

# INEOS E&P Services (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **INEOS E&P Services (UK) Limited**

### **Contents**

<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2 to 3</b>
<b>Director's Report</b>	<b>4 to 6</b>
<b>Independent Auditor's Report</b>	<b>7 to 9</b>
<b>Income Statement</b>	<b>10</b>
<b>Statement of Comprehensive Income</b>	<b>11</b>
<b>Balance Sheet</b>	<b>12</b>
<b>Statement of Changes in Equity</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14 to 24</b>

## **INEOS E&P Services (UK) Limited**

### **Company Information**

<b>Directors</b>	Roger Bell David Brooks Gareth Anderson
<b>Company secretary</b>	Cordelia Pace Gemma McLucas
<b>Registered office</b>	Anchor House 15-19 Britten Street London England SW3 3TY
<b>Solicitors</b>	Slaughter and May 1 Bunhill Row London EC1Y 8YY
<b>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP
<b>Independent Auditor</b>	Deloitte LLP Statutory Auditor Union Plaza 1 Union Wynd Aberdeen United Kingdom AB10 1SL

## INEOS E&P Services (UK) Limited

### Strategic Report for the Year Ended 31 December 2019

The Directors present the strategic report of INEOS E&P Services (UK) Limited ("the Company") for the year ended 31 December 2019.

#### Fair review of the business

The Company continues its activities as a service company, carrying on the business of providing services to its immediate parent, INEOS UK E&P Holdings Limited. The employee costs of the Company are recharged to INEOS UK E&P Holdings Limited as the employees are primarily employed to work for the immediate parent company. The Company also holds an investment in Shetland Land Lease Limited, a company which holds certain land leases in the Shetland Islands associated with the development of the Shetland Island regional gas export system (SIRGES pipeline).

As at 31 December 2019, the Company has net assets of £2,206,000 (2018: £2,220,000).

#### Key performance indicators

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

	Unit	2019	2018
Normalised Earnings Before Interest, Tax, Depreciation and Amortisation (Normalised EBITDA)*	£000	(29)	301
(Loss)/profit for the financial year	£000	(14)	316

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

The main KPI of the business is earnings before interest, taxation, depreciation, amortisation and exceptional items (Normalised EBITDA). Management closely monitors Normalised EBITDA compared to budget and prior year. During the year, the employee costs of the Company were transferred to INEOS UK E&P Holdings Limited as the employees are primarily employed to work for INEOS UK E&P Holdings Limited. This change has resulted in a significant decrease in operating profit and Normalised EBITDA. Additionally, this has resulted in revenues generated in 2018 no longer being recognised in 2019.

Details of actual and comparative Normalised EBITDA results are provided below:

	2019 £ 000	2018 £ 000
Operating (loss)/profit	(29)	301
EBITDA	(29)	301
Normalised EBITDA	(29)	301

## INEOS E&P Services (UK) Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

#### Principal risks and uncertainties

The Company's activities involve the provision of services to its group companies and therefore the Company's main ongoing uncertainties relate to the demand for trade from those customers. The Company mitigates such risk by monitoring its resource levels regularly to ensure they are appropriate to maintain the required level of service.

The Company's financial performance is dependent on the level of services required by group companies.

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

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

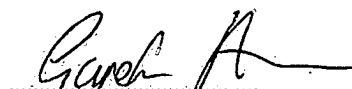
#### *The impact of the UK's exit from the European Union (EU) ("Brexit")*

On 31 January 2020, the UK officially left the EU, entering into the one-year transition period during which a new trade agreement is to be negotiated. The Company continues to face uncertainties as the future relationship with the EU is under negotiation. This uncertainty affects the Company as it relates to future energy and trade policies and the movement of people. However, the Company considered that the direct impact of these uncertainties is limited in the short term. The Company will continue to monitor this aspect as the negotiations with the EU evolve.

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

The Company is closely monitoring the evolution of the COVID-19 outbreak and is following the World Health Organisation and local governments' advices. The Company has taken measures to mitigate the risk to keep employees safe and the Fields operational. The spread of Coronavirus coupled with actions from OPEC+ has caused a significant drop in the oil price. The outbreak has so far had a relatively limited impact on the gas price as oversupply dominates the fundamentals. The effect the virus will have on the global economy and on commodity prices is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on production and deliveries.

Approved by the Board on 30 July 2020 and signed on its behalf by:



Gareth Anderson  
Director

## **INEOS E&P Services (UK) Limited**

### **Director's Report for the Year Ended 31 December 2019**

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

#### **Directors of the Company**

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

Roger Bell

David Brooks

Gareth Anderson (appointed 1 June 2019)

Andrew Pizzey (resigned 1 June 2019)

#### **Principal activities**

The principal activity of the Company is that of a holding company for the land leases associated with the SIRGES pipeline in Shetland. Additionally, the Company is a service provider to its immediate parent INEOS UK E&P Holdings Limited.

#### **Dividends**

The Directors do not propose the payment of a dividend (2018: £Nil).

#### **Financial instruments**

#### ***Objectives and policies***

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

#### ***Price risk, credit risk, liquidity risk and cash flow risk***

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

- (a) Currency risk: The Company undertakes transactions in various currencies. Although the significant majority of transactions are denominated in Sterling (the Company's functional currency) the Directors review the cost/benefit of currency hedging.
- (b) Credit risk: The Company has no significant exposure to credit risk as the majority of its receivables are due from other group companies which the Directors believe will be able to meet their obligations as they fall due.
- (c) Liquidity and cash flow risk: The Company has exposure to liquidity and cash flow risk as all receivables are from group companies, however, the risk is low as these balances primarily comprise the cash pooling per group policy.

## **INEOS E&P Services (UK) Limited**

### **Director's Report for the Year Ended 31 December 2019 (continued)**

#### **Future developments**

The start of 2020 has been marked by a developing outbreak of COVID-19 which is causing global economic disruption and fall in oil and gas prices. Current market visibility remains poor, as there is uncertainty in the length of the lockdown in Europe and the impact of this on oil and gas prices.

In addition, the directors have implemented a series of programmes to preserve cash including a cut-back of non-essential expenditure. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Company, in combination with the financial support of INEOS UK E&P Holdings Limited, would still have sufficient cash flow to meet all of its obligations as they fall due.

The Company expects to continue its principal activities, further detail of which is provided in the strategic report.

#### **Going concern**

The Company has considered its funding position and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meets its liabilities as they fall due, for the foreseeable future, being at least 12 months from the date of signing of the financial statements. As part of assuring the going concern basis of preparation for the Company, the ability of the Company's immediate parent, INEOS UK E&P Holdings Limited, to support the Company has been taken into consideration.

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 financing cash flow forecasts. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is a sustained decline in commodity prices, resulting in an average gas price of 20p/th for the remainder of 2020 and 27p/th in 2021, and an average oil price of \$32/bbl for the remainder of 2020 and \$36/bbl in 2021. The INEOS UK E&P Holdings Limited consolidated financial statements continue to be prepared on a going concern basis.

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, including the challenges the Company faces with COVID-19 and the depression of commodity prices following the year-end.

Although the Directors cannot predict the extent and duration of the COVID-19 pandemic and the impact that this will have, particularly on commodity prices, as above the Directors have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. The Directors have implemented a series of programmes to preserve cash including review of the timings and/or level of non-essential capital expenditure and reduction in spend against provisions. In conclusion, the Directors believe the Company would still have sufficient cash flow to meet its obligations as they fall due based on available cash and the financial support of INEOS UK E&P Holdings Limited.

#### **Important non adjusting events after the financial year**

The Company is closely monitoring the evolution of the COVID-19 outbreak and is following the World Health Organisation and local governments' advice. With regards to business impact, the effect the virus will have on the global economy and the industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on production and operation. Similarly, the Company is monitoring and evaluating the impact of Brexit on production and operation.

## **INEOS E&P Services (UK) Limited**

### **Director's Report for the Year Ended 31 December 2019 (continued)**

#### **Reappointment of auditor**

Following the completion of the 31 December 2018 audit and a formal tender process, Deloitte LLP was appointed for the statutory audit replacing PricewaterhouseCoopers LLP. Deloitte LLP indicated its willingness to act and its appointment was approved at a Directors' meeting. The auditor, Deloitte LLP, has indicated its willingness to continue in office and resolution concerning its re-appointment will be proposed at the board meeting.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

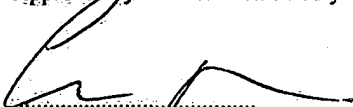
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Approved by the Board on 30 July 2020 and signed on its behalf by:



Gareth Anderson  
Director



## **INEOS E&P Services (UK) Limited**

### **Independent Auditor's Report to the Members of INEOS E&P Services (UK) Limited**

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

##### **Opinion**

In our opinion the financial statements of INEOS E&P Services (UK) Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **INEOS E&P Services (UK) Limited**

### **Independent Auditor's Report to the Members of INEOS E&P Services (UK) Limited (continued)**

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in respect of these matters.

#### **Responsibilities of Directors**

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

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

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

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

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

## **INEOS E&P Services (UK) Limited**

### **Independent Auditor's Report to the Members of INEOS E&P Services (UK) Limited (continued)**

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

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

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

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

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

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

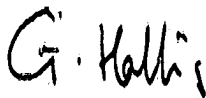
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **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

30 July 2020

# INEOS E&P Services (UK) Limited

## Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	-	2,512
Cost of sales		<u>-</u>	<u>(2,211)</u>
Gross profit		-	301
Administrative expenses		<u>(29)</u>	<u>-</u>
Operating (loss)/profit		<u>(29)</u>	<u>301</u>
Finance income	8	16	15
Finance costs	9	<u>(1)</u>	<u>-</u>
Net financing income		<u>15</u>	<u>15</u>
(Loss)/profit before tax		<u>(14)</u>	<u>316</u>
Tax	10	<u>-</u>	<u>-</u>
(Loss)/profit for the financial year attributable to owners of the Company		<u><u>(14)</u></u>	<u><u>316</u></u>

The above results were derived from continuing operations.

# INEOS E&P Services (UK) Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2019


	2019 £ 000	2018 £ 000
(Loss)/profit for the year	<u>(14)</u>	<u>316</u>
Total comprehensive (loss)/income for the year attributable to the owners of the Company	<u>(14)</u>	<u>316</u>

# INEOS E&P Services (UK) Limited

(Registration number: 07227427)  
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Non-current assets</b>			
Investments	11	4	4
<b>Current assets</b>			
Trade and other receivables	12	2,289	2,414
<b>Total assets</b>		<u>2,293</u>	<u>2,418</u>
<b>Current liabilities</b>			
Trade and other payables	13	(87)	(198)
<b>Net current assets</b>		<u>2,202</u>	<u>2,216</u>
<b>Total liabilities</b>		<u>(87)</u>	<u>(198)</u>
<b>Net assets</b>		<u>2,206</u>	<u>2,220</u>
<b>Equity</b>			
Share capital	14	1,750	1,750
Retained earnings		456	470
<b>Equity attributable to owners of the Company</b>		<u>2,206</u>	<u>2,220</u>

The financial statements on pages 10 to 24 were approved by the Board on 30 July 2020 and signed on its behalf by:



Gareth Anderson

Director

The notes on pages 14 to 24 form an integral part of these financial statements.

# INEOS E&P Services (UK) Limited

## Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	1,750	470	2,220
Loss for the year	-	(14)	(14)
Total comprehensive loss	-	(14)	(14)
At 31 December 2019	1,750	456	2,206

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	1,750	154	1,904
Profit for the year	-	316	316
Total comprehensive income	-	316	316
At 31 December 2018	1,750	470	2,220

The notes on pages 14 to 24 form an integral part of these financial statements.

## **INEOS E&P Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

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

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on 30 July 2020.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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

##### **Basis of preparation**

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

The financial statements are prepared on the historical cost basis. 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 have been rounded to the nearest £'000.

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

The notes on pages 14 to 24 form an integral part of these financial statements.



## INEOS E&P Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### Summary of disclosure exemptions

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

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

The notes on pages 14 to 24 form an integral part of these financial statements.

## **INEOS E&P Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The Company has considered its funding position and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meets its liabilities as they fall due, for the foreseeable future, being at least 12 months from the date of signing of the financial statements. As part of assuring the going concern basis of preparation for the Company, the ability of the Company's immediate parent, INEOS UK E&P Holdings Limited, to support the Company has been taken into consideration.

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 financing cash flow forecasts. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is a sustained decline in commodity prices, resulting in an average gas price of 20p/th for the remainder of 2020 and 27p/th in 2021, and an average oil price of \$32/bbl for the remainder of 2020 and \$36/bbl in 2021. The INEOS UK E&P Holdings Limited consolidated financial statements continue to be prepared on a going concern basis.

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, including the challenges the Company faces with COVID-19 and the depression of commodity prices following the year-end.

Although the Directors cannot predict the extent and duration of the COVID-19 pandemic and the impact that this will have, particularly on commodity prices, as above the Directors have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. The Directors have implemented a series of programmes to preserve cash including review of the timings and/or level of non-essential capital expenditure and reduction in spend against provisions. In conclusion, the Directors believe the Company would still have sufficient cash flow to meet its obligations as they fall due based on available cash and the financial support of INEOS UK E&P Holdings Limited.

##### **Revenue recognition**

Revenue, which is stated net of valued added tax, represents consideration received or receivable for the goods and services supplied. 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.

##### **Finance income and expense**

Finance expenses comprise interest payable and other finance charges, unwinding of the discount on provisions, and net foreign exchange losses. Finance income includes interest receivable on funds invested.

Finance income and expense is recognised in the income statement as it accrues, using the effective interest method.

The notes on pages 14 to 24 form an integral part of these financial statements.

## INEOS E&P Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### Tax

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

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

##### Investments

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

##### Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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.

The notes on pages 14 to 24 form an integral part of these financial statements.

## INEOS E&P Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 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.

##### Defined contribution pension obligation

The Company operates a defined contribution retirement plan. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement 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 Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be measured reliably.

##### Financial instruments

##### Classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, and trade and other payables.

##### Financial assets at amortised cost

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are tested for classification as per IFRS 9. If the trade receivables satisfy the criteria for 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.

##### Financial liabilities at amortised cost

##### Trade and other payables

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

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

# INEOS E&P Services (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 2 Accounting policies (continued)

#### Impairment of financial assets

##### *Measurement of Expected Credit Losses*

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

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

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

### 3 Critical accounting judgements and key sources of estimation uncertainty

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

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

#### Judgement

##### **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.

As at the 31 December 2019, the amount owed by group undertakings is £2,283,000 (2018: £2,412,000). This amount is owed to INEOS UK E&P Holdings Limited. The expected credit loss on this intercompany balance is estimated to be immaterial and thus no provision has been recognised. See note 12 for further details.

### 4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Rendering of services	-	2,512

The notes on pages 14 to 24 form an integral part of these financial statements.

## INEOS E&P Services (UK) Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 4 Revenue (continued)

The analysis of the Company's revenue for the year by market is as follows:

	2019 £ 000	2018 £ 000
European Union	-	2,512

The timing of revenue recognition of the Company's sales transactions are at a point in time.

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

No assets related to costs to obtain or fulfil a contract have been recognised. Its impact, if any, was deemed immaterial.

#### 5 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	12	12

#### 6 Directors and employees

The Company has no employees (2018: 9). The directors received no remuneration for their services to the Company.

#### 7 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	-	802
Social security costs	-	133
Pension costs, defined contribution scheme	-	74
	-	1,009

The notes on pages 14 to 24 form an integral part of these financial statements.

# INEOS E&P Services (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 7 Staff costs (continued)

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

	2019 No.	2018 No.
Production	-	6
Administration and support	-	3
	<u>-</u>	<u>9</u>

### 8 Finance income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	-	5
Interest income from group undertakings	16	10
	<u>16</u>	<u>15</u>

### 9 Finance costs

	2019 £ 000	2018 £ 000
Other finance costs	<u>1</u>	<u>-</u>

### 10 Tax

Tax charged in the income statement:

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax	-	-

The tax on (loss)/profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018: lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

# INEOS E&P Services (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 10 Tax (continued)

	2019 £ 000	2018 £ 000
(Loss)/profit before tax	(14)	316
Corporation tax at standard rate	(3)	60
Increase/(decrease) arising from group relief tax reconciliation	3	(60)
Total tax charge/(credit)	-	-

The standard rate of corporation tax is 19%. Changes to the UK corporation tax rates were enacted as part of Finance Act 2016. These changes included reduction to the main rate of corporation tax to 17% from 1 April 2020. However on 11 March 2020, during Budget 2020, the Government announced that the main rate of corporation tax will remain at 19%. 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.

### 11 Investments

#### Associates

	£ 000
<b>Cost</b>	
At 1 January 2019	4
At 31 December 2019	4
<b>Provision</b>	
<b>Carrying amount</b>	
At 31 December 2019	4

Details of the associates as at 31 December 2019 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Shetland Land Lease Limited	Development of building projects	18th Floor, 10 Upper Bank Street, Canary Wharf, London, England, E14 5BF United Kingdom	20%	20%



# INEOS E&P Services (UK) Limited

## Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

### 12 Trade and other receivables

	31 December 2019 £ 000	31 December 2018 £ 000
Amounts owed by group undertakings	2,283	2,412
Prepayments	6	2
Total current trade and other debtors	<u>2,289</u>	<u>2,414</u>

Amounts owed by group undertakings includes a balance £2,283,000 (2018: £2,412,000) that represents internal cash accounts. They are due on demand and bear interest at LIBOR plus a margin of 0.05%.

### 13 Trade and other payables

	31 December 2019 £ 000	31 December 2018 £ 000
Trade payables	71	79
Accrued expenses	16	6
Social security and other taxes	-	113
Total current trade and other payables	<u>87</u>	<u>198</u>

### 14 Called up share capital

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

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	<u>1,750</u>	<u>1,750</u>	<u>1,750</u>	<u>1,750</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

## **INEOS E&P Services (UK) Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **15 Pension and other schemes**

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

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £Nil (2018: £74,000).

#### **16 Related party transactions**

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

#### **17 Non adjusting events after the financial period**

The Company is closely monitoring the evolution of the COVID-19 outbreak and is following the World Health Organisation and local governments' advice. With regards to business impact, the effect the virus will have on the global economy and the industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on production and operation. Similarly, the Company is monitoring and evaluating the impact of Brexit on production and operation.

#### **18 Parent and ultimate parent undertaking**

The Company's immediate parent is INEOS UK E&P Holdings Limited.

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

The smallest group to consolidate these financial statements is INEOS UK E&P Holdings Limited. Copies of the INEOS UK E&P Holdings Limited consolidated financial statements are available upon request from Anchor House, 15-19 Britten Street, London SW3 3TY, United Kingdom.

The most senior parent entity producing publicly available 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.