to any of the Group's key stakeholder groups.

i) Acquisition of Spirit Energy Danmark ApS and Spirit Energy Petroleum Danmark AS (note 3)

During the year, the Group acquired Spirit Energy Danmark ApS and Spirit Energy Petroleum Danmark AS from Bayerngas Norge AS. The acquisition covers ownership in the oil and gas license Hejre (40% interest), Hejre extension (32% interest) and Solsort (30% interest).

Given the significance of the acquisition, the directors had multiple stakeholder engagements. These involved shareholders, employees and lenders of the RBL Facility. These engagements included an update and discussion on: the scale, strategic importance and timing of the acquisition; impact on the Group's structure and resources; and the implications to the Group's stakeholders. Townhalls, business meetings were arranged to discuss the above topics.

The directors considered: changes to be made to current process to drive operating and financial synergy; ways to meet shareholders' expectations and expectations from both the Group's and acquirees' employees. The decision was made to strengthen the Group's overall oil and gas Danish portfolio and reflects the Group's confidence in the Hejre and Solsort discoveries.

ii) Breagh Shut in / ERD and Compression delay

Due to the very low gas price environment that developed in 2020, consideration was given as to whether it would be value accretive to shut-in the Breagh field for a period of time over the low gas price summer months and thus defer gas production at a later date when gas prices recovered. Given the significance of the decision the directors had multiple engagements with the Breagh Joint Venture Partner and a Special Operating Committee was convened to agree and document the decision to shut-in. The shut-in was then kept under review over the summer through continued Joint Venture Partner engagement to ensure alignment. The field was then re-started in the autumn.

Due to both the situation with the COVID pandemic and the very low gas price environment, there were strong business drivers to delay implementation of both the drilling of the ERD well and the Compression project. The Breagh Joint Venture Partner was informed and was supportive of the decision.

## Strategic report( *continued*)

### Section 172 statement (*continued*)

#### iii) Debt-equity conversion

During the year the Company restructured its internal financing and converted certain loans with its subsidiaries to investment through application of shares. The directors had engaged with the Group's shareholders, employees and lenders of the RBL Facility over the decision-making process. These engagements included discussion on: the rationale and scale of the conversion; impact on the Group's structure; and the implications to the Group's stakeholders. Individual meetings were arranged to discuss the above topics.

The directors considered: changes to subsequent financing activities within the Group; impacts to the RBL Facility and employees within the relevant finance function. The decision was made to simplify the Company's financing structure with its subsidiaries.

### Principal risks and uncertainties

#### *Production and reserves access*

The delivery of the Group's production depends on efficient and reliable operation of existing fields and the successful development of future opportunities and projects. Unsuccessful exploration activity and increasing technical challenges and capital commitments may adversely affect the Group's reserve replacement. The Group also faces numerous challenges including uncertain geology, availability of technology and engineering capacity, availability of skilled resources, maintaining project schedules and managing costs. Such potential obstacles may impair the Group's operational performance and financial position. The Group mitigates these risks by applying best practice to its operations and actively manage non-technical risks across a portfolio of opportunities and projects.

#### *Health, safety, environment and security (HSES)*

These risks include major process safety incidents, failure to comply with approved policies, effects of natural disasters, social unrest and terrorism. The consequences of such risks materialising can be injury, loss of life, environmental harm and disruption to business activities. Depending on their cause and severity, they can affect the Group's reputation, operational performance and financial position. The Group has an effective and comprehensive HSES management system to mitigate this risk and support safe and secure execution of all critical activities.

#### *Joint Operations and contractors*

Oil and gas operations globally are conducted in a joint venture environment and a number of fields or projects are operated by the Group's partners and contractors. The Group's ability to influence and control the performance of those operations maybe limited. Non-alignment on various strategic decisions in joint ventures may result in operational or production inefficiencies or delay. The Group mitigates this risk by continuous and regular engagement of its partners and contractors in operated and non-operated projects.

#### *Climate change and the transition to low carbon economy*

The Group recognises the scientific consensus on climate change and is 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 low-carbon solution. The Group's portfolio is weighted towards gas, which has an important role to play in the energy transition to a low carbon economy. The Group is continuously reviewing its process to improve the environmental performance of its operation.

As part of the Group's response to energy transition, a consortium was formed for Project Greensands. The project plans to safely and cost effectively permanently store up to 8 million tonnes of CO<sub>2</sub> per annum, in the INEOS operated Siri area, when the fields have ceased production. The intended subsea reservoir was confirmed feasible for CO<sub>2</sub> injection by an independent certification body to the endorsement of Danish authorities in November 2020. With this certification of feasibility to DNV GL's Carbon Capture and Storage certification regime and the international standard, Project Greensands successfully completed the first phase of validation of the project aiming to develop capacity to deliver a significant part of Denmark's CO<sub>2</sub> reduction target by reusing discontinued offshore oil fields.

The Group acknowledges the global trend to move toward net zero carbon emissions. Depending on the nature and speed of any such changes and the Group's response, this could adversely affect the Group's financial performance and competitiveness.

## Strategic report( continued)

### Principal risks and uncertainties (continued)

#### *Cyber Security*

The Group is subject to cyber security risks. A cyber incident could result in information theft, data corruption, operational disruption and/or financial loss. Cyber security imposes an increasing risk on companies. With the growing volume and sophistication of cyber-attacks, the risk is that sensitive business and personal information is not well protected and assets and the Group's security is not safeguarded. The Group has a dedicated team to mitigate the risk of a cyberattack and to recover as soon as possible from any attack that might occur.

The financial risk management process, which the risk is considered as one of the principal risks and uncertainties of the Group, is discussed in the Directors' report,

#### *Ethical misconduct and non-compliance*

Ethical misconduct or breaches of applicable laws by the Group's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

#### *Regulation*

The Group operates in different countries and developments in politics, laws and regulations in those countries could cause business disruption. These may in turn cause production to decline, limit the Group's ability to pursue new opportunities, affect the recoverability of its assets or cause it to incur additional costs. Political instability, changes to the regulatory environment or taxation, international trade disputes, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or a future epidemic or pandemic) may disrupt or curtail its operations or development activities.

#### *Treasury and trading activities*

The Group uses debt instruments, such as loans, to raise capital. Should access to debt markets become more difficult, the potential impact on the Group's liquidity could have a material adverse effect on its operations. Ineffective oversight of treasury and trading activities could also lead to business disruption, financial loss, regulatory intervention or damage to the Group's reputation.

#### *Reporting*

Failure to accurately report the Group's data could lead to regulatory action, legal liability and reputational damage.

#### *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 Group'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 Group continues to face uncertainties as the future relationship with the EU changes. However, the Group considers that the direct impact of these uncertainties is limited in the short term. The Group will continue to monitor this aspect.

#### *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 Group is closely monitoring the evolution of the COVID-19 outbreak and is following the World Health Organisation and local governments' advice. The Group 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. Despite COVID-19-related practical challenges, the Group's current exposure to oil price volatility is relatively limited as 84% of the portfolio is gas weighted based on forecast production. The Group's exposure to gas prices volatility is also relatively limited as a significant portion of the forecasted production is hedged.

## Strategic report (*continued*)

### Employee engagements

The Group uses various forms of communication to ensure all employees are regularly updated on the Group performance as well as wider company initiatives. The Group is committed to encouraging employees to suggest ways in which working practices can be improved and how the Group can help to contribute to organisational success.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Llewellyn', written in a cursive style.

Michael Llewellyn  
Director

18 June 2021

## Directors' report

The directors present their report and the audited consolidated and company financial statements of the Group and the Company for the year ended 31 December 2020.

### General information

INEOS UK E&P Holdings Limited is a private company limited by shares incorporated and domiciled in the UK. The registered office is Brodies House, 31-33 Union Grove, Aberdeen, Scotland, AB10 6SD.

### Principal activities

The principal activity of the Group during the year continued to be the exploration, development, production and transportation of oil and gas.

### Results and dividends

The results of the Group are set out in the consolidated statement of comprehensive income on page 21 which shows a loss for the financial year of £226.2 million (2019: loss of £65.6 million) which has been transferred to reserves. The directors have not paid and do not recommend the payment of a dividend (2019: nil).

### Overseas branches

The Group has no overseas branches (2019: nil).

### Political donations

No political donations were made or political expenditure incurred and no contributions were made to a non-EU political party (2019: nil).

### Energy and carbon reporting

Data in this section are reported on a 100% operational control basis in respect of activities where the Group is the operator within the UK and offshore area.

Greenhouse gas ("GHG") emissions data are provided below in accordance with UK regulations. GHG emissions comprise CO<sub>2</sub>, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. The data are calculated using locally regulated methods where they exist.

	2020
Total energy consumption used to calculate emissions in Kwh	2,887,053
<b>Emissions (tonnes of CO<sub>2</sub> equivalent)</b>	
Direct *	646
Energy indirect **	84
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	13
<b>Intensity ratio (tonne/tonne)</b>	
All facilities ***	0.001

\* Emissions from the combustion of fuel and the operation of facilities operated by the Group within the UK and offshore area.

\*\* Emissions from the purchase of electricity, heat, steam and cooling for the Group's own use.

\*\*\* In tonnes of total direct and energy indirect GHG emissions, expressed in metric tonnes of CO<sub>2</sub> equivalent, emitted into the atmosphere per metric tonne of oil and gas production available for sale.

### Business relationships

Business relationships are discussed in the Strategic report.

### Future developments

Future developments are discussed in the Strategic report.

## Directors' report( *continued*)

### Subsequent events

On 18 March 2021, the Group entered into a sales and purchase agreement to acquire HESS Denmark ApS for a total consideration of \$150.0 million. The acquisition includes 61.5% interest in the Syd Arne oil field in which the Group held a 36.8% share at year end, and 4.8% interest in the Solsort field where the Group holds a share of 62.8%. The acquisition is subject to approval by the Danish Energy Authority and is expected to complete later in 2021.

On 25 March 2021, the Group entered into an agreement to divest its oil and gas business in Norway to PGNiG Upstream Norway for a consideration of \$615.0 million. The transaction is subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance and is expected to complete later in 2021.

As part of INEOS group-wide corporate simplification project, one of the Group's Danish subsidiaries, INEOS E&P Føroyar P/F, was liquidated on 5 March 2021. The liquidation is not expected to have a material impact on the Group's consolidated financial statements given the subsidiary comprise only inter-company balances with its parent or the Group's subsidiaries as at 31 December 2020.

### Directors

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

Andrew Pizzey	
David Brooks	(resigned 11 September 2020)
Douglas Scott	
Mads Weng Gade	
Michael Llewellyn	(appointed 2 November 2020)
Gareth Anderson	(resigned 11 November 2020)
Tanja Dalgaard	(resigned 2 November 2020)

### Going concern

The Group has considered its funding position and financial projection, including stress test sensitivities, and the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In arriving at this conclusion, the directors have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed further in the Strategic Report on page 9 and 10 and in the financial risk management section below, including the ongoing challenges the Group faces with COVID-19.

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has sufficient funds to meet its forecast cash requirement. Cash forecasts are produced based on a number of inputs, such as production and expenditure forecasts, oil and gas price assumptions, and investing and financing cash flow forecasts, which includes the Danish acquisition and Norwegian disposal, as detailed in note 32 of the consolidated financial statements. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is an extended low commodity prices environment, resulting in an average gas price of 37 p/th for the remainder of 2021 and 39p/th in 2022, and an average oil price of \$48/bbl for the remainder of 2021 and 2022.

Oil and gas prices have improved during the course of 2021, with development and approval of several COVID-19 vaccines, OPEC+'s supply management, together with economic rebound in Asia from COVID-19, resulting in the commodity price assumptions included in management's base case being lower than the spot price at the time of signing of the financial statements. Although the directors cannot predict the prolonged impact of the COVID-19 pandemic, the directors have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Group would still have sufficient cash flow to meet its obligations as they fall due based on available cash and undrawn balance on the reserves based lending ("RBL") facilities at 31 December 2020. As detailed in the post balance sheet events note in the financial statements, the Group has entered into agreements to acquire HESS Denmark ApS for \$150.0 million base consideration and sold its Norwegian business post year end for \$615.0 million base consideration, the Group expects to remain able to meet its obligations during the going concern period, including in a stressed scenario as indicated by the sensitivities above.

The base assumptions indicate that the Group expects to be able to operate within its contractual debt facilities and have sufficient finance headroom for at least 12 months from the date of approval of these financial statements, with RBL covenants fully complied throughout the forecast period. As such, the directors have a reasonable expectation that the Group and the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the directors consider that preparing the financial statements on the going concern basis continues to be appropriate.



## Directors' report( *continued*)

### Financial risk management

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

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

- a) **Commodity price risk:** Oil and gas are traded commodities with open market prices. They are subject to international supply and demand and margins can be volatile. Political developments, increased supply of oil and gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) and the influence of OPEC can impact supply and demand and prices. The Group is exposed to fluctuations in market prices to the extent that it has not entered into fixed price agreements. The directors regularly review cost-benefit of entering into commodity price hedges to minimise price risk.

Generally, the Group policy is to remain exposed to market prices of commodities, however, management may elect to use derivatives instruments to hedge the price risk of oil and gas production.

The Group uses swaps and options in various markets to manage the risk to the Group's cash flows from price exposures on specific crude oil and natural gas transactions. Refer to note 25 for details.

- b) **Interest rate risk:** The Group has a mix of financing facilities including the Reserves Based Lending (or "RBL") Facility and a shareholder loan facility. The RBL Facility bears interest at variable rates based on LIBOR; the shareholder facility bears interest at a fixed rate of 7% per annum. The directors review the interest rate and assess the cost- benefit of interest rate hedging. Refer to note 18 for details.
- c) **Currency risk:** The Group undertakes transactions in various currencies, and manages this risk by matching receipts and payments in the same currency (where possible) and monitoring the movements in exchange rates. The shareholder loan is denominated in USD and the RBL facility allows drawing in a number of currencies. In 2020, the Group entered into a number of forex trades with banks to limit exposure to exchange rate movements.
- d) **Credit risk:** The Group has in place policies and procedures to mitigate the risk that customers or joint venture partners default on amounts owed. Exposure to credit risk is minimised by the nature of the customers and joint venture partners with which the Group deals.
- e) **Liquidity and cash flow risk:** The Group seeks to ensure that its operating assets generate sufficient positive cash flows to cover the Group's costs and development activities and service the Group's own obligations. The Group has access to liquidity, through the RBL facility and support from shareholders to manage such risks.

### Disabled employees

The Group prohibits acts of discrimination whereby one individual is treated less favourably than another on grounds of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. The Group's intention in respect of recruitment, selection and promotion is to appoint the most able candidate for each job regardless of the characteristics listed above. Any internal and external training opportunities including training towards professional qualifications are available to all employees and all conditions of employment, employee benefits and services apply irrespective of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity.

### Employee consultation

The Group places considerable value on the involvement of its employees and continues to keep them informed and hear from them in relation to matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through both formal and informal consultation methods, whilst complying with relevant legislation, if applicable.

## **Directors' report( *continued*)**

### **Reappointment of auditor**

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditors 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 directors' 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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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.

## **Directors' report** *(continued)*

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

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

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

Approved by the Board and signed on its behalf by:



Michael Llewellyn  
Director  
18 June 2021

## **Independent auditor's report to the members of INEOS UK E&P Holdings Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion:

- the financial statements of INEOS UK E&P Holdings Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies;
- the related consolidated notes 1 to 32; and
- the related parent company notes 1 to 23.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

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

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

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

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

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

## **Independent auditor's report to the members of INEOS UK E&P Holdings 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 within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 Group's industry and sector, control environment and business performance, key drivers for management's remuneration, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, Directors and legal counsel about their own identification and assessment of the risks of irregularities.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These 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 Group's or the parent company's ability to operate or to avoid a material penalty. These included Group's operating licence and environmental regulations.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, 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.

## **Independent auditor's report to the members of INEOS UK E&P Holdings Limited (continued)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

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

- Significant risk identified in respect of the classification of exceptional costs within the financial statements. We have performed procedures in respect of the classification of costs identified as exceptional and have considered the consistency year on year, with the Group's peers and for compliance with the Group's accounting policy.

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;
- assessing whether the judgements made in making accounting estimates are indicative of any potential bias;
- 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, and the licensing authority / industry regulatory in the locations where the Group operates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

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

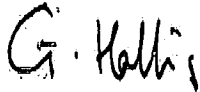
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors'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

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of INEOS UK E&P Holdings 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  
18 June 2021

**Consolidated Statement of Comprehensive Income**  
*for year ended 31 December 2020*

	Note	£'000	2020 £'000	£'000	Restated* 2019 £'000
<b>Revenue</b>	6		382,745		707,109
Cost of sales			(511,684)		(615,640)
<b>Gross (loss)/ profit</b>			(128,939)		91,469
Administrative expenses before exceptional items		(16,973)		(52,647)	
Exceptional administrative expenses	8	(4,445)		(175,525)	
Total administrative expenses			(21,418)		(228,172)
Other operating income	7		73		3,915
<b>Operating loss</b>	7		(150,284)		(132,788)
Finance income	10	77,628		147,367	
Finance expense	10	(125,527)		(71,096)	
<b>Net financing (expense)/ income</b>			(47,899)		76,271
<b>Loss before tax</b>			(198,183)		(56,517)
Taxation	11		(62,028)		(73,237)
<b>Loss for the year from continuing operations</b>			(260,211)		(129,754)
<b>Discontinued operations</b>					
Profit from discontinued operations	4		33,977		64,186
<b>Loss for the year</b>			(226,234)		(65,568)
<b>Other comprehensive income/ (expense)</b>					
<b>Items that may be subsequently reclassified to profit or loss</b>					
Foreign exchange translation differences - foreign operations	24		20,870		(19,096)
<b>Total comprehensive expense for the year</b>			(205,364)		(84,664)

The notes on page 25 to page 78 are an integral part of these consolidated financial statements.

\*2019 disclosure restated to disclose comparative discontinued operations results separately.



**Consolidated Statement of Financial Position**  
*as at 31 December 2020*

	Note	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	749,045	1,291,330
Intangible assets	13	213,772	152,885
Right-of-use assets	26	26,932	35,843
Indemnification assets	15	205,075	218,551
Prepayments	17	16,095	11,663
Investments	14	1,303	1,317
Loan receivables	17	171,626	-
Deferred tax assets	23	11,459	51,770
		<b>1,395,307</b>	<b>1,763,359</b>
<b>Current assets</b>			
Inventories	16	17,840	20,613
Indemnification assets	15	17,681	-
Tax receivable	17	31,535	28,296
Derivatives financial instruments	25	21,298	46,676
Trade and other receivables	17	102,600	212,785
Cash and cash equivalents		130,936	69,623
		<b>321,890</b>	<b>377,993</b>
<b>Total assets</b>		<b>1,717,197</b>	<b>2,141,352</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	18	(28,894)	(7,044)
Trade and other payables	19	(103,354)	(191,887)
Tax payable	19	(137,870)	(155,124)
Derivatives financial instruments	25	(34,714)	-
Deferred consideration	22	(26,479)	(11,438)
Lease liabilities	27	(1,199)	(2,291)
Provisions	21	(56,959)	(61,382)
		<b>(389,469)</b>	<b>(429,166)</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	(619,866)	(686,184)
Trade and other payables	19	(8,148)	(46,618)
Deferred consideration	22	(71,758)	(84,304)
Lease liabilities	27	(26,565)	(33,942)
Provisions	21	(1,086,351)	(1,255,199)
Deferred tax liabilities	23	(116,881)	(128,726)
		<b>(1,929,569)</b>	<b>(2,234,973)</b>
<b>Total liabilities</b>		<b>(2,319,038)</b>	<b>(2,664,139)</b>
<b>Net liabilities</b>		<b>(601,841)</b>	<b>(522,787)</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	24	74,327	74,327
Share premium	24	232,994	173,683
Other reserves	24	26,179	5,309
Retained losses		(935,341)	(776,106)
<b>Total equity</b>		<b>(601,841)</b>	<b>(522,787)</b>

These financial statements from page 21 to page 78 were approved by the board of directors on 18 June 2021 and were signed on its behalf by



**Michael Llewellyn**  
Director  
Company registered number: SC200459

**Consolidated Statement of Changes in Equity**  
*for year ended 31 December 2020*

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings/ (losses) £'000	Total equity £'000
Balance at 1 January 2019	74,327	173,683	22,546	1,859	(710,538)	(438,123)
<b>Total comprehensive expense for the year</b>						
Loss for the year	-	-	-	-	(65,568)	(65,568)
Other comprehensive loss	-	-	-	(19,096)	-	(19,096)
<b>Balance at 31 December 2019</b>	<b>74,327</b>	<b>173,683</b>	<b>22,546</b>	<b>(17,237)</b>	<b>(776,106)</b>	<b>(522,787)</b>

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings/ (losses) £'000	Total equity £'000
Balance at 1 January 2020	74,327	173,683	22,546	(17,237)	(776,106)	(522,787)
<b>Total comprehensive income/ (expense) for the year</b>						
Loss for the year	-	-	-	-	(226,234)	(226,234)
Other comprehensive income	-	-	-	20,870	-	20,870
<b>Transactions with owners, recorded directly in equity</b>						
Issue of shares (note 24)	-	59,311	-	-	-	59,311
Amounts arising on common control disposal (note 4)	-	-	-	-	66,999	66,999
<b>Balance at 31 December 2020</b>	<b>74,327</b>	<b>232,994</b>	<b>22,546</b>	<b>3,633</b>	<b>(935,341)</b>	<b>(601,841)</b>

The notes on page 25 to page 78 are an integral part of these financial statements.

**Consolidated Statement of Cash Flows**  
*for year ended 31 December 2020*

		2020 £'000	Restated* 2019 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(260,211)	(129,754)
<i>Adjustments for:</i>			
Depreciation and amortisation	7	221,222	301,181
Finance income	10	(77,628)	(147,367)
Finance expense	10	125,527	71,096
Gain on sale of property, plant and equipment	7	(73)	(3,915)
Unsuccessful exploration and evaluation activities	13	14,698	45,596
Exceptional items – non-cash items	8	-	168,454
Impairment loss on fixed assets	12	66,077	55,473
Impairment loss on goodwill	13	3,957	-
Taxation	11	62,028	73,237
Decrease/ (increase) in trade and other receivables		35,384	(14,660)
(Increase)/ decrease in inventories		(739)	654
Decrease in trade and other payables		(43,750)	(16,189)
Decommissioning and other provisions		(49,462)	(88,744)
Tax paid		(32,731)	(236,215)
<b>Net cash from operating activities – continued operations</b>		<b>64,299</b>	<b>78,847</b>
<b>Net cash from operating activities – discontinued operations</b>		<b>39,378</b>	<b>58,140</b>
<b>Net cash generated from operating activities</b>		<b>103,677</b>	<b>136,987</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		107	3,915
Interest received		6,090	2,255
Disposal of discontinued operations, net of cash disposed of	4	17,848	-
Acquisition of subsidiary, net of cash acquired	3	(22,904)	-
Payment of deferred consideration	22	(30,311)	(12,299)
Acquisition of property, plant and equipment		(19,458)	(71,101)
Acquisition of exploration and evaluation assets		(8,204)	(47,387)
Acquisition of other intangible assets		(171)	(102)
<b>Net cash used in investing activities – continuing operations</b>		<b>(57,003)</b>	<b>(124,719)</b>
<b>Net cash used in investing activities – discontinued operations</b>		<b>(29,786)</b>	<b>(17,699)</b>
		<b>(86,789)</b>	<b>(142,418)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loan		23,553	185,357
Interest paid		(18,197)	(50,935)
Repayment of borrowings		(100,110)	(197,270)
Principal elements of lease payments		(3,888)	(3,071)
Proceeds from derivative instruments		145,335	20,858
<b>Net cash from/ (used) in financing activities – continuing operations</b>		<b>46,693</b>	<b>(45,061)</b>
<b>Net cash used in financing activities – discontinued operations</b>		<b>(249)</b>	<b>(2,640)</b>
		<b>46,444</b>	<b>(47,701)</b>
Net increase/ (decrease) in cash and cash equivalents		63,332	(53,132)
Cash and cash equivalents at 1 January		69,623	120,078
Effect of exchange rate fluctuations on cash held		(2,019)	2,677
<b>Cash and cash equivalents at 31 December</b>		<b>130,936</b>	<b>69,623</b>

The notes on page 25 to page 78 are an integral part of these financial statements.

\*2019 disclosure restated to disclose comparative discontinued operations results separately.

## Notes to the consolidated financial statements

### 1 Corporate information

INEOS UK E&P Holdings Limited is a private limited company incorporated and domiciled in the UK.

The principal activity of the Group is the exploration, development, production and transportation of oil and gas. Information on the Group's ultimate parent is presented in note 31. Information on other related party relationships of the Group is provided in note 30.

### 2 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 Group financial statements.

#### 2.1 Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries. The Company financial statements present information about the Company as a separate entity and not about its Group.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 2.24.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the EU ("Adopted IFRSs") and in accordance with the Companies Act 2006. The Company has elected to prepare its Company financial statements in accordance with FRS 101; these are presented on page 79 to page 96.

#### 2.2 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 and indemnification assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

#### 2.3 Going concern

Based on the assessment described on page 13, which takes account of ongoing uncertainty as a result of COVID-19 and its impact on commodity prices, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

#### 2.4 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

## Notes to the consolidated financial statements(continued)

### 2 Summary of significant accounting policies and key accounting estimates (continued)

#### 2.4 Basis of consolidation (continued)

##### *Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related Non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in the statement of comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. Where the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from an associate reduce the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and it recognises the amount adjacent to 'share of profit/ (loss) of associates' in the income statement.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### *Joint Arrangements*

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

##### *Interests in joint ventures (joint operation)*

The Group'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 Group 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 Group's entitlement to production are recognised on a pro rata basis according to the Group's joint venture interest.

#### 2.5 Foreign currency transactions and balances

The Group's consolidated financial statements are presented in British pound sterling (£), which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates (*continued*)

#### 2.5 Foreign currency transactions and balances (*continued*)

##### *Transactions and balances*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

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

#### 2.6 Financial assets and liabilities

##### *Classification*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Recognition and measurement*

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are tested for classification as per IFRS 9. If the trade receivables satisfy the criteria for cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost they are recognised at fair value through profit and loss.

##### *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. The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short-term and where the effect is material, they are measured at amortised cost using the effective interest method.

##### *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 Group 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 Group'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, such as the bank loans the Group has in place. Refer to note 18 for details.

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.6 *Financial assets and liabilities (continued)*

##### *Derivatives and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

##### *Impairment of financial assets*

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost. The Group 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 Group 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 Group.

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.

#### 2.7 *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 tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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 Group 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.

##### *Buildings, plant and equipment, furniture and equipment*

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 available or ready for use.

##### *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 proved and probable recoverable oil and gas reserves, where unit-of-production method is deemed not appropriate, straight line method is applied over the estimated useful lives of the assets.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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

Asset class	Depreciation method and rate
Buildings	4-6 years
Plant and equipment	4-20 years
Furniture and Equipment	3-20 years
Oil and gas properties	Unit of Production

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.8 Intangible assets

##### *Exploration and evaluation activities*

The Group 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 statement of comprehensive income 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.

##### *Other intangible assets*

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

##### *Goodwill*

Goodwill arises on the acquisition of subsidiaries, and it represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Goodwill impairment testing is performed annually or if there is an indication of impairment. Goodwill impairments tests are based on cash generating units and compare the recoverable amount of the unit with the respective carrying amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs of disposal and its value in use. The value in use is determined using a discounted cash flow method, considering earnings forecasts of the unit. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

##### **Amortisation**

Amortisation is charged on a straight line basis over the estimated useful life from the date the asset is available to use. Exploration and evaluation assets are not subject to amortisation.

##### **Asset class**

##### **Amortisation method and rate**

Software

3-5 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.



## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.9 Business combinations

All business combinations are accounted for by applying the acquisition method except acquisitions under common control which are outside the scope of IFRS 3. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of comprehensive income.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in statement of comprehensive income.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

#### *Acquisitions under common control*

Acquisitions under common control are accounted for at book value, using the assets and liabilities recorded in the financial statements of the acquiree. The difference between the consideration paid and the net assets acquired is recognised in retained earnings.

#### 2.10 Inventories

Inventories consist of petroleum, condensate, liquid petroleum gas and materials. Inventories are valued at the lower of cost and net realisable value, which is the estimated selling price less costs of completion and disposal. 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.

#### 2.11 Impairment of non-financial assets

The carrying amounts of the Group'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.

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.11 *Impairment of non-financial assets (continued)*

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 dispose. In assessing fair value less costs to dispose, 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.

An impairment charge of £66.1 million was recognised against a number of assets in UK and Denmark for the year ended 31 December 2020 as a result of impairment review performed. Refer to note 12 for details.

#### 2.12 *Employee benefits*

##### *Defined contribution pension obligation*

The Group operates defined contribution retirement plans. A defined contribution plan is a post-employment benefit plan under which the Group 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 statement of comprehensive income in the periods during which services are rendered by employees.

##### *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 Group 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.

#### 2.13 *Provisions*

A provision is recognised in the statement of financial position when the Group 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 Group 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. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also recognised. The asset is depleted on a straight line basis. 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.

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.13 Provisions (*continued*)

##### *Decommissioning and restoration*

The Group 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. The amount recognised is the estimated cost of decommissioning discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. 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.

#### 2.14 Leases

##### *Definition*

The Company has entered into a number of leases for real estate in England as well as plant & machinery.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether:

- The contract involves the use of an identified asset
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset.

##### *Initial recognition and measurement*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

The Group recognises the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the Group has the primary responsibility for making the lease payments. The Group then performs a subsequent assessment to determine if the asset is sub-leased to the joint arrangement. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease as operating or finance lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

For contracts in scope, the Group, as the lessee, recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.14 Leases (*continued*)

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in - substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short term and low value leases*

The Group, as lessee, has availed the exemption from lessee accounting for its short-term leases (lease term of 12 months or less) and leases of low-value items to leases of assets that are valued below €10,000. Accordingly for these leases, it recognises the lease payments as an expense, on either a straight line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the Group's benefit.

#### 2.15 Revenue and over/underlift

Revenue, which is stated net of value added tax, represents oil and gas products sold and the transportation and processing services provided. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from the standalone selling prices for goods and services, allocated to the performance obligations.

Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer. For sales resulting from hydrocarbon production, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue resulting from hydrocarbon production from properties in which the Group has an interest with partners in joint arrangements is recognised on the basis of the Group's volumes lifted and sold. Lifting or offtake arrangements for oil and gas produced in certain of the Group's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold less inventory is an "underlift" or "overlift". Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales in the statement of comprehensive income.

## Notes to the consolidated financial statements (*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.15 Revenue and over/underlift (*continued*)

Revenue from transportation and processing services arises from tariffs for third party use of owned pipelines and infrastructure. Tariffs are recognised at the end of the month for pipeline movements during the month and are based on quantity transported through the pipeline.

The timing of revenue recognition of the Group's sales transactions under transportation and processing services provided are over time. Other revenues are recognised at a point in time.

#### 2.16 Finance income and expense policy

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.

#### 2.17 Exceptional items

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of goodwill, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

#### 2.18 Taxation

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

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.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 2.19 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.

## Notes to the consolidated financial statements (*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.20 Segmental analysis

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers are the members of the Executive Committee of the intermediate parent undertaking, INEOS Upstream Holdings Limited.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segments and assess their performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8. Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### 2.21 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants related to assets are shown in the consolidated statement of financial position as deferred income. This income is amortised on a straight-line basis over the same period as the tangible fixed asset to which it relates or the life of the related project. Grants related to income are recognised in the statement of comprehensive income.

#### 2.22 New and amended standards and interpretations

The Group 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 Group'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 Group 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 in note 2.9.
- 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 Group doesn't not apply hedge accounting therefore no impact is noted.
- 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.
- 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."

## Notes to the consolidated financial statements (*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.23 Standards issued but not yet effective

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

The impact of their adoption is being assessed and is not expected to have a material impact on the Group'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).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023).

#### 2.24 Critical judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Impairment of non-financial assets (Critical judgements and Estimates)*

The carrying amounts of the Group'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.

Impairment losses on intangible assets and property, plant and equipment are recognised when the recoverable amount of the cash generating unit which includes the asset is lower than the respective carrying amount. In accordance with the definition of a cash generating unit under IAS 36, the individual production plants generally do not represent separate cash generating units, but are part of larger asset groups that form the cash generating units. Since the assessment whether property, plant and equipment are impaired is based on long-term business plans for the cash generating units and the determination of an appropriate discount rate, management used significant estimates and assumptions in making these assessments. Forecast cash flows are the area subject to most uncertainty within these models due to the inherent variability associated with the business cycle.

## Notes to the consolidated financial statements (*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.24 Critical judgements and key sources of estimation uncertainty(*continued*)

For oil and gas assets, the recoverable amount is calculated using valuation techniques and inputs of various estimates including the expected future cash flows based on future production, commodity prices, exchange rates, discount rates and inflation rates, of which discount rates, reserves estimates and commodity prices are considered to be the key assumptions used in calculations. The discount rates applied in impairment tests are reassessed each year and in 2020, the post-tax discount rates were between 7.7% to 8.7% (2019: 8.0% to 8.4%). Commodity price assumptions are based on consensus from a group of third party oil and gas analysts and banks, they are reviewed and approved by management. As a result of the current uncertainty over the pace of transition to lower-carbon supply and demand and the social, political and environmental actions on climate change, the Group has considered the low price environment and long term prices applied were lower compared to those used in 2019. Refer to note 12 for details.

As a result of the impairment review performed on the Group's oil and gas assets, an impairment charge of £66.1 million (2019: £55.5 million) was recognised against a number of assets in UK and Denmark for the year ended 31 December 2020.

For exploration and evaluation assets, judgement is required to determine whether it is appropriate to continue to carry costs associated on the statement of financial position. The costs are carried based on the current regulatory and political environment or any known changes to that environment. They are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery.

£14.7 million (2019: £45.6 million) exploration assets were written off in the year due to unsuccessful results. No other impairment was deemed necessary since the recoverable amounts were higher than their carrying value. Refer to note 13 for details.

#### *Oil and gas activities (Estimate)*

The Group estimates its oil and gas reserves based on information compiled by appropriately qualified persons relating to geological and technical data on the size, depth, shape and grade of the reservoir and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the reservoir.

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements. Estimated reserves are used in determining depreciation and depletion expenses, impairment testing for oil and gas properties and goodwill, and the timing of decommissioning. Judgement is involved in determining when to use an alternative reserves base in order to appropriately reflect the expected utilisation of the assets concerned.

#### *Impairment of goodwill (Judgements and Estimate)*

Goodwill impairment testing is performed annually or if there is an indication of impairment. Goodwill impairments tests are based on cash generating units (CGUs) and compare the recoverable amount of the unit with the respective carrying amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs of disposal and its value in use. The value in use is determined using a discounted cash flow method, considering earnings forecasts of the unit. These calculations require the use of estimates such as long-term price assumptions and reserves.

Goodwill relates to the Norwegian and Danish CGU. The carrying amount of the Norwegian CGU is lower than its recoverable amount thus no impairment is recognised, however an impairment of £4.0 million is recognised in relation to the Danish CGU. The key assumptions used to determine the recoverable amount for the CGU, such as the commodity prices and discount rates, and the related sensitivity analysis, are disclosed and further explained in note 13.



## Notes to the consolidated financial statements(*continued*)

### 2 Summary of significant accounting policies and key accounting estimates(*continued*)

#### 2.24 Critical judgements and key sources of estimation uncertainty (*continued*)

##### *Tax provisions/assets (Judgements and Estimate)*

Tax provisions/assets are recognised when it is considered probable that there will be an outflow/inflow of funds to the relevant tax authorities, where provision/asset is recognised for the amount expected to be settled. The provision/ asset is updated at each reporting period by management through interpretation and application of known tax laws with support of professional advisors where appropriate. Interpretations can change over time depending on circumstance and precedent, which result in adjustment to the expected amount to be settled. Changes to the estimated amount would result in a charge or credit to the income statement in the period the change arises. The exception to this is where tax provisions are subject to an indemnity by a third party, for example those uncertain tax provisions recognised in the subsidiaries on acquisition in 2017, which the changes to the estimated amount would offset against movement in indemnification assets.

The Group's current tax provision of £137.9 million relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the Norwegian Oil Taxation Office. Uncertain tax items for which a provision of £81.6 million is made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group and consist primarily of transfer pricing issues in relation to gas sales agreements and other intra group transactions. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range is from additional liabilities of up to £ 0.0 million to a reduction in liabilities of up to £ 81.6 million. £69.3 million of the above provision is subject to an indemnity by a third party, and where the changes to the estimated amount would offset against movement in indemnification assets. Refer to note 15 for details.

The Group has deferred tax assets of £11.5 million and liabilities of £116.9 million as at 31 December 2020 (2019: assets of £51.8 million and liabilities of £128.7 million) based on an assessment of expected future profits against the gross tax losses available, refer to note 23 for details.

##### *Exceptional costs (Judgement)*

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of goodwill, the cost of restructuring acquired businesses and the impact of one-off events such as legal settlements as exceptional items. Judgement is involved in determining if the costs incurred are deemed as exceptional, exceptional items are reviewed individually but are determined under a common process and consistent basis. A change in that judgement could result in changes in Normalised EBITDA (page 6).

##### *Provisions (Estimate)*

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. The timing of the recognition requires the application of judgment 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 (between 2021 and 2045). Consequently, judgement is required in relation to the estimated cash flows, removal date, environmental legislation, inflation and discount rate used to calculate present value.

Provisions are recognised for the expected 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, as well as the key assumptions used, are detailed in note 21.

The discount rate applied to reflect the time value of money in the carrying amount of provisions requires estimation. The discount rate applied is reviewed regularly and adjusted following changes in market rates. If the estimated discount rate, one of the key assumptions in determining the provisions, used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been £75.3 million lower.

## Notes to the consolidated financial statements(continued)

### 3 Acquisitions of subsidiaries

#### Acquisitions in current year

On 19 November 2020, the Group's subsidiary, INEOS E&P A/S, acquired Spirit Energy Danmark ApS (now "INEOS E&P (Petroleum Denmark) ApS") and Spirit Energy Petroleum Danmark AS (now "INEOS E&P (Norge) Petroleum DK AS") from Bayerngas Norge AS. The acquisition covers ownership in the oil and gas license Hejre (40% interest), Hejre extension (32% interest) and Solsort (30% interest). The acquisition helps to strengthen the Group's overall oil and gas Danish portfolio and reflects the Group's confidence in the Hejre and Solsort discoveries.

	Recognised provisional values on acquisition £'000
<b>Acquiree's provisional net assets recognised at the acquisition date:</b>	
Trade and other receivables	35,215
Cash and cash equivalents	1,045
Trade and other payables	(203)
Provisions	(66,128)
<b>Net liabilities</b>	<b>(30,071)</b>
<b>Consideration paid:</b>	
Cash	23,949
Deferred consideration	33,817
<b>Total consideration transferred</b>	<b>57,766</b>
Indemnification asset	(10,116)
<b>Total consideration</b>	<b>47,650</b>
<b>Goodwill at acquisition</b>	<b>77,721</b>
Impairment	(3,957)
Effect of movement in foreign exchange	(16)
<b>Goodwill as at 31 December 2020</b>	<b>73,748</b>

The fair values disclosed are provisional as at 19 November 2020. This is due to the complexity of the acquisition and the inherently uncertain nature of the oil and gas sector; further work will be required to confirm the final fair value. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

Discounted cash flow model was used to estimate the fair value of acquired property, plant and equipment, which included oil and gas assets, based on the life-of-field plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-field plan as at the acquisition date.

Deferred consideration of £33.8 million relates to several tax settlements, of which £15.6 million remains unsettled at year end and is included across current and non-current liabilities in the consolidated statement of financial position based on the timing of expected payments, refer to note 22 for details.

The Group also benefits from an indemnity in respect of decommissioning liabilities and uncertain tax liabilities relating to pre-acquisition periods. An indemnification asset of DKK 84.1 million (£10.1 million), equivalent to the fair value of the underlying estimate of these liabilities, has been recognised by the Group and treated as a reduction in consideration. Refer to note 15 for details.

Goodwill of £77.7 million was recognised as a result of the acquisition, of which none is expected to be deductible for income tax purposes. An impairment assessment was subsequently performed and an impairment of £4.0 million was recognised. Refer to note 13 for details on goodwill.

## Notes to the consolidated financial statements(continued)

### 3 Acquisitions of subsidiaries (continued)

As part of the sales and purchase agreement, the Group is subject to a contingent consideration of US\$60.0 million (£44.1 million) should a Final Investment Decision be made on Hejre and Solsort discoveries with notice issued to the regulator. On the other hand, the Group is entitled to receive a contingent consideration of DKK 607.0 million (£73.7 million) if a decision is made to not invest on Hejre and Solsort discoveries. These contingent liability and asset have not been recognised because they are contingent on future events which have a high level of uncertainty at the year end.

The revenue included in the consolidated statement of comprehensive income since 19 November to 31 December 2020 contributed by the acquired entities was £nil. They incurred £0.3 million loss before tax over the same period.

If Spirit Energy Danmark ApS and Spirit Energy Petroleum Danmark AS had been consolidated from 1 January 2020, the consolidated statement of comprehensive income would show pro-forma revenue from these entities of £nil and a loss before tax of £27.5 million for the year ended 31 December 2020.

There were no acquisitions of subsidiaries made in 2019.

### 4 Disposal of subsidiaries

#### Disposals in current year

As part of an internal organisational restructuring, the Group sold its entire interest in INEOS FPS Group on 15 June 2020 to a fellow group company, INEOS Industries Holdings Limited for a consideration of \$262.7 million (£213.3 million). The consideration was settled through a combination of cash and a loan to INEOS Industries Holdings Limited.

The net assets of INEOS FPS Group and its subsidiaries at the date of disposal were as follows:

	Recognised values on disposal £'000
<b>Subsidiary's net assets recognised at the disposal date:</b>	
Property, plant and equipment	268,148
Intangible assets	931
Lease assets	17,554
Inventories	3,518
Trade and other receivables	119,973
Cash and cash equivalents	10,487
Interest-bearing loans and borrowings	(4,284)
Lease liabilities	(18,195)
Trade and other payables	(73,170)
Provisions	(178,680)
<b>Net assets of disposal group</b>	<b>146,282</b>
<b>Proceeds:</b>	
Loan receivable	184,946
Cash and cash equivalents	28,335
<b>Amounts arising on common control transactions</b>	<b>66,999</b>

This was a transaction under common control and the gain arose on disposal, being the difference between consideration of \$262.7 million (£213.3 million) and net assets disposed, amounted to £67.0 million and was recognised in retained earnings as per the Group's accounting policy.

## Notes to the consolidated financial statements(continued)

### 4 Disposal of subsidiaries (continued)

The results of the discontinued operations, which have been included in the consolidated statement of comprehensive income for the year, were as follows:

<i>Discontinued operations</i>	<b>Period ended 15 June 2020</b>	<b>Year ended 31 December 2019</b>
Revenue	156,779	346,528
Cost of sales	(123,882)	(288,089)
<b>Gross profit</b>	<b>32,897</b>	<b>58,439</b>
Total administrative expenses	2,195	21,201
<b>Operating profit</b>	<b>35,092</b>	<b>79,640</b>
Finance income	5	259
Finance expense	(1,120)	(3,407)
<b>Profit before tax</b>	<b>33,977</b>	<b>76,492</b>
Taxation	-	(12,306)
<b>Net profit attributable to discontinued operations</b>	<b>33,977</b>	<b>64,186</b>

	<b>Period ended 15 June 2020</b>	<b>Year ended 31 December 2019</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	35,092	79,640
Depreciation for the year	10,984	21,887
Amortisation for the year	199	399
<b>EBITDA</b>	<b>46,275</b>	<b>101,926</b>
Exceptional items	-	1,400
<b>Normalised EBITDA from discontinued operations</b>	<b>46,275</b>	<b>103,326</b>

During the year, INEOS FPS Group contributed £39.4 million (2019: £58.1 million) to the Group's net operating cash flows, paid £29.8 million (2019: £17.7 million) in respect of investing activities and paid £0.2 million (2019: £2.6 million) in respect of financing activities.

There were no disposals of subsidiaries made in 2019.

### 5 Operating Segments

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group's reportable segments in both 2019 and 2020 are United Kingdom, Scandinavia and FPS (up to date of disposal) and are based on geographic region and the nature of the operation. Information regarding the operations of each reportable segment is included in the following table. United Kingdom and Scandinavia segment mainly engage in the exploration, development and production and sale of oil and gas while FPS mainly engages in the transportation of oil and gas.

Performance is measured based on earnings before interest, tax, depreciation and amortisation, measured under IFRS ("Segment EBITDA") and after adjustment for exceptional or non-recurring items ("Normalised EBITDA"). Normalised EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to each other and similar businesses that operate within the oil and gas industry. Information regarding segments reviewed by management includes management accounts comprising the profit or loss, cash flows and other financial and non-financial information used to manage the business.

Notes to the consolidated financial statements(continued)

5 Operating Segments (continued)

Segment information – 2020	United Kingdom £'000	Scandinavia £'000	FPS* £'000	Corporate £'000	Adjustments and eliminations £'000	Amounts in financial statements £'000
<b>Revenue</b>						
External customers	103,052	279,693	156,779	-	-	539,524
Inter-segment sales	8	-	-	-	(8)	-
<b>Segment revenue</b>	<b>103,060</b>	<b>279,693</b>	<b>156,779</b>	<b>-</b>	<b>(8)</b>	<b>539,524</b>
<b>Segment EBITDA</b>	<b>(68,414)</b>	<b>139,649</b>	<b>46,275</b>	<b>(297)</b>	<b>-</b>	<b>117,213</b>
Exceptional items (note 8)	1,265	2,883	-	297	-	4,445
Unsuccessful exploration and evaluation activities (note 13)	14,219	479	-	-	-	14,698
Impairment charge (note 12 & 13)	59,761	10,273	-	-	-	70,034
Loss/ (Gain) on disposal (note 7)	7	(80)	-	-	-	(73)
<b>Normalised EBITDA</b>	<b>6,838</b>	<b>153,204</b>	<b>46,275</b>	<b>-</b>	<b>-</b>	<b>206,317</b>
<b>Non-current assets</b>	<b>384,408</b>	<b>1,526,969</b>	<b>-</b>	<b>1,996,386</b>	<b>(2,512,456)</b>	<b>1,395,307</b>
<b>Segment information – 2019</b>	<b>United Kingdom £'000</b>	<b>Scandinavia £'000</b>	<b>FPS* £'000</b>	<b>Corporate £'000</b>	<b>Adjustments and eliminations £'000</b>	<b>Amounts in financial statements £'000</b>
<b>Revenue</b>						
External customers	204,708	502,401	346,528	-	-	1,053,637
Inter-segment sales	17	-	-	-	(17)	-
<b>Segment revenue</b>	<b>204,725</b>	<b>502,401</b>	<b>346,528</b>	<b>-</b>	<b>(17)</b>	<b>1,053,637</b>
<b>Segment EBITDA</b>	<b>20,899</b>	<b>322,708</b>	<b>101,926</b>	<b>(175,183)</b>	<b>(31)</b>	<b>270,319</b>
Exceptional items (note 8)	342	-	1,400	175,183	-	176,925
Unsuccessful exploration and evaluation activities (note 13)	38,758	6,838	-	-	-	45,596
Impairment charge (note 12)	55,473	-	-	-	-	55,473
Gain on disposal (note 7)	(3,915)	-	-	-	-	(3,915)
<b>Normalised EBITDA</b>	<b>111,557</b>	<b>329,546</b>	<b>103,326</b>	<b>-</b>	<b>(31)</b>	<b>544,398</b>
<b>Non-current assets</b>	<b>430,294</b>	<b>1,471,982</b>	<b>256,263</b>	<b>1,978,852</b>	<b>(2,374,032)</b>	<b>1,763,359</b>

\*Discontinued operations

## Notes to the consolidated financial statements(continued)

### 6 Revenue

#### Type of goods/ services

	2020			
	£'000			
	United Kingdom	Scandinavia	Inter-segment sales	Total
Sale of gas	87,635	164,032	(8)	251,659
Sale of oil	666	67,472	-	68,138
Other income relating to oil and gas production	8,663	17,619	-	26,282
Transportation and processing services	6,096	30,570	-	36,666
	<b>103,060</b>	<b>279,693</b>	<b>(8)</b>	<b>382,745</b>

	2019 Restated*			
	£'000			
	United Kingdom	Scandinavia	Inter-segment sales	Total
Sale of gas	175,305	263,254	(17)	438,542
Sale of oil	1,583	149,525	-	151,108
Other income relating to oil and gas production	27,028	52,142	-	79,170
Transportation and processing services	809	37,480	-	38,289
	<b>204,725</b>	<b>502,401</b>	<b>(17)</b>	<b>707,109</b>

#### Geographical markets

	2020	2019
	£'000	Restated £'000
UK	321,184	594,770
Rest of Europe	61,561	112,339
	<b>382,745</b>	<b>707,109</b>

	2020	2019
	£'000	Restated £'000
At a point in time	346,079	668,820
Over time	36,666	38,289
	<b>382,745</b>	<b>707,109</b>

\*All disclosure notes relating to the consolidated statement of comprehensive income for the year ended 31 December 2019 have been restated to disclose comparative discontinued operations results separately.

## Notes to the consolidated financial statements(continued)

### 6 Revenue (continued)

As discussed in note 30, revenues of approximately £250.7 million (2019: £433.3 million) are derived from wider INEOS Group entities, of which £248.8 million (2019: £433.2 million) arose from the Group's largest customer.

No contract assets and liabilities have been recognised in the consolidated statement of financial position of the Group. Its impact, if any, was deemed immaterial. Analysis has concluded that the right of payment of the goods and services sold by the Group is unconditional, except for the passage of time. Therefore, all rights of payment have been booked as trade receivables.

No costs to obtain or fulfil contracts are incurred, therefore no related assets arise.

### 7 Operating expenses and auditor's remuneration

*Included in consolidated statement of comprehensive income are the following:*

	2020	2019
	£'000	Restated £'000
(Gain) on disposal of fixed assets (Other operating income)	(73)	(3,915)
Depreciation charge (note 12 and 26)	220,833	300,805
Amortisation charge (note 13)	389	376
Exceptional items (note 8)	4,445	175,525
Unsuccessful evaluation and exploration activities (note 13)	14,698	45,596
Impairment loss on fixed assets (note 12)	66,077	55,473
Impairment loss on goodwill (note 13)	3,957	-
Discontinued operations' depreciation and amortisation (note 4)	11,183	22,286
Government grant	(12,400)	-

Government grant of £12.4 million (2019: £nil) is recognised in the year in relation to Danish government's subsidies on the Group's Danish subsidiaries' fixed costs as a result of COVID-19 pandemic.

Auditor's remuneration:

	2020	2019
	£'000	Restated £'000
Audit of the consolidated financial statements	78	77
<b>Amounts receivable in respect of other services to the Company and its subsidiaries:</b>		
Audit of the individual Company financial statements	25	24
Audit of financial statements of subsidiaries of the Company	422	425
Audit related assurance services	48	-
Other tax advisory services	-	10
Other assurance services	47	10
	<b>620</b>	<b>546</b>

## Notes to the consolidated financial statements (*continued*)

### 8 Exceptional items

#### *Exceptional administrative expenses*

	2020	2019
	£'000	Restated £'000
Impairment loss on other trade receivables and prepayments	-	118,253
Impairment loss on Indemnification assets (note 15)	-	10,801
Contingent consideration realised	239	39,400
Restructuring costs	4,148	342
Acquisition costs	58	6,729
	<b>4,445</b>	<b>175,525</b>

#### *Exceptional administrative expenses*

##### 2020

A further £0.2 million is recognised within payables in relation to the Group's subsidiary's disposal of part of its interest in the Glenlivet field from previous ownership.

Exceptional restructuring costs of £4.1 million have been charged to the consolidated statement of comprehensive income for the year ended 31 December 2020 in relation to internal restructuring of senior management and one-off restructuring costs from one of the Group's joint operations. A further £58,000 exceptional acquisition costs were recognised in relation to potential acquisitions, which have not been pursued or completed.

##### 2019

A US\$150.0 million (£118.3 million) non-refundable deposit made to a third party in relation to a potential acquisition opportunity in progress as at 31 December 2018 was included within prepayments and accrued income in 2018. The acquisition did not complete therefore the entire amount was written off in 2019.

The indemnification assets recognised as part of the DONG acquisition in 2017 was impaired by £10.8 million following the finalisation of the contractual agreements and agreement on final settlement (see note 15).

One of the Group's subsidiaries held agreements relating to the disposal of part of its interest in the Glenlivet field from previous ownership, which provided for adjustment to the agreed consideration based on assessment of the gas volumes expected to be produced (the "ultimate reserves"). Consideration was adjusted should the ultimate reserves fall outside of an agreed range, with a fixed rate applied to the final agreed volumes. In 2019, the calculation of the ultimate reserve was finalised and a payable of £39.4 million was recognised in respect of this arrangement.

Exceptional acquisition-related costs of £6.7 million were charged to the consolidated statement of comprehensive income for the year ended 31 December 2019 in relation to potential acquisitions, which had not been pursued or completed. A further £0.3 million costs relating to system integration and redundancies were recognised as a result of the acquisitions made in previous years which were not considered to be recurring.



## Notes to the consolidated financial statements(*continued*)

### 9 Staff numbers and costs

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

	Number of employees	
	2020	2019 Restated
Production	202	199
Administration and support	120	121
Research and development	25	29
	<u>347</u>	<u>349</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019 Restated
	£'000	£'000
Wages and salaries	32,072	34,075
Social security costs	2,426	2,503
Contributions to defined contribution plans	3,037	3,012
	<u>37,535</u>	<u>39,590</u>

### 10 Finance income and expense

	2020	2019 Restated
	£'000	£'000
<b>Finance income</b>		
Interest income on cash and cash equivalents	1,119	970
Interest income from Group undertakings	4,665	491
Other interest income	306	795
Gain on derivative financial instruments	71,538	89,828
Foreign exchange gains	-	48,420
Net gain arising on modification of financial instruments measured at amortised cost that were not derecognised	-	6,863
<b>Total finance income</b>	<u>77,628</u>	<u>147,367</u>
<b>Finance expense</b>		
Interest expense on financial liabilities measured at amortised cost	17,729	20,798
Interest paid to Group undertakings	29,971	37,375
Other interest expense	821	678
Interest payable on lease liabilities	1,132	1,175
Unwind of discount on provisions and deferred consideration	7,734	11,070
Loss on derivative financial instruments	6,033	-
Net loss arising on modification of financial instruments measured at amortised cost that were not derecognised	2,655	-
Foreign exchange losses	59,452	-
<b>Total finance expense</b>	<u>125,527</u>	<u>71,096</u>

## Notes to the consolidated financial statements(continued)

### 11 Taxation

Recognised in the consolidated income statement	2020	2019
	£'000	Restated £'000
<b>Current tax</b>		
Current tax charge	29,714	109,529
Current tax - Prior year	2,464	4,041
<b>Current tax expense</b>	<b>32,178</b>	<b>113,570</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	29,740	(40,333)
Adjustments for prior years	750	-
Deferred Petroleum Revenue tax	(640)	-
<b>Deferred tax expense</b>	<b>29,850</b>	<b>(40,333)</b>
<b>Total tax expense</b>	<b>62,028</b>	<b>73,237</b>

The tax on loss before tax for the year is higher than the standard rate of corporation tax applicable to oil and gas companies in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 40% (2019 - 40%). The differences are reconciled below.

Reconciliation of effective tax rate	2020	2019
	£'000	Restated £'000
Loss before tax	(198,183)	(56,517)
Tax using the UK corporation tax rate of 40% (2019: 40%)	(79,273)	(22,607)
Increase from effect of capital allowances depreciation	4,465	7,074
Decrease from effect of tax incentive	(48,333)	(45,440)
(Decrease)/ increase from effect of expenses not deductible in determining taxable profit (tax loss)	(26,723)	44,850
Decrease from effect of tax incentive	-	(20,350)
Increase/ (decrease) in current tax from adjustment for prior periods	3,214	(2,885)
Other temporary differences not recognised	(39,127)	(26,630)
Decrease arising from group relief tax reconciliation	(39)	(741)
Petroleum Revenue Tax	(640)	-
Decrease from tax losses for which no deferred tax recognised	209,050	55,907
Difference in rate of tax	39,434	84,059
<b>Total tax expense</b>	<b>62,028</b>	<b>73,237</b>

The standard rate of corporation tax at 40%, includes the supplementary charge of 10% that is levied in respect of ring fence operations in the UK sector of the North Sea. Non-ring fenced UK profits are taxable at the main rate of corporation tax at 19%.

However, on 11 March 2021, during Budget 2021, the Government announced that the main rate of corporation tax will increase to at 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.

£24.0 million of the difference in rate of tax relates to Norway, where the tax rate is 78% for Oil & Gas Upstream Companies (2019: £64.3 million).

## Notes to the consolidated financial statements(continued)

### 12 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Furniture and equipment £'000	Oil and gas properties £'000	Total £'000
<b>Cost</b>					
Balance at 1 January 2019	1,260	261,743	2,031	2,663,343	2,928,377
Additions	101	26,155	145	65,232	91,633
Change in decommissioning provision	-	-	-	57,029	57,029
Transfer to current assets held for sale	428	(428)	(11)	(18,435)	(18,446)
Disposals	-	-	(22)	-	(22)
Effect of movements in foreign exchange	-	-	(17)	(37,180)	(37,197)
<b>Balance at 31 December 2019</b>	<b>1,789</b>	<b>287,470</b>	<b>2,126</b>	<b>2,729,989</b>	<b>3,021,374</b>
Additions	-	31,752	112	19,031	50,895
Change in decommissioning provision	-	-	(4)	(31,488)	(31,492)
Business disposal (note 4)	(1,789)	(319,222)	-	-	(321,011)
Effect of movements in foreign exchange	-	-	12	19,106	19,118
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,246</b>	<b>2,736,638</b>	<b>2,738,884</b>
<b>Accumulated depreciation and impairment</b>					
Balance at 1 January 2019	(56)	(23,023)	(989)	(1,343,015)	(1,367,083)
Depreciation charge for the year	(70)	(19,757)	(301)	(296,957)	(317,085)
Impairment losses	-	-	-	(55,473)	(55,473)
Disposals	-	-	22	-	22
Effect of movements in foreign exchange	-	-	4	9,571	9,575
<b>Balance at 31 December 2019</b>	<b>(126)</b>	<b>(42,780)</b>	<b>(1,264)</b>	<b>(1,685,874)</b>	<b>(1,730,044)</b>
Depreciation charge for the year	(13)	(9,944)	(291)	(216,832)	(227,080)
Impairment losses	-	-	-	(66,077)	(66,077)
Business disposal (note 4)	139	52,724	-	-	52,863
Effect of movements in foreign exchange	-	-	(5)	(19,496)	(19,501)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>(1,560)</b>	<b>(1,988,279)</b>	<b>(1,989,839)</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>1,663</b>	<b>244,690</b>	<b>862</b>	<b>1,044,115</b>	<b>1,291,330</b>
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>686</b>	<b>748,359</b>	<b>749,045</b>

All assets (2019: All) are pledged as security for the bank loan the Group obtained since 2016 (see note 18).

## Notes to the consolidated financial statements(continued)

### 12 Property, plant and equipment (continued)

#### Impairment test

2020

The significant drop in oil and gas prices in 2020 is seen as an indication of impairment and therefore the Group has reviewed the carrying value of its oil and gas properties across all segments.

The recoverable amount of the assets has been determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts. As a result of the impairment assessment performed, an impairment charge of £66.1 million was recognised across three assets in UK (Breagh /Greater Laggan Area) and Denmark (Siri Area) as at 31 December 2020. No impairment was deemed necessary on other assets since the recoverable amounts were higher than their carrying value.

The key assumptions used in the value-in-use calculations are as follows:

	Breagh /Greater Laggan Area	Siri Area
Long term gas price (p/therm)	45	45
Long term oil price (\$/bbl)	60	60
Exchange rate (USD to GBP)	1.25	1.25
Exchange rate (USD to DKK)	N/A	6.76
Inflation rate	2%	2%
Post-tax discount rate	8.66%	7.71%

Long term gas and oil prices are based on consensus from a group of third party oil and gas analysts and banks. Short term gas and oil prices are based on forward curve (gas prices averaged at 38p/ therm and oil prices at \$48/bbl).

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks. The sensitivity analyses below are based on a reasonably possible change in an assumption, while holding all other assumptions constant.

The Group continues to monitor the evolution of COVID-19 pandemic and its impact on oil and gas prices. With successful rollout of vaccination programme and continued virus control measures, a more positive outlook is beginning to evolve for the industry and global economy, however there remains uncertainty on how the pandemic evolves and its impact on macroeconomic conditions and oil and gas prices, the Group has considered the low price environment at the time within the below sensitivities calculated. The volatility of oil and gas prices in 2020 was seen as exceptional as a result of COVID-19 pandemic, as a result of higher level of upside and downside sensitivity was applied for the year ended 31 December 2019, with the evolution of COVID-19 post year end, it is considered that such volatility is less likely to recur and a lower level of upside and downside sensitivity was applied for the year ended 31 December 2020. Management note that this sensitivity analysis only provides an indication of the effect of price movement on the carrying value of the assets. Management will always monitor movement in market prices and make changes to operational expenses and development projects to safeguard the financial stability of the Group.

#### Sensitivity of recoverable amounts

		Variance £'000		
		Breagh	GLA	Siri Area
Discount rate	1% increase in discount rate	(6,913)	2,455	(377)
Discount rate	1% decrease in discount rate	7,225	(2,836)	377
Long term price	10% increase in long term price	38,560	20,711	7,569
Long term price	10% decrease in long term price	(40,710)	(24,337)	(7,569)

## Notes to the consolidated financial statements(continued)

### 12 Property, plant and equipment (continued)

2019

The significant drop in gas prices in 2019 was seen as an indication of impairment and therefore the Group reviewed the carrying value of its oil and gas properties across all segments.

The recoverable amount of the assets had been determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts. As a result of the impairment assessment performed, an impairment charge of £55.5 million was recognised as at 31 December 2019. No impairment was deemed necessary on other assets since the recoverable amounts were higher than their carrying value.

The key assumptions used in the value-in-use calculations are as follows:

	Greater Laggan Area
Long term gas price (p/therm)	55
Long term oil price (\$/bbl)	65
Exchange rate (USD to GBP)	0.82
Inflation rate	2%
Post-tax discount rate	7.95%

Long term gas and oil prices were based on consensus from a group of third party oil and gas analysts and banks. Short term gas and oil prices were based on forward curve.

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks.

The sensitivity analyses below were based on a reasonably possible change in an assumption, while holding all other assumptions constant.

#### Sensitivity of recoverable amounts

Greater Laggan Area

		Variance £'000
Discount rate	1% increase in discount rate	380
Discount rate	1% decrease in discount rate	(546)
Long term price	20% increase in long term price	63,900
Long term price	20% decrease in long term price	(63,900)

## Notes to the consolidated financial statements(continued)

### 13 Intangible assets

	Goodwill £'000	Software £'000	Exploration and evaluation assets £'000	Total £'000
<b>Cost</b>				
Balance at 1 January 2019	581,258	5,473	31,070	617,801
Additions	-	212	48,472	48,684
Unsuccessful exploration and evaluation activities	-	-	(45,596)	(45,596)
Transfers	-	11	18,435	18,446
Effects of movements in foreign exchange	14,690	(43)	183	14,830
<b>Balance at 31 December 2019</b>	<b>595,948</b>	<b>5,653</b>	<b>52,564</b>	<b>654,165</b>
Additions	-	171	6,628	6,799
Goodwill arising on acquisitions	77,721	-	-	77,721
Unsuccessful exploration and evaluation activities	-	-	(14,698)	(14,698)
Disposals	-	-	(1)	(1)
Business disposal (note 4)	-	(1,995)	-	(1,995)
Effect of movements in foreign exchange	(21,673)	58	113	(21,502)
<b>Balance at 31 December 2020</b>	<b>651,996</b>	<b>3,887</b>	<b>44,606</b>	<b>700,489</b>
<b>Amortisation and impairment</b>				
Balance at 1 January 2019	(485,193)	(3,061)	-	(488,254)
Amortisation for the year	-	(775)	-	(775)
Effect of movements in foreign exchange	(12,263)	12	-	(12,251)
<b>Balance at 31 December 2019</b>	<b>(497,456)</b>	<b>(3,824)</b>	<b>-</b>	<b>(501,280)</b>
Amortisation for the year	-	(588)	-	(588)
Business disposal (note 4)	-	1,064	-	1,064
Impairment charge	(3,957)	-	-	(3,957)
Effect of movements in foreign exchange	18,071	(27)	-	18,044
<b>Balance at 31 December 2020</b>	<b>(483,342)</b>	<b>(3,375)</b>	<b>-</b>	<b>(486,717)</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>98,492</b>	<b>1,829</b>	<b>52,564</b>	<b>152,885</b>
<b>At 31 December 2020</b>	<b>168,654</b>	<b>512</b>	<b>44,606</b>	<b>213,772</b>

#### Goodwill and impairment charge

US\$781.5 million (£581.3 million) of goodwill was recognised in 2017 and related to the requirement to recognise deferred tax on the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value. US\$652.3 million (£497.5 million) relating to the Danish and UK CGU was impaired subsequent to the acquisition and the remaining US\$129.1 million (£94.9 million) goodwill relating to the Norwegian CGU was assessed for impairment at each year end. As at 31 December 2020, the carrying amount of the Norwegian CGU is lower than its recoverable amount thus no impairment is recognised.

## Notes to the consolidated financial statements(continued)

### 13 Intangible assets (continued)

DKK639.9 million (£77.7 million) of goodwill was recognised in the year in relation to the acquisition of Spirit Energy Danmark ApS and Spirit Energy Petroleum Danmark AS from Bayerngas Norge AS (see note 3). Impairment testing was performed subsequently and an impairment of DKK32.9 million (£4.0 million) was recognised to reflect the recoverable value of the acquired entities.

#### Amortisation

Amortisation of £588,000 (2019: £775,000) is recognised within administrative expenses in the consolidated statement of comprehensive income.

#### Impairment test for Goodwill

##### 2020

The carrying value of goodwill as at 31 December 2020 relates to goodwill acquired through business combinations in 2017 and 2020.

	Norway	Denmark	Total
	£'000	£'000	£'000
Goodwill as at 31 December 2019	98,492	-	98,492
Goodwill arising on acquisitions	-	77,721	77,721
Impairment charge	-	(3,957)	(3,957)
Effect of movements in foreign exchange	(3,586)	(16)	(3,602)
Goodwill as at 31 December 2020	94,906	73,748	168,654

The recoverable amount of the CGUs are determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts.

The key assumptions used in the value-in-use calculations are as follows.

	Norway	Denmark
Long term gas price (p/therm)	45	45
Long term oil price (\$/bbl)	60	60
Exchange rate (USD to GBP)	1.25	1.25
Exchange rate (USD to NOK)	9.09	N/A
Exchange rate (USD to DKK)	N/A	6.76
Inflation rate	2%	2%
Post-tax discount rate	7.85%	7.71%

Long term gas and oil prices are based on consensus from a group of third party oil and gas analysts and banks.

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks.

The sensitivity analyses below are based on a reasonably possible change in an assumption, while holding all other assumptions constant. No sensitivity analyses were deemed necessary on goodwill arose from current year acquisition, as the goodwill is supported by the contingent indemnification received and not related to above assumptions.

## Notes to the consolidated financial statements(continued)

### 13 Intangible assets (continued)

The Group continues to monitor the evolution of COVID-19 pandemic and its impact on oil and gas prices. With successful rollout of vaccination programme and continued virus control measures, a more positive outlook is beginning to evolve for the industry and global economy, however there remains uncertainty on how the pandemic evolves and its impact on macroeconomic conditions and oil and gas prices, the Group has considered the low price environment at the time within the below sensitivities calculated. The volatility of oil and gas prices in 2020 was seen as exceptional as a result of COVID-19 pandemic, as a result of higher level of upside and downside sensitivity was applied for the year ended 31 December 2019, with the evolution of COVID-19 post year end, it is considered that such volatility is less likely to recur and a lower level of upside and downside sensitivity was applied for the year ended 31 December 2020. Management note that this sensitivity analysis only provides an indication of the effect of price movement on the carrying value of the assets. Management will always monitor movement in market prices and make changes to operational expenses and development projects to safeguard the financial stability of the Group.

An impairment of £16.2 million would incur on goodwill relating to the Norwegian CGU should long term price decrease by 10%.

#### Sensitivity of recoverable amounts

Variance £'000

		Norway
Discount rate	1% increase in discount rate	(6,393)
Discount rate	1% decrease in discount rate	6,393
Long term price	10% increase in long term price	33,580
Long term price	10% decrease in long term price	(33,580)

### 2019

The carrying value of goodwill as at 31 December 2019 related to goodwill acquired through business combinations in 2017.

	Norway £'000
Goodwill as at 31 December 2018	96,065
Effect of movements in foreign exchange	2,427
Goodwill as at 31 December 2019	98,492

The recoverable amount of the CGU had been determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts.

The key assumptions used in the value-in-use calculations were as follows.

	Norway
Long term gas price (p/therm)	55
Long term oil price (\$/bbl)	65
Exchange rate	0.09
Inflation rate	2%
Post-tax discount rate	8.38%

Long term gas and oil prices are based on consensus from a group of third party oil and gas analysts and banks.

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks. The sensitivity analyses below are based on a reasonably possible change in an assumption, while holding all other assumptions constant.



## Notes to the consolidated financial statements(continued)

### 13 Intangible assets (continued)

#### Sensitivity of recoverable amounts

Norway

		Variance £'000
Discount Rate	1% increase in discount rate	(8,411)
Discount Rate	1% decrease in discount rate	8,411
Long term price	20% increase in long term price	84,500
Long term price	20% decrease in long term price	(84,500)

### 14 Investments in associates and joint ventures

	Associates £'000	Joint venture £'000	Total £'000
Balance at 1 January 2019	4	1,356	1,360
Share of profit	-	6	6
Effect of movements in foreign exchange	-	(49)	(49)
<b>Balance at 31 December 2019</b>	<b>4</b>	<b>1,313</b>	<b>1,317</b>
Acquisitions	-	5	5
Share of loss	(4)	-	(4)
Effect of movements in foreign exchange	-	(15)	(15)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>1,303</b>	<b>1,303</b>

The Group has a 20% interest in Shetland Land Lease Limited, a land rental company and a 14% interest in Ormen Lange Ejendom DA, a joint venture which is involved in the exploration, development and production of gas. The interests in the associate and joint venture are immaterial and therefore no further disclosures are made.

The Group consists of the following subsidiaries:

	Registered office	Class of shares held	Ownership	
			2020	2019
INEOS UK SNS Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS Clipper South B Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS Clipper South C Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P A/S	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%	100%
INEOS E&P DK A/S	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%	100%

## Notes to the consolidated financial statements(continued)

### 14 Investments in associates and joint ventures (continued)

	Registered office	Class of shares held	Ownership	
			2020	2019
INEOS Grønland E&P A/S	Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk, Greenland	Ordinary	100%	100%
INEOS E&P Føroyar P/F	J.H. Schrøters Gøta 7, 100 Tórshavn, Faroe Islands	Ordinary	100%	100%
INEOS E&P Norge A/S	Veritasveien 25, 4007 Stavanger, Norway	Ordinary	100%	100%
INEOS E&P (UK) Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P (Siri) UK Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P Services (UK) Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS FPS Ltd	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	Ordinary	.*	100%
Grangemouth Holdings Limited	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	Ordinary	.*	100%
Grangemouth Properties Limited	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	Ordinary	.*	100%
Shetland Land Lease Ltd	18th Floor, 10 Upper Bank Street, Canary Wharf, London, England, E14 5BF	Ordinary	20%	20%
Ormen Lange Ejendom DA	Nyhamna, 6480 Aukra, Norway	Registered JV (no shares issued)	14%	14%
INEOS E&P (Petroleum Denmark) ApS	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%**	0%
INEOS E&P (Norge) Petroleum DK AS	Veritasveien 25, 4007 Stavanger, Norway	Ordinary	100%**	0%

\*100% ownership up to 15 June 2020 when it was disposed of (note 4).

\*100% ownership since 19 November 2020 when they were acquired (note 3).

#### 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 Group 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, obligations and liabilities of the operations, rather than a share of the net assets.

## Notes to the consolidated financial statements(continued)

### 14 Investments (continued)

The contractual agreement for the licence interests in which the Group 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 Group's material joint operations as at 31 December 2020 and 2019 are:

Block	Licence	Field/ Discovery name	Operator	Group Net % interest
<b>United Kingdom</b>				
48/19aB, 48/20aD	P0008	Clipper South	INEOS UK SNS Limited	75%
48/20b	P1909	Clipper South	INEOS UK SNS Limited	75%
48/19cF	P0465	Clipper South	INEOS UK SNS Limited	75%
42/13a	P1230	Breagh	INEOS UK SNS Limited	70%
42/12a	P1328	Breagh	INEOS UK SNS Limited	70%
206/1a	P911	Laggan	Total E&P UK Limited	20%
205/5a and 5d	P1159	Tormore	Total E&P UK Limited	20%
206/3a, 206/3b and 206/4a	P1453	Edradour	Total E&P UK Limited	20%
205/4b	P1678	Tormore	Total E&P UK Limited	20%
<b>Denmark</b>				
5604/18	1/90	Lulita	INEOS E&P A/S	80%
5605/10, 14	4/95	Nini	INEOS E&P A/S	57%
5604/16, 20; 5605/13, 17	6/95	Siri	INEOS E&P A/S	100%
5604/22	7/86	Lulita part	INEOS E&P A/S	80%
5604/29, 30	7/89	Syd Arne	Hess Denmark ApS	37%
5604/19, 20	16/98	Cecilie	INEOS E&P A/S	56%
5603/24, 28; 5604/21, 25	5/98	Hejre	INEOS E&P A/S	100%
5603/28; 5604/21, 25	1/06	Hejre Extension	INEOS E&P A/S	80%
<b>Norway</b>				
2/1	PL 19B	Gyda	Repsol Norge AS	34%
6507/2,3,11,12	PL122	Marulk	Vår Energi AS	30%
6305/7,8		Ormen Lange Unit	Norske Shell AS	14%
6507/3-1	PL159B	Alve	Equinor Energy AS	15%

## Notes to the consolidated financial statements(continued)

### 15 Indemnification assets

	£'000
Balance at 1 January 2019	292,883
Adjustment for changes in estimates	(19,010)
Realised during the year	(16,068)
Impairment loss	(10,801)
Effect of movements in foreign exchange	(28,453)
<b>Balance at 31 December 2019</b>	<b>218,551</b>
Adjustment for changes in estimates	2,213
Acquisitions (note 3)	10,116
Realised during the year	(15,721)
Effect of movements in foreign exchange	7,597
<b>Balance at 31 December 2020</b>	<b>222,756</b>
 Non-current	 218,551
Current	-
<b>Balance at 31 December 2019</b>	<b>218,551</b>
 Non-current	 205,075
Current	17,681
<b>Balance at 31 December 2020</b>	<b>222,756</b>

As part of the acquisition of DONG E&P A/S in 2017, the Group benefits from an indemnity in respect of uncertain tax liabilities relating to pre-acquisition periods from Ørsted A/S. The Group also benefits from a contractual right to receive sufficient cash to fulfil the obligation to settle actual payments in respect of the historical construction cost of the Fredericia Gas Plant, regardless of amount and timing.

In 2019, an impairment of £10.8 million was recognised to the consolidated statement of comprehensive income following the finalisation of the contractual agreements and agreement on final settlement. £16.1 million of the obligation was settled in the year and another £11.7 million adjustment was recognised at year end to reflect the changes in underlying estimate in the Fredericia Gas Plant construction costs. £7.3 million adjustment was also recognised to reflect the changes in estimates in relation to uncertain tax positions held in Norway and Denmark. In 2020, £2.2 million adjustment was recognised to reflect the changes in estimates and £15.7 million of the obligation was settled. These indemnification assets were valued at £204.1 million as at 31 December 2020 with the remaining movement due to foreign exchange (2019: £209.9 million).

As part of the acquisition of Spirit Energy Danmark ApS and Spirit Energy Petroleum Danmark AS in note 3, the Group benefits from an indemnity in respect of uncertain tax liabilities relating to pre-acquisition period from Bayerngas Norge AS and certain decommissioning liabilities. These indemnification assets were initially recognised at £10.1 million on acquisition and subsequently retranslated at £10.2 million as at 31 December 2020.

In addition to the above, a receivable of £8.5 million (2019: £8.7 million) was recognised from Nyhamna partners to cover the decommissioning cost of the gas plant.

Total indemnification assets as at 31 December 2020 are £222.8 million (2019: £218.6 million).

## Notes to the consolidated financial statements(*continued*)

### 16 Inventories

	2020	2019
	£'000	£'000
Goods and materials	17,840	20,613
	<u>17,840</u>	<u>20,613</u>

Goods and materials recognised as cost of sales in the year amounted to £nil (2019: £nil). The write-down of inventories to net realisable value amounted to £584,000 (2019: £122,000). The reversal of previous write-downs of inventories to net realisable value amounted to £nil (2019: £nil).

### 17 Trade and other receivables

	2020	2019
	£'000	£'000
<b>Current</b>		
Trade receivables	7,721	61,680
Trade receivables due from related parties	45,637	74,446
Other receivables	27,338	27,025
Other receivables due from related parties	-	9,636
Prepayments and accrued income	21,904	39,998
<b>Trade and other receivables</b>	<u>102,600</u>	<u>212,785</u>
Tax receivable	31,535	28,296
	<u>134,135</u>	<u>241,081</u>
<b>Non-Current</b>		
Other receivables due from related parties	171,626	-
Prepayments	16,095	11,663
	<u>187,721</u>	<u>11,663</u>

As at 31 December 2020, £2.2 million of the trade receivables were past due (2019: £1.5 million). 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 credit worthiness of our customers and external credit checks where appropriate for new customers. Trade and other receivables due from related parties are repayable on demand and do not accrue interest. At 31 December 2019 and 2020 there were no significant trade, related party or other receivables balances not past due that were subsequently impaired.

Within other receivables, the Group has £13.8 million (2019: £20.9 million) in restricted cash held at local banks mainly related to the joint venture operations. This cash is not available to finance the Group's day to day operations and therefore has been excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flow and is disclosed within other receivables.

Non-current receivables due from related parties related to loan receivables from a fellow group company, INEOS Industries Holdings Limited in relation of the disposal made in the year in note 4. The loan amounting to US\$227.8 million, repayable in 2025, charges interest of 4.5% and is payable on a quarterly basis.

Each entity within the Group has entered into a Deed of Charge over its assets in exchange for a financing facility granted to the parent. The transaction has been accounted for as a bank loan as per note 18. If any entity defaults under this financing facility, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

**Notes to the consolidated financial statements(continued)**

**17 Trade and other receivables (continued)**

Credit risk of trade receivables

	2020	2019
	£'000	£'000
Low	53,358	136,126
	<u>53,358</u>	<u>136,126</u>

The carrying amounts of the Group's trade, other and tax receivables are denominated in the following currencies:

	2020	2019
	£'000	£'000
British pound sterling	54,787	90,123
Euros	24,464	23,242
United States Dollars	4,711	47,483
Other currencies	<u>28,269</u>	<u>40,235</u>
	<u>112,231</u>	<u>201,083</u>

**18 Interest-bearing loans and borrowings**

	2020	2019
	£'000	£'000
<b>Current liabilities</b>		
Amounts due to related parties	3,939	7,044
Bank loans	<u>24,955</u>	<u>-</u>
	<u>28,894</u>	<u>7,044</u>
<b>Non-current liabilities</b>		
Amounts due to related parties	405,292	423,801
Bank loans	<u>214,574</u>	<u>262,383</u>
	<u>619,866</u>	<u>686,184</u>

## Notes to the consolidated financial statements(continued)

### 18 Interest-bearing loans and borrowings (continued)

#### Gross Debt and issue costs

	Gross loans and borrowings 2020	Issue costs 2020	Loss on loan modification 2020	Net loans and borrowings 2020
	£'000	£'000	£'000	£'000
Amounts due to related parties	409,231	-	-	409,231
Bank loans	247,031	(10,157)	2,655	239,529
	<b>656,262</b>	<b>(10,157)</b>	<b>2,655</b>	<b>648,760</b>

	Gross loans and borrowings 2019	Issue costs 2019	(Gain) on loan modification 2019	Net loans and borrowings 2019
	£'000	£'000	£'000	£'000
Amounts due to related parties	430,845	-	-	430,845
Bank loans	275,939	(6,693)	(6,863)	262,383
	<b>706,784</b>	<b>(6,693)</b>	<b>(6,863)</b>	<b>693,228</b>

#### Amounts due to related parties

The Group has a loan arrangement with its parent INEOS Offshore BCS Limited. The loan amounting to US\$551.7 million (2019: \$515.0 million) bears interest of 7% and the interest is payable on a quarterly basis, or is accrued into the principle amount if unpaid. INEOS Offshore BCS Limited has indicated no repayment will be demanded for at least 12 months from the approval of these financial statements.

#### Bank loans

In June 2020 the Company, together with its fellow subsidiaries, amended and restated the RBL Facility to remove the INEOS FPS Group. The amendment to the facility was not a substantial modification and resulted in the recognition of a £2.7 million loss in the consolidated statement of comprehensive income in 2020.

The RBL Facility is secured on customary terms and bears interest at a margin above LIBOR. The Company's subsidiaries are the guarantors to the RBL Facility.

The RBL Facility includes obligations to maintain compliance with certain financial covenants, principally requirements in relation to debt incurrence, liquidity and leverage. Covenants are formally tested and reported to the lenders on a regular basis and monitored informally throughout the year. All such covenants were fully complied with throughout the financial year.

The carrying amounts of the Group's interest-bearing loans and borrowings are denominated in the following currencies:

	2020	2019
	£'000	£'000
British pound sterling	3,939	27,476
Euros	221,159	262,383
United States Dollars	423,662	403,369
	<b>648,760</b>	<b>693,228</b>

## Notes to the consolidated financial statements(continued)

### 18 Interest-bearing loans and borrowings (continued)

#### Reconciliation of net cash flow to movement in net debt

	2020	2019
	£'000	£'000
Increase /(decrease) in cash and cash equivalents in the year	63,332	(53,132)
Cash outflow from change in debt financing	80,841	11,913
<b>Change in net debt resulting from cash flows</b>	<b>144,173</b>	<b>(41,219)</b>
Other net non-cash transactions	(38,392)	33,398
<b>Movement in net debt in year</b>	<b>105,781</b>	<b>(7,821)</b>

### 19 Trade and other payables

	2020	2019
	£'000	£'000
<b>Current</b>		
Trade payables	17,618	45,863
Trade payables due to related parties	820	7,679
Other payables	44,114	35,136
Accruals and deferred income	40,802	103,209
<b>Trade and other payables</b>	<b>103,354</b>	<b>191,887</b>
Tax payable	137,870	155,124
	<b>241,224</b>	<b>347,011</b>
<b>Non-Current</b>		
Deferred income	-	14,471
Other payables	8,148	32,147
	<b>8,148</b>	<b>46,618</b>

Included within trade and other payables is an amount of £74.8 million (2019: £73.1 million) relating to tax liabilities that are subject to indemnification as explained in note 15 and for which an indemnification asset of equal amount is recognised. Trade payables due to related parties are repayable on demand and do not accrue interest.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020	2019
	£'000	£'000
British pound sterling	50,641	180,140
Euros	1,145	1,521
United States Dollars	14,974	2,904
Other currencies	182,612	209,064
	<b>249,372</b>	<b>393,629</b>



## Notes to the consolidated financial statements (continued)

### 20 Employee benefits

#### Defined contribution plans

The Group contributes to personal pension schemes on behalf of certain directors and employees. These schemes are administered independently of the Group. The total pension cost which is charged to statement of comprehensive income represents contributions payable by the Group and amounted to £5.5 million (2019: £6.2 million). There were no contributions outstanding as at 31 December 2020 (2019: nil).

### 21 Provisions

	Decommissioning & restoration £'000	Other £'000	Total £'000
Balance at 1 January 2019	1,243,713	195,734	1,439,447
Provisions (released) /made during the year	(12,589)	(3,635)	(16,224)
Provisions used during the year	(45,157)	(25,127)	(70,284)
Unwinding of discount	11,510	-	11,510
Effect of movements in foreign exchange	(38,744)	(9,124)	(47,868)
<b>Balance at 31 December 2019</b>	<b>1,158,733</b>	<b>157,848</b>	<b>1,316,581</b>
Provisions released /(made) during the year	(65,312)	6,283	(59,029)
Provisions used during the year	(29,184)	(19,151)	(48,335)
Amounts arising from acquisitions (note 3)	57,459	8,669	66,128
Business disposal (note 4)	(177,271)	(1,409)	(178,680)
Unwinding of discount	6,092	-	6,092
Effect of movements in foreign exchange	32,312	8,241	40,553
<b>Balance at 31 December 2020</b>	<b>982,829</b>	<b>160,481</b>	<b>1,143,310</b>
Non-current	1,115,902	139,297	1,255,199
Current	42,831	18,551	61,382
<b>Balance at 31 December 2019</b>	<b>1,158,733</b>	<b>157,848</b>	<b>1,316,581</b>
Non-current	947,095	139,256	1,086,351
Current	35,734	21,225	56,959
<b>Balance at 31 December 2020</b>	<b>982,829</b>	<b>160,481</b>	<b>1,143,310</b>

## Notes to the consolidated financial statements (*continued*)

### 21 Provisions (*continued*)

#### *Decommissioning & restoration*

The Group has provided for its share of the estimated decommissioning and restoration costs of the facilities on fields across Norway, Denmark and the United Kingdom, this includes plugging and abandonment of wells, the total removal of platforms and disposal on shore, and the restoration of the seabed. The Group uses a range of risk free rates between 0.0% -0.7% (2019: between 0.2% -1.6%) and inflation rates between 0.2% -0.9% (2019: 0.2% - 1.6%) over the lives of the assets to calculate the present value of the decommissioning and restoration costs. Decommissioning is expected to occur after the fields reach the end of their economic lives on a schedule agreed with regulatory authorities and joint venture partners between 2021 and 2045.

#### *Other provisions*

£156.0 million (2019: £155.1 million) of other provisions relates to the committed obligation to fund the Group's share of the historical construction cost of the Fredericia Gas Plant incurred in connection with the development of the Hejre field. £135.5 million of this provision is subject to indemnification for which an indemnification asset is recognised. Timing of completion is uncertain. Further details are included in note 15.

### 22 Deferred consideration

	£'000
Balance at 1 January 2019	108,012
Unwinding of discount	2,481
Consideration settled during the year	(12,299)
Effect of movements in foreign exchange	(2,452)
<b>Balance at 31 December 2019</b>	<b>95,742</b>
Unwinding of discount	1,642
Acquisitions (note 3)	33,817
Consideration settled during the year	(30,311)
Effect of movements in foreign exchange	(2,653)
<b>Balance at 31 December 2020</b>	<b>98,237</b>
 Non-current	 84,304
Current	11,438
<b>Balance at 31 December 2019</b>	<b>95,742</b>
 Non-current	 71,758
Current	26,479
<b>Balance at 31 December 2020</b>	<b>98,237</b>

Deferred consideration relates to the obligation of the Group to pay US\$150.0 million in instalments in connection with the capital cost of the Fredericia Gas Plant as part of acquisition of DONG E&P A/S in 2017. In 2020, US\$15 million (£12.1 million) was paid (US\$30 million (£24.3 million) paid inception to date). The fair value of the remaining consideration of \$120 million, discounted at 5.9% was US\$112.6 million (£82.8 million) at 31 December 2020.

Additions in the year relates to taxation settlements to be paid back to the seller for the acquisitions made in the year (see note 3), of which £18.2 million has been subsequently settled by the end of the year.

## Notes to the consolidated financial statements (continued)

### 23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	Assets	Liabilities	Total
	2020	2020	2020
	£'000	£'000	£'000
Property, plant and equipment	-	(324,858)	(324,858)
Tax value of loss carry-forwards	53,398	-	53,398
Other	166,038	-	166,038
<b>Tax assets/(liabilities)</b>	<b>219,436</b>	<b>(324,858)</b>	<b>(105,422)</b>
Net of tax assets/(liabilities)	(207,977)	207,977	-
<b>Net tax assets/ (liabilities)</b>	<b>11,459</b>	<b>(116,881)</b>	<b>(105,422)</b>

	Assets	Liabilities	Total
	2019	2019	2019
	£'000	£'000	£'000
Property, plant and equipment	-	(415,996)	(415,996)
Tax value of loss carry-forwards	287,581	-	287,581
Other	51,459	-	51,459
<b>Tax assets/(liabilities)</b>	<b>339,040</b>	<b>(415,996)</b>	<b>(76,956)</b>
Net of tax assets/(liabilities)	(282,270)	287,270	-
<b>Net tax assets/ (liabilities)</b>	<b>51,770</b>	<b>(128,726)</b>	<b>(76,956)</b>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2020	2019
	£'000	£'000
Deferred tax assets	11,459	51,770
Deferred tax liabilities	(116,881)	(128,726)
	<b>(105,422)</b>	<b>(76,956)</b>

The Group has net deferred tax liabilities of £105.4 million as at 31 December 2020 (2019: £77.0 million). The deferred tax assets of £11.5 million relate to the UK segment and the deferred tax liabilities of £116.9 million relate to the Scandinavia segment (Norway).

Deferred tax assets arise principally on decommissioning provisions, trading losses carried forward and PRT. The Group forecast indicates that there will not be suitable taxable profits to fully utilise those deferred tax assets not offset against deferred tax liabilities in future years.

The Group has not provided deferred tax of approximately £878.4 million on ring fence losses (2019: £793.3 million). In addition, the Group has Danish tax losses of £1,940.3 million (2019: £1,404.0 million) and timing differences of £1,825.2 million (2019: £1,409.0 million) for which no deferred tax asset has been provided due to a lack of probable future taxable profits against which these losses may be utilised.

## Notes to the consolidated financial statements (*continued*)

### 23 Deferred tax assets and liabilities (*continued*)

#### *Movement in deferred tax during the year*

	1 January 2020 £'000	Prior period adjustment £'000	Opening after adjustment £'000	Recognised in income £'000	Translation reserve £'000	31 December 2020 £'000
Accelerated tax depreciation	(415,996)	-	(415,996)	89,754	1,384	(324,858)
Tax losses carry-forwards	287,581	(165,272)	122,309	(68,911)	-	53,398
Other timing differences	51,459	165,272	216,731	(50,693)	-	166,038
	<b>(76,956)</b>	<b>-</b>	<b>(76,956)</b>	<b>(29,850)</b>	<b>1,384</b>	<b>(105,422)</b>

#### *Movement in deferred tax during the prior year*

	1 January 2019 £'000	Prior period adjustment £'000	Opening after adjustment £'000	Recognised in income £'000	Translation reserve £'000	31 December 2019 £'000
Accelerated tax depreciation	(522,167)	202	(521,965)	102,508	3,461	(415,996)
Tax losses carry-forwards	318,785	(218)	318,567	(30,986)	-	287,581
Other timing differences	82,632	16	82,648	(31,189)	-	51,459
	<b>(120,750)</b>	<b>-</b>	<b>(120,750)</b>	<b>40,333</b>	<b>3,461</b>	<b>(76,956)</b>

### 24 Capital and reserves

#### Share capital and premium

	Authorised No.	Allotted and fully paid No.	Ordinary Shares £'000	Share premium £'000	Total £'000
As at 31 December 2019	74,327,241	74,327,241	74,327	173,683	248,010
Issued during the year	1	1	-	59,311	59,311
As at 31 December 2020	74,327,242	74,327,242	74,327	232,994	307,321

An additional share was awarded to INEOS Offshore BCS Limited, the immediate parent, as part of an internal organisational restructuring (note 4). The share was issued at a value of £1 plus a premium of £59.3 million.

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

	2020 £'000	2019 £'000
Capital redemption reserve	22,546	22,546
Foreign currency translation reserve/ (deficit)	3,633	(17,237)
	<b>26,179</b>	<b>5,309</b>

In 2002, 22,595,500 of redeemable convertible cumulative preference shares of £1 each were converted into various classes of ordinary shares of £1 each and deferred ordinary shares of £1 each. Subsequently, they were reclassified to ordinary shares and the deferred shares were redeemed, with the differences recognised as capital redemption reserve.

Foreign currency translation reserve of £3.6 million (2019: deficit of £17.2 million) arose as a result of translating foreign operations' balances into the Group's reporting currency GBP.

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments

#### 25 (a) Fair values of financial instruments

##### *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 being recognised at amortised cost, they are recognised at fair value through profit and loss.

##### *Indemnification assets*

The carrying amount of indemnification assets approximates to fair value of the liabilities to which they relate, which are carried at fair value. Where settlement is not due in the short term and the effect is material, fair value is estimated as the present value of the future cash flows discounted at the market rate of interest at the reporting date.

##### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand, the fair value is estimated as the present value of the future cash flows discounted at the market rate of interest at the reporting date.

##### *Trade and other payables*

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. The carrying amount of trade and other payables generally approximates to the fair value due to their short maturities. Where settlement is not due in the short-term and where the effect is material, they are measured at amortised cost using the effective interest method.

##### *Interest-bearing loans and borrowings*

Fair values of non-related party loans and borrowings are calculated based on the present value of the future principal and interest cash flows discounted at the market rate of interest at the reporting date. The fair value of related party loans and bank loans are not materially different to the carrying value.

##### *Derivatives*

The Group entered into a number of put option agreements for financial periods through to 2022 with strike prices ranging from £0.37 to £0.40 per therm. Some of the options were exercised in the year contributing to a realised derivative income of £76.1 million (2019: £36.1 million). As at 31 December 2020, an asset of £21.3 million (2019: an asset of £33.5 million) has been recognised in respect of unrealised gains and losses for the outstanding options. Put option premium is amortised throughout the life of the options and has been recognised within the consolidated statement of comprehensive income.

The Group also entered into swap agreements with fixed price ranging from £0.28 to £0.43 per therm. Some of the contracts expired in the year contributing to a net realised derivative income of £52.3 million (2019: £6.1 million). As at 31 December 2020, a liability of £32.2 million (2019: an asset of £13.0 million) has been recognised in respect of unrealised losses for the outstanding swap.

During 2020 the Group maintained a foreign currency hedge programme to manage the risks of fluctuations in exchange rates. Liabilities denominated in foreign currencies which could not be satisfied from operating cash flows were covered using forward purchases. As at 31 December 2020, a liability of £2.5 million (2019: an asset of £0.2 million) has been recognised in respect of unrealised losses on these contracts.

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments (*continued*)

#### 25 (a) Fair values of financial instruments (*continued*)

Set out below is a comparison of the carrying amount and fair values of the Group's financial instruments. The different levels have been defined as follows:

Level 1: valued using trading prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: valued using inputs that are observable for the asset or liability, either directly (that is as prices), or indirectly (that are derived from prices); and

Level 3: valued using inputs that are not observable for the asset or liability.

#### *Carrying amounts and fair values at the reporting date*

	Carrying amount	Fair value	Carrying amount	Fair value
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
<b>Financial assets carried at amortised cost</b>				
Loan receivables	171,626	171,626	-	-
Trade receivables	7,721	7,721	61,680	61,680
Trade receivables due from related parties	45,637	45,637	74,446	74,446
Other receivables	27,338	27,338	27,025	27,025
Other receivables due from related parties	-	-	9,636	9,636
Cash and cash equivalents	130,936	130,936	69,623	69,623
<b>Total financial assets carried at amortised cost</b>	<b>383,258</b>	<b>383,258</b>	<b>242,410</b>	<b>242,410</b>
<b>Financial assets carried at fair value</b>				
Indemnified assets	222,756	222,756	218,551	218,551
Derivatives financial instruments	21,298	21,298	46,676	46,676
<b>Total financial assets</b>	<b>627,312</b>	<b>627,312</b>	<b>507,637</b>	<b>507,637</b>

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments (*continued*)

#### 25 (a) Fair values of financial instruments (*continued*)

	Carrying amount 2020 £'000	Fair value 2020 £'000	Carrying amount 2019 £'000	Fair value 2019 £'000
<b>Financial liabilities carried at amortised cost</b>				
Interest-bearing loans and borrowings	648,760	656,262	693,228	706,784
Deferred consideration	98,237	98,237	95,742	95,742
Lease liabilities	27,764	27,764	36,233	36,233
Trade payables	17,618	17,618	45,863	45,863
Trade payables due to related parties	820	820	7,679	7,679
Other payables	52,262	52,262	67,283	67,283
<b>Total financial liabilities measured at amortised cost</b>	<b>845,461</b>	<b>852,963</b>	<b>946,028</b>	<b>959,584</b>
<b>Financial liabilities carried at fair value</b>				
Derivatives financial instruments	34,714	34,714	-	-
Indemnified tax liabilities	74,767	74,767	73,056	73,056
<b>Total financial liabilities carried at fair value</b>	<b>109,481</b>	<b>109,481</b>	<b>73,056</b>	<b>73,056</b>
<b>Total financial liabilities</b>	<b>954,942</b>	<b>962,444</b>	<b>1,019,084</b>	<b>1,032,640</b>

For all financial instruments within the scope of IFRS 9, the carrying amount is either the fair value, or approximates the fair value. Derivatives financial instruments are categorised within level 2 of the fair value hierarchy.

#### 25 (b) Credit risk

##### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with financial institutions.

The policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and ensure that in the event of a loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references.

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments (*continued*)

#### 25 (b) Credit risk (*continued*)

The Group applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade and other receivables, which requires the Group to recognise the lifetime expected loss provision for all trade and other receivables taking in consideration historical as well as forward looking information.

The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade and other receivables and taken into account in the calculation of impairment. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. At 31 December 2019 and 2020 there were no significant trade, related party or other receivables balances not past due that were subsequently impaired. Refer to note 17 for details.

#### *Investments, cash and cash equivalents*

Surplus cash investments are only made with banks with which the Group has an ongoing, long term relationship.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. These assets are held as security for the bank loan as discussed in note 18.

#### *Credit quality of financial assets and impairment losses*

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of goods and services
- Other receivables carried at amortised cost, and
- Other financial assets carried at fair value through profit and loss.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

None of the Group's financial assets were impaired. The majority of these financial assets relate to existing customers/related parties with no past defaults, while cash and cash equivalents are maintained in accounts at large, reputable financial institutions with robust credit ratings.

#### 25 (c) Liquidity risk

##### *Financial risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash or facilities to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity is limited by the fact that it operates with significant cash resources and has appropriate access to funding via shareholder loan facilities and maintains headroom in its RBL Facility (note 18).

The Group forecasts the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis, the level of headroom on existing facilities is reported and forecast forward until the end of the financial period.



## Notes to the consolidated financial statements (continued)

### 25 Financial instruments (continued)

#### 25 (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2020					
	Carrying amount £'000	Contractual cash flows £'000	One year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Trade payables	17,618	17,618	17,618	-	-	-
Trade payables due to related parties	820	820	820	-	-	-
Other payables	52,262	52,262	44,114	5,496	2,652	-
Deferred consideration	98,237	103,633	26,479	77,154	-	-
Lease liabilities	27,764	41,546	5,227	2,173	6,518	27,628
Amounts due to related parties	409,231	622,293	32,309	52,769	131,923	405,292
Bank loans	239,529	267,706	42,177	81,308	144,221	-
	<b>845,461</b>	<b>1,105,878</b>	<b>168,744</b>	<b>218,900</b>	<b>285,314</b>	<b>432,920</b>

	2019					
	Carrying amount £'000	Contractual cash flows £'000	One year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Trade payables	45,863	45,863	45,863	-	-	-
Trade payables due to related parties	7,679	7,679	7,679	-	-	-
Other payables	67,283	67,283	35,136	26,600	5,547	-
Deferred consideration	95,742	102,943	11,438	11,438	34,314	45,753
Lease liabilities	36,233	53,900	5,889	3,289	9,867	34,855
Amounts due to related parties	430,845	638,507	7,044	59,332	148,330	423,801
Bank loans	262,383	318,865	10,960	53,131	254,774	-
	<b>946,028</b>	<b>1,235,040</b>	<b>124,009</b>	<b>153,790</b>	<b>452,832</b>	<b>504,409</b>

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments (*continued*)

#### 25 (d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will adversely affect the value of the Group's assets, liabilities or expected future cash flows.

#### Market risk - Foreign currency risk

The Group operates through companies based in different countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pound sterling (GBP), Euros (EUR), US Dollars (USD), Danish krone (DKK) and Norwegian krone (NOK).

The majority of the Group's revenue is generated in GBP, EUR and USD, while the Group's operating costs are denominated in GBP, USD, DKK and NOK. Transactions with other INEOS Group companies are typically denominated in EUR and USD. The Group has entered into a number of foreign currency exchange instruments to limit its foreign currency transaction exposure. See page 66 for details.

The foreign currency exposure where the Group's financial assets/(liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the consolidated statement of comprehensive income.

	2020	2019
	£'000	£'000
US Dollars	(516,705)	(454,533)
Euro	(197,840)	(240,662)
	<u>(714,545)</u>	<u>(695,195)</u>

#### Sensitivity analysis

A 10% percent weakening of the following currencies against GBP at 31 December would have increased/(decreased) the profit/(loss) by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative year.

	2020	2019
	£'000	£'000
US Dollars	(51,671)	(45,453)
Euro	(19,784)	(24,066)

A 10% percent strengthening of the above currencies against the GBP at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Market risk – Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

## Notes to the consolidated financial statements (continued)

### 25 Financial instruments (continued)

#### 25 (d) Market risk (continued)

	2020	2019
	£'000	£'000
<b>Fixed rate instruments</b>		
Financial liabilities	409,231	430,845
<b>Variable rate instruments</b>		
Financial liabilities	239,529	262,383

#### Sensitivity analysis

An increase of 100 basis points in interest rates would have increased/(decreased) the profit/(loss) by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for comparative year.

	2020	2019
	£'000	£'000
<b>Change in interest rate</b>		
Increase of 100 basis points	2,395	2,624

A decrease in 100 basis points in interest rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

#### Market risk – Commodity price risk

The main products of the Group are traded commodities exposed to open market prices. The Group is exposed to fluctuations in market prices to the extent that it has not entered into fixed price agreements. The Group regularly reviews the cost-benefit of entering into commodity price hedges to minimise risk.

#### Sensitivity analysis

Movement of oil price would have increased/(decreased) the profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative year.

	2020	2019
	£'000	£'000
Increase in oil price by 10%	22,842	25,689
Decrease in oil price by 10%	(22,842)	(25,689)

Movement of gas price would have increased/(decreased) the profit/(loss) by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative year.

	2020	2019
	£'000	£'000
Increase in gas price by 10%	20,370	52,440
Decrease in gas price by 10%	(20,370)	(52,440)

## Notes to the consolidated financial statements (*continued*)

### 25 Financial instruments (*continued*)

#### 25 (e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

	2020	2019
	£'000	£'000
Total borrowings	648,760	693,228
Less: Cash and cash equivalents	(130,936)	(69,623)
<b>Net debt</b>	<b>517,824</b>	<b>623,605</b>
Total equity	(601,841)	(522,787)
<b>Total capital</b>	<b>(84,017)</b>	<b>100,818</b>

### 26 Right-of-use assets

	Land and buildings £'000	Plant and equipment £'000	Furniture and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	38,596	852	2,086	41,534
Additions	-	379	599	978
Lease modifications	-	15	-	15
Disposals	-	-	(90)	(90)
Effect of movements in foreign exchange	(1,014)	(92)	(11)	(1,117)
<b>Balance at 31 December 2019</b>	<b>37,582</b>	<b>1,154</b>	<b>2,584</b>	<b>41,320</b>
Additions	165	974	-	1,139
Lease modifications	9,643	-	1,698	11,341
Business disposal (note 4)	(19,904)	-	(687)	(20,591)
Disposals	-	(140)	(153)	(293)
Effect of movements in foreign currency exchange	1,074	-	94	1,168
<b>Balance at 31 December 2020</b>	<b>28,560</b>	<b>1,988</b>	<b>3,536</b>	<b>34,084</b>

## Notes to the consolidated financial statements (*continued*)

### 26 Right-of-use assets (*continued*)

#### Accumulated depreciation and impairment

At 1 January 2019	-	-	-	-
Depreciation charge for the year	(3,685)	(547)	(1,375)	(5,607)
Disposals	-	-	53	53
Effect of movements in foreign exchange	41	-	36	77
<b>Balance at 31 December 2019</b>	<b>(3,644)</b>	<b>(547)</b>	<b>(1,286)</b>	<b>(5,477)</b>
Depreciation charge for the year	(2,670)	(707)	(1,360)	(4,737)
Business disposal (note 4)	2,831	-	206	3,037
Disposals	-	94	126	220
Effect of movements in foreign exchange	(98)	-	(97)	(195)
<b>Balance at 31 December 2020</b>	<b>(3,581)</b>	<b>(1,160)</b>	<b>(2,411)</b>	<b>(7,152)</b>

#### Net book value

<b>At 31 December 2019</b>	<b>33,938</b>	<b>607</b>	<b>1,298</b>	<b>35,843</b>
<b>At 31 December 2020</b>	<b>24,979</b>	<b>828</b>	<b>1,125</b>	<b>26,932</b>

The Group leases a number of assets as part of its activities. This primarily includes its overseas offices, storage tanks as well as office accommodation and vessel charter. Some leases will have payments that vary with market interest or inflation rates. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

#### Amount recognised in profit and loss

	2020 £'000	2019 Restated £'000
Expense relating to short-term leases for which recognition exemption is applied	116	63
Expense relating to leases of low value assets for which recognition exemption is applied	11	61
Income from subleasing right-of-use assets	1,564	1,764

## Notes to the consolidated financial statements (*continued*)

### 27 Leases liabilities

	2020	2019
	£'000	£'000
<b>Analysed as:</b>		
Non-current	26,565	33,942
Current	1,199	2,291
	<b>27,764</b>	<b>36,233</b>
 Maturity analysis- contractual undiscounted cash flows		
Less than one year	5,227	5,889
One to five years	8,690	13,156
More than five years	27,628	34,855
<b>Total undiscounted lease liabilities at 31 December</b>	<b>41,545</b>	<b>53,900</b>
 Amounts recognised in the statement of cash flows:		
Lease capital payments	3,888	5,225
Lease interest payments	1,132	1,608
Short-term leases	116	1,618
Leases of low value assets	19	61
<b>Total cash outflow for leases</b>	<b>5,155</b>	<b>8,512</b>

The Group does not face a significant liquidity risk with regard to its lease liabilities.

### 28 Commitments

#### *Capital commitments*

As at 31 December 2020, the Group had capital commitments contracted but not provided for of £41.8 million. (2019: £48.3 million).

### 29 Contingencies

#### *Contingent asset*

As part of the sales and purchase agreements over interests in the Darwin field, the Group is entitled to a contingent consideration should a Field Development Plan be submitted and approved by the regulator within 7 years of the Completion Date. The total value of contingent assets are £1.7 million, which have not been recognised because it is contingent on future events, which are not under the control of the Group (2019: £1.7 million).

As part of the sales and purchase agreement in note 3, the Group is entitled to receive a contingent consideration of DKK 607.0 million (£73.7 million) if a decision is made to not invest on Hejre and Solsort discoveries. The contingent asset has not been recognised because they are contingent on future events which have a high level of uncertainty at the year end.

## Notes to the consolidated financial statements (continued)

### 29 Contingencies (continued)

#### Contingent liabilities

As surety with primary liability, Ørsted A/S has provided a guarantee for the Group's subsidiary, INEOS E&P Grønland A/S, obligations and liabilities under a Greenlandic licence. The guarantee is not capped. If Ørsted A/S is held liable under the guarantee then the Group shall indemnify Ørsted A/S for such liability.

As part of the sales and purchase agreement in note 3, the Group is subject to a contingent consideration of US\$ 60.0 million (£44.1 million) should a Final Investment Decision be made on Hejre and Solsort discoveries with notice issued to the regulator. The contingent liability has not been recognised because it is contingent on future events which are considered remote.

### 30 Related parties

The Group has transactions with various other companies within the INEOS Group. The principal related party relationships being:

	Revenue 2020 £'000	Net Purchase of Services 2020 £'000	Interest income 2020 £'000	Interest expense 2020 £'000	Receivables outstanding 2020 £'000	Payables outstanding 2020 £'000	Borrowings outstanding 2020 £'000
INEOS Offshore BCS Limited	-	-	298	29,101	-	-	405,292
Other INEOS group entities	250,747	53,585	4,366	870	45,637	820	3,939
	<b>250,747</b>	<b>53,585</b>	<b>4,664</b>	<b>29,971</b>	<b>45,637</b>	<b>820</b>	<b>409,231</b>

	Revenue 2019 Restated £'000	Net Purchase of Services 2019 Restated £'000	Interest income 2019 Restated £'000	Interest expense 2019 Restated £'000	Receivables outstanding 2019 Restated £'000	Payables outstanding 2019 Restated £'000	Borrowings outstanding 2019 Restated £'000
INEOS Offshore BCS Limited	-	-	100	34,494	9,636	-	396,325
Other INEOS group entities	433,320	55,027	391	2,932	74,446	7,679	34,520
	<b>433,320</b>	<b>55,027</b>	<b>491</b>	<b>37,426</b>	<b>84,082</b>	<b>7,679</b>	<b>430,845</b>

All revenues were made on normal commercial terms and conditions and at market rates. Purchase of services include cost recharge, management fees and other services provided by INEOS group companies and were made on normal commercial terms and conditions. For borrowings from related parties please refer to note 18 for details. All outstanding balances are unsecured and are repayable in cash.

## Notes to the consolidated financial statements (*continued*)

### 30 Related parties (*continued*)

As part of an internal organisational restructuring, the Group sold its entire interest in INEOS FPS Group on 15 June 2020 to a fellow group company, INEOS Industries Holdings Limited. This was a transaction under common control and the gain arose on disposal, being the difference between consideration of \$262.7 million (£213.3 million) and net assets disposed, amounted to £67.0 million and was recognised in retained earnings as per the Group's accounting policy (note 4).

#### *Transactions with key management personnel*

The Group defines key management as the directors of the Company. Details of directors' remuneration is given below:

	2020	2019
	£'000	£'000
Remuneration	1,463	2,850
Compensation in relation to loss of office	591	-
Company contributions to money purchase pension plans	60	88
	<u>2,114</u>	<u>2,938</u>

#### Highest paid director

	2020	2019
	£'000	£'000
Remuneration	324	949
Compensation in relation to loss of office	591	-
Company contributions to money purchase pension plans	17	18
	<u>932</u>	<u>967</u>

### 31 Ultimate parent company and parent company of larger group

The Group's immediate parent is INEOS Offshore BCS 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 or from Companies' House. The ultimate controlling party is Mr J A Ratcliffe.



## Notes to the consolidated financial statements (*continued*)

### 32 Subsequent events

On 18 March 2021, the Group entered into a sales and purchase agreement to acquire HESS Denmark ApS for a total consideration of \$150.0 million. The acquisition includes 61.5% interest in the Syd Arne oil field in which the Group held a 36.8% share at year end, and 4.8% interest in the Solsort field where the Group holds a share of 62.8%. The acquisition is subject to approval by the Danish Energy Authority and is expected to complete later in 2021.

On 25 March 2021, the Group entered into an agreement to divest its oil and gas business in Norway to PGNiG Upstream Norway for a consideration of \$615.0 million. The transaction is subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance and is expected to complete later in 2021.

As part of INEOS group-wide corporate simplification project, one of the Group's Danish subsidiaries, INEOS E&P Føroyar P/F, was liquidated on 5 March 2021. The liquidation is not expected to have a material impact on the Group's consolidated financial statements given the subsidiary comprise only inter-company balances with its parent or the Group's subsidiaries as at 31 December 2020.

**Company's Balance Sheet as at 31 December 2020**

	Note	31 December 2020 £ 000	31 December 2019 £ 000
<b>Non-current assets</b>			
Intangible assets	7	165	93
Property, plant and equipment	8	496	618
Right-of-use assets	19	246	336
Investments	9	938,473	1,018,759
Trade and other receivables	20	88,536	86,902
Indemnification assets	10	204,050	209,839
		<u>1,231,966</u>	<u>1,316,547</u>
<b>Current assets</b>			
Trade and other receivables	20	406,996	304,869
Derivatives financial instruments	11	-	141
Cash and bank balances	12	120,344	67,626
		<u>527,340</u>	<u>372,636</u>
<b>Total assets</b>		<u>1,759,306</u>	<u>1,689,183</u>
<b>Current liabilities</b>			
Trade and other payables	13	(12,662)	(16,158)
Loans and borrowings	14	(453,656)	(483,263)
Derivatives financial instruments	11	(2,547)	-
Deferred consideration	16	(11,022)	(11,438)
Lease liabilities	15	(93)	(113)
		<u>(479,980)</u>	<u>(510,972)</u>
<b>Net current assets/(liabilities)</b>		<u>47,360</u>	<u>(138,336)</u>
<b>Total assets less current liabilities</b>		<u>1,279,326</u>	<u>1,178,211</u>
<b>Non-current liabilities</b>			
Trade and other payables	13	(2,652)	-
Loans and borrowings	14	(1,306,169)	(1,310,190)
Deferred consideration	16	(71,758)	(84,304)
Provisions	17	(80)	(83)
Lease liabilities	15	(156)	(231)
		<u>(1,380,815)</u>	<u>(1,394,808)</u>
<b>Total liabilities</b>		<u>(1,860,795)</u>	<u>(1,905,780)</u>
<b>Net liabilities</b>		<u>(101,489)</u>	<u>(216,597)</u>

**Company's Balance Sheet as at 31 December 2020 (continued)**

		<b>31 December 2020 £ 000</b>	<b>31 December 2019 £ 000</b>
	<b>Note</b>		
<b>Equity</b>			
Share capital	18	74,327	74,327
Share premium	18	232,994	173,683
Capital redemption reserve		22,547	22,547
Retained deficit		(431,357)	(487,154)
<b>Deficit attributable to owners of the Company</b>		<b>(101,489)</b>	<b>(216,597)</b>

The financial statements on pages 79 to 96 were approved by the Board on 18 June 2021 and signed on its behalf by:



Michael Llewellyn

Director

(Registration number: SC200459)

## Company's Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained deficit £ 000	Total Equity £ 000
At 1 January 2020	74,327	173,683	22,547	(487,154)	(216,597)
Profit for the year	-	-	-	55,797	55,797
New share capital subscribed	-	59,311	-	-	59,311
At 31 December 2020	74,327	232,994	22,547	(431,357)	(101,489)

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained deficit £ 000	Total Equity £ 000
At 1 January 2019	74,327	173,683	22,547	(426,912)	(156,355)
Loss for the year	-	-	-	(60,242)	(60,242)
At 31 December 2019	74,327	173,683	22,547	(487,154)	(216,597)

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020

### 1 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 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.

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 unless stated have been rounded to the nearest £'000.

No income statement is disclosed by the Company as allowed by Section 408 of the Companies Act 2006.

Details of dividends paid by the Company are disclosed in the Directors' report of the consolidated financial statements.

Where required, equivalent disclosures are given in the consolidated financial statements. The principal accounting policies are the same as those disclosed in note 2 to the consolidated financial statements except as noted below.

Investments in jointly controlled entities, associates and subsidiaries are recorded as cost, which is the fair value of the consideration paid, less accumulated impairment losses.

#### 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;

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 1 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 consolidated 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).

#### **Summary of disclosure exemptions**

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

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 1 Accounting policies (continued)

- 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'.

### 2 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. The ongoing economic uncertainty in the UK associated with Brexit was considered when assessing the critical judgements and key sources of estimation uncertainty.

#### 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 judgements and actual cash flows can differ from the estimate due to changes in assumptions.

The Company has assessed the carrying value of investments in subsidiaries and has identified the need for a provision of £34,455,000 (2019: £nil) to be recognised in respect of the investment in INEOS UK E&P Holdings Limited.

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 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 17.

#### Expected loss allowance on amounts owed by group undertakings

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade debtors. Under the simplified approach, an expected credit loss is recognised for all possible default events over the expected life of the trade debtors.

### 3 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	24	24

### 4 Staff costs

The aggregate payroll costs (including Director's remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	8,865	10,789
Social security costs	1,491	1,568
Pension costs, defined contribution scheme	948	915
	11,304	13,272

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

	2020 No.	2019 No.
Production	38	20
Administration and support	31	34
Research and development	25	29
	94	83



## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	1,463	2,850
Compensation in relation to loss of office	591	-
Pension contributions	60	88
	<u>2,114</u>	<u>2,938</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>6</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	324	949
Compensation in relation to loss of office	591	-
Company contributions to money purchase pension schemes	17	18
	<u>932</u>	<u>967</u>

### 6 Tax

Tax (credited)/ charged in the income statement

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	(18,898)	107
UK corporation tax adjustment to prior periods	14	-
	<u>(18,884)</u>	<u>107</u>

The tax on profit 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 19% (2019: 19%).

The differences are reconciled below:

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 6 Tax (continued)

	2020 £ 000	2019 £ 000
Profit/(loss) before tax	36,913	(60,135)
Corporation tax at UK standard rate of 19% (2019: 19%)	7,013	(11,426)
Increase in current tax from adjustment for prior periods	14	-
Increase from effect of capital allowances depreciation	2	1
Increase from effect of different UK tax rates on some earnings	-	1
Decrease from effect of revenues exempt from taxation	-	(20,350)
(Decrease)/increase from effect of expenses not deductible in determining (tax loss)/taxable profit	(25,916)	32,278
Increase from tax losses for which no deferred tax asset was recognised	3	5
Decrease arising from group relief tax reconciliation	-	(402)
Total tax (credit)/charge	(18,884)	107

On March 11, 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.

Deferred tax assets have not been recognised as the directors consider there is insufficient certainty over the future utilisation of deductible temporary differences of £744,000 (2019: £128,000). As at 31 December 2020, the Company has unrecognised losses of £27,000 (2019: £nil).

### 7 Intangible assets

	Software £ 000
<b>Cost</b>	
At 1 January 2020	2,185
Additions	159
At 31 December 2020	2,344
<b>Accumulated amortisation and impairment</b>	
At 1 January 2020	2,092
Amortisation charge	87
At 31 December 2020	2,179
<b>Carrying amount</b>	
At 31 December 2020	165
At 31 December 2019	93

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 8 Property plant and equipment

	<b>Furniture, fittings and equipment £ 000</b>
<b>Cost or valuation</b>	
At 1 January 2020	1,465
Additions	113
Disposals	<u>(5)</u>
At 31 December 2020	<u>1,573</u>
<b>Depreciation</b>	
At 1 January 2020	847
Charge for the year	<u>230</u>
At 31 December 2020	<u>1,077</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>496</u>
At 31 December 2019	<u>618</u>

### 9 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2020	1,174,552
Additions	200,929
Disposals	<u>(46,100)</u>
At 31 December 2020	<u>1,329,381</u>
<b>Impairment provision</b>	
At 1 January 2020	155,793
Additions	34,455
Transfer of impairment from subsidiary loans	<u>200,660</u>
At 31 December 2020	<u>390,908</u>
<b>Carrying amount</b>	
At 31 December 2020	<u>938,473</u>
At 31 December 2019	<u>1,018,759</u>

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 9 Investments (continued)

During the year, the Company disposed of its 100% shareholding of INEOS FPS Limited and its subsidiaries to INEOS Industries Holdings Limited for a consideration of \$262.7 million (£213.3 million). A gain of £167.2 million was recognised on disposal.

During the year, the Company restructured its internal financing and converted certain loans with its subsidiaries to investment through application of shares. The majority of these loans were previously impaired and the related impairment provisions were also transferred.

An impairment test was performed on the carrying value of the investments. As a result of low gas price environment, the net present value of investments has decreased and an impairment of £34.5 million was recognised in the income statement. The discount rate used in measuring value in use was 8.66% (2019: 7.95%).

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 Clipper South B Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS Clipper South C Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS UK SNS Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P Norg A/S	Exploration, development and production of oil and gas	Veritasveien 25, 4007 Stavanger Norway	100%	100%
INEOS E&P (Petroleum Denmark) ApS	Development of oil and gas around the North Sea	Teknikerbyen 5, 1., 2830 Virum, Denmark Denmark	100%	0%
INEOS E&P A/S	Explore and develop hydrocarbons in Denmark and around the North Sea	Teknikerbyen 5, 1, 2830 Virum, Denmark Denmark	100%	100%
INEOS E&P DK A/S	Explore and develop hydrocarbons as well as ancillary activities.	Teknikerbyen 5, 1, 2830 Virum, Denmark Denmark	100%	100%
INEOS E&P (Norge) Petroleum DK AS	Development of oil and gas around the North Sea	Veritasveien 25, 4007 Stavanger, Norway Norway	100%	0%

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 9 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
INEOS E&P Føroyar P/F	Explore and develop hydrocarbons and related activities in the Faroe Islands	J.H. Schrøters Gøta 7, 100 Tórshavn Faroe Islands	100%	100%
INEOS Grønland E&P A/S	Explore and develop hydrocarbons and related activities in Greenland	Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk Greenland	100%	100%
INEOS E&P (Siri) UK Limited	Oil and gas exploration, development and production within Denmark.	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P (UK) Limited	Oil and gas exploration, development and production within the UK	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P Services (UK) Limited	Service provider to other group companies	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS FPS Limited	Transportation for processing of oil and gas liquids	Hawkslease, Chapel Lane, Lyndhurst, -* SO43 7FG United Kingdom		100%
Grangemouth Holdings Limited	Purchase and leaseback of assets	Hawkslease, Chapel Lane, Lyndhurst, -* SO43 7FG United Kingdom		100%
Grangemouth Properties Limited	Purchase and leaseback of assets	Hawkslease, Chapel Lane, Lyndhurst, -* SO43 7FG United Kingdom		100%

\*100% ownership up to 15 June 2020 when it was disposed of.

During the year, the Company's subsidiary acquired INEOS E&P (Petroleum Denmark) ApS and INEOS E&P (Norge) Petroleum DK AS from Bayerngas Norge AS.

Also during the year, the Company disposed of INEOS FPS Limited, Grangemouth Holdings Limited and Grangemouth Properties Limited as part of an internal restructuring process.

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 10 Indemnification assets

	2020 £ 000	2019 £ 000
At 31 December 2020	204,050	209,839

As part of the acquisition of DONG E&P A/S in 2017, the Company benefits from an indemnity in respect of uncertain tax liabilities relating to pre-acquisition periods. The Company also benefits from a contractual right to receive sufficient cash to fulfil the obligation to settle actual payments in respect of the historical construction cost of the Fredericia Gas Plant, regardless of amount and timing. These indemnification assets were valued at £204.1 million as at 31 December 2020.

### 11 Derivatives financial instruments

	2020 £ 000	2019 £ 000
Derivative (liabilities)/ assets held for risk management	(2,547)	141

The Company has entered into foreign currency forward contracts to limit its foreign currency transaction exposure.

### 12 Cash and bank balances

	2020 £ 000	2019 £ 000
Cash at bank	120,344	67,626

### 13 Trade and other payables

	2020 £ 000	2019 £ 000
Trade payables	2,962	1,743
Accrued expenses	3,028	3,999
Amounts owed to Group undertakings	475	1,851
Social security and other taxes	107	107
Other payables	8,742	8,458
	<u>15,314</u>	<u>16,158</u>
Current	12,662	16,158
Non-current	<u>2,652</u>	<u>-</u>
	<u>15,314</u>	<u>16,158</u>

Amounts owed to Group undertakings are repayable on demand and do not accrue interest.

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 14 Loans and borrowings

	2020 £ 000	2019 £ 000
<b>Non-current loans and borrowings</b>		
Bank borrowings	214,574	262,382
Amounts owed to Group undertakings	1,091,595	1,047,808
	<u>1,306,169</u>	<u>1,310,190</u>
	2020 £ 000	2019 £ 000
<b>Current loans and borrowings</b>		
Bank borrowings	24,955	-
Amounts owed to Group undertakings	428,701	483,263
	<u>453,656</u>	<u>483,263</u>

#### Borrowings

##### *Amounts owed to Group undertakings*

The Company has a loan arrangement with its parent INEOS Offshore BCS Limited. The loans amount to US\$551.7 million (£405.3 million) bears interest of 7% which is payable on a quarterly basis. INEOS Offshore BCS Limited has indicated no repayment will be demanded for at least 12 months from the approval of financial statements.

The Company has a loan arrangement with INEOS E&P A/S. The loan amounts to DKK 5,649 million (£686.3 million) bears interest of 2.75% which is payable on a quarterly basis. INEOS E&P A/S has indicated no repayment will be demanded for at least 12 months from the approval of financial statements.

Amounts owed to Group undertakings also include a balance of £428.7 million (2019: £483.3 million) that represents internal cash accounts with its subsidiaries. They are due on demand and bear interest at variable rates.

##### *Bank Borrowings*

RBL Facility is secured on customary terms and bears interest at a margin above LIBOR. The Company's subsidiaries are the guarantors to the RBL Facility.

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 15 Leases liabilities

#### Leases liabilities

	2020 £ 000	2019 £ 000
Current portion of long term lease liabilities	93	113
Long term lease liabilities	156	231

#### Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2020 £ 000	2019 £ 000
On demand or within one year	100	132
Between one and five years	156	195
After five years	-	42
Total lease liabilities (undiscounted)	256	369

### 16 Deferred consideration

	2020 £ 000
At 1 January 2020	95,742
Consideration settled during the year	(12,085)
Increase due to unwinding of discount	1,642
Effect of movements in foreign exchange	(2,519)
At 31 December 2020	82,780
Non-current	71,758
Current	11,022
	82,780

Deferred consideration relates to the obligation of the Company to pay \$150.0 million (£111.6 million) in instalments in connection with the capital cost of the Fredericia Gas Plant as part of acquisition of DONG E&P A/S in 2017. In 2020 \$15.0 million (£12.1 million) was paid and as at 31 December 2020, \$30.0 million (£24.3 million) has been repaid. The fair value of the remaining consideration is \$112.6 million (£82.8 million).



## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 17 Provisions for liabilities

	<b>Dilapidation and restoration provisions £ 000</b>
At 1 January 2020	83
Decrease in existing provisions	(4)
Unwinding of discount	1
At 31 December 2020	<u>80</u>
Non-current liabilities	<u>80</u>

#### *Dilapidation and restoration provisions*

The Company has provided for restoration costs in relation to a leased property. The Company has an obligation to return the property at the end of the lease to its original state. The restoration is expected to occur when the lease expires in 2025.

### 18 Share capital

#### Allotted, called up and fully paid shares

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
Ordinary Shares of £1 each	74,327	74,327	74,327	74,327

An additional share was awarded to INEOS Offshore BCS Limited, the immediate parent, as part of an internal organisational restructuring. The share was issued at a value of £1 plus a premium of £59.3 million.

### 19 Right-of-use assets

	<b>Property £ 000</b>
<b>Cost</b>	
At 1 January 2020	419
Additions	96
Disposals	<u>(140)</u>
At 31 December 2020	<u>375</u>

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 19 Right-of-use assets (continued)

	Property £ 000
<b>Depreciation</b>	
At 1 January 2020	83
Charge for the year	140
Eliminated on disposal	(94)
At 31 December 2020	129
<b>Carrying amount</b>	
At 31 December 2020	246
At 31 December 2019	336

### 20 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	7	6,143
Amount owed by Group undertakings	474,657	383,257
Prepayments	647	1,051
Other receivables	20,221	1,320
	495,532	391,771
Less non-current portion	(88,536)	(86,902)
Total current trade and other receivable	406,996	304,869

#### *Details of non-current trade and other receivables*

£89 million (2019: £87 million) of amounts owed by Group undertakings is classified as non-current. The Company has loan arrangements with its subsidiaries. The loans bear interest of a range of 3.5% - 7% and is payable on a quarterly basis. The full amount is unsecured.

The Company also has internal cash accounts with its subsidiaries. They are due on demand and bear interest at LIBOR plus a margin 0.5% (2019: 0.5%)

#### *Trade receivables*

As at 31 December 2020, none of the trade receivables were past due (2019: nil). 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 credit worthiness of our customers and external credit checks where appropriate for new customers. At 31 December 2019 and 2020, there were no significant trade or other receivables balances not past due that were subsequently impaired.

### 21 Pension and other schemes

#### **Defined contribution pension scheme**

The Company operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the Company to the scheme and amounted to £947,450 (2019: £914,653).

## Notes to the Company's Financial Statements for the Year Ended 31 December 2020 (continued)

### 22 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 disclosed in notes 9, 20, 13 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.

### 23 Parent and ultimate parent undertaking

The Company's immediate parent is INEOS Offshore BCS 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.

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