

Registration number: 09687203

INEOS Offshore BCS Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2020



INEOS Offshore BCS Limited

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INEOS Offshore BCS Limited

Company Information

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

INEOS Offshore BCS Limited

Strategic Report for the Year Ended 31 December 2020

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

Fair review of the business

The Company continues its activities as a holding company carrying on the business of managing its investments and financing developments in its subsidiary companies.

As at 31 December 2020, the Company has net liabilities of £433,127,000.00 (2019: £160,973,000.00).

At the year-end, a review of the recoverability of loans to group undertakings was performed. This review identified that the present value of the loan to INEOS UK E&P Holdings Limited exceeded its carrying value by £271,113,000 (2019: £44,561,000). An expected credit loss provision has been recognised in respect of this loan.

As part of an internal organisational restructuring a debt-equity exercise was performed to convert part of the Company's intercompany loan balances held with its immediate parent into equity. An additional share was awarded to INEOS Upstream Holdings Limited, issued at a value of £1 plus a premium of £59,311,000.

A review was also carried out in respect of the carrying value of the investments held at year end. The assessment identified the need for an additional impairment provision on the investment in INEOS E&P Holdings Limited of £59,312,000 (2019: Nil).

Section 172(1) statement

The Directors have the duty to promote the success of the Company 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. As the Company is a subsidiary of INEOS Industries Limited all stakeholder considerations are managed at a group level. Further detail of policies in relation to the section 172(1) duties can be found in the annual report and financial statements of INEOS Industries Limited which may be obtained from the Company Secretary, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, UK, SO43 7FG.

Key performance indicators

Given the Company is a holding company, the Directors view the main KPI as being the management of the Company's investment in subsidiary undertakings. During the year, the Company has made an additional investment of £59,312,000 into INEOS UK E&P Holdings Limited as part of an internal reorganisation process.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the Company's subsidiaries ability to find and exploit gas reserves in the United Kingdom Continental Shelf, Denmark and Norway. The main uncertainty of the subsidiaries is volatility in market prices and fluctuation in foreign currency exchange rates. The financial risk management process has been discussed in the directors' report.

Climate change and transition to low carbon economy

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

INEOS Offshore BCS Limited

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


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

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

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

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

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



.....
Michael Llewellyn
Director

INEOS Offshore BCS Limited

Directors' Report for the Year Ended 31 December 2020

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

Directors of the Company

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

Gareth Anderson (resigned 11 November 2020)

Andrew Pizzey

Douglas Scott

Mads Weng Gade

David Brooks (resigned 11 September 2020)

Michael Llewellyn (appointed 2 November 2020)

Principal activities

The principal activity of the Company is to act as a holding company and financing developments in its subsidiary undertakings.

Dividends

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

Financial instruments

Objectives and policies

The Company's subsidiaries 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 Company has in place a risk management programme that seeks to limit any adverse effects on the financial performance of the Company where appropriate.

Interest rate risk, currency risk, commodity price risk, credit risk, liquidity risk and cash flow risk

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

- (a) Interest rate risk: Borrowings are intra-group and the interest rate is fixed at 7%.
- (b) Currency risk: The Company undertakes transactions in various currencies. Although the significant majority of transactions are denominated in Sterling (Company's functional currency) the Directors review the cost/benefit of currency hedging.
- (c) Credit risk: The majority of the Company's receivables are due from other group companies. An impairment assessment is performed annually to determine whether the Directors believe the Group entities will be able to meet their obligations as they fall due, see note 10.
- (d) Liquidity and cash flow risk: The Company has exposure to liquidity and cash flow risk as the principal source of income, being interest received on loans and dividends may not be sufficient to meet operating costs and interest payable on loans. The Directors have received confirmation that the parent company intends to support the Company for at least one year after the approval of the financial statements, which the Directors believe is adequate to mitigate the liquidity and cash flow risk.

INEOS Offshore BCS Limited

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

Future developments

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

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

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

Going concern

As at 31 December 2020, the Company has net liabilities of £433,127,000 (2019: £160,973,000); however, the Company meets its day-to-day working capital requirements through its inter-company loan facility. The Directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Reappointment of auditor

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

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

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

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

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

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

The Directors are responsible for 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.

INEOS Offshore BCS Limited

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

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

A handwritten signature in black ink, appearing to read 'M Llewellyn', written over a dotted line.

.....
Michael Llewellyn
Director

INEOS Offshore BCS Limited

Independent Auditor's Report to the Members of INEOS Offshore BCS Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Accounting Policies; and
- the related notes 1 to 15.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

INEOS Offshore BCS Limited

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

INEOS Offshore BCS Limited

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

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

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with local tax authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

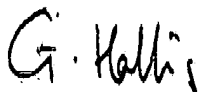
We have nothing to report in respect of these matters.

INEOS Offshore BCS Limited

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

24 September 2021

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INEOS Offshore BCS Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Administrative expenses		(32)	(34)
Impairment loss	10, 9	<u>(330,425)</u>	<u>(44,561)</u>
Operating loss		<u>(330,457)</u>	<u>(44,595)</u>
Finance income	6	33,342	35,437
Finance costs	7	<u>(34,545)</u>	<u>(36,576)</u>
Net financing costs		<u>(1,203)</u>	<u>(1,139)</u>
Loss before tax		(331,660)	(45,734)
Tax	8	<u>195</u>	<u>-</u>
Loss for the financial year attributable to owners of the Company		<u><u>(331,465)</u></u>	<u><u>(45,734)</u></u>

The above results were derived from continuing operations.

INEOS Offshore BCS Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

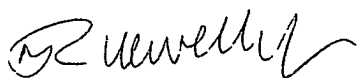
	2020 £ 000	2019 £ 000
Loss for the year	<u>(331,465)</u>	<u>(45,734)</u>
Total comprehensive loss for the year attributable to the owners of the Company	<u><u>(331,465)</u></u>	<u><u>(45,734)</u></u>

INEOS Offshore BCS Limited

(Registration number: 09687203)
Balance Sheet as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Non-current assets			
Trade and other receivables	10	-	251,758
Current assets			
Trade and other receivables	10	195	20,347
Total assets		<u>195</u>	<u>272,105</u>
Current liabilities			
Trade and other payables	11	(37)	(29)
Loans and borrowings	13	(433,285)	(433,049)
		<u>(433,322)</u>	<u>(433,078)</u>
Net current liabilities		<u>(433,127)</u>	<u>(412,731)</u>
Total liabilities		<u>(433,322)</u>	<u>(433,078)</u>
Net liabilities		<u>(433,127)</u>	<u>(160,973)</u>
Equity			
Share capital	12	-	-
Share premium	12	232,994	173,683
Retained deficit		<u>(666,121)</u>	<u>(334,656)</u>
Equity attributable to owners of the Company		<u>(433,127)</u>	<u>(160,973)</u>

The financial statements on pages 11 to 26 were approved by the Board on 24 September 2021 and signed on its behalf by:



Michael Llewellyn
Director

INEOS Offshore BCS Limited

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

	Share capital £ 000	Share premium £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2020	-	173,683	(334,656)	(160,973)
Loss for the year	-	-	(331,465)	(331,465)
Total comprehensive loss	-	-	(331,465)	(331,465)
New share capital subscribed	-	59,311	-	59,311
At 31 December 2020	-	232,994	(666,121)	(433,127)

	Share capital £ 000	Share premium £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2019	-	173,683	(288,922)	(115,239)
Loss for the year	-	-	(45,734)	(45,734)
Total comprehensive loss	-	-	(45,734)	(45,734)
At 31 December 2019	-	173,683	(334,656)	(160,973)

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

1 General information

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

The address of its registered office is:

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

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

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

Changes in significant accounting policies

New amendments 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 notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

2 Accounting policies (continued)

- 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.
- 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."

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).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023).

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (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 Industries Limited.
- Paragraph 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - I. paragraph 79(a)(iv) of IAS 1;
 - II. paragraph 73(e) of IAS 16 Property, plant and equipment;
 - III. paragraph 118(e) of IAS 38 Intangible assets (reconciliation between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.
- The requirements of paragraph 58 of IFRS 16 'Leases'.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets' as the relevant disclosures have been made in the consolidated financial statements of the parent company, INEOS UK E&P Holdings Limited.

INEOS Offshore BCS Limited

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

2 Accounting policies (continued)

Going concern

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

Exemption from preparing group financial statements

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

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

Finance income and expense

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

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

Foreign currency transactions and balances

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

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. All the amounts in the financial statements have been stated to the nearest £'000.

Tax

The tax on the profit or loss for the period comprises current 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 subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid, less accumulated impairment losses.

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

Financial instruments

Classification and measurement

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, loans and borrowings, 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 the cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for recognition at amortised cost they are recognised at fair value through profit and loss.

Interest-bearing loans/borrowings

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

Financial liabilities at amortised cost

Trade and other payables

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

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

Impairment of financial assets

Measurement of Expected Credit Losses

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

Financial assets which are considered low risk are not impaired:

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.

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

The following area has been considered to involve a significant degree of estimation:

Estimates

Expected loss allowance on amounts due by group undertakings

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade debtors and intercompany loans. Under the simplified approach, as expected credit loss is recognised for all possible default events over the expected life of the trade debtors and intercompany loans where management have assessed the recoverable amount to be less than the previously recognised asset.

The Company has assessed the expected credit loss for the loan to group undertakings and identified the need for an additional expected credit loss provision of £271,113,000 (2019: £44,561,000) to be recognised in respect of the loan to INEOS UK E&P Holdings Limited. See note 10 for further details.

INEOS Offshore BCS Limited

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

4 Auditor's remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	<u>32</u>	<u>32</u>

5 Directors and employees

The Company has no employees (2019: no employees). The Directors received no remuneration (2019: Nil) for their services to the Company.

6 Finance income

	2020 £ 000	2019 £ 000
Interest income from group undertakings	29,232	34,494
Foreign exchange gains	<u>4,110</u>	<u>943</u>
	<u>33,342</u>	<u>35,437</u>

7 Finance costs

	2020 £ 000	2019 £ 000
Interest paid to group undertakings	31,539	36,576
Foreign exchange losses	<u>3,006</u>	<u>-</u>
	<u>34,545</u>	<u>36,576</u>

8 Tax

Tax charged in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	<u>(195)</u>	<u>-</u>

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2019: lower than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

INEOS Offshore BCS Limited

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

8 Tax (continued)

	2020 £ 000	2019 £ 000
Loss before tax	<u>(331,660)</u>	<u>(45,734)</u>
Corporation tax at standard rate	(63,015)	(8,689)
Increase from effect of expenses not deductible in determining taxable profit	62,781	8,466
Increase arising from group relief tax reconciliation	<u>39</u>	<u>223</u>
Total tax credit	<u>(195)</u>	<u>-</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

However on 11 March 2021, during Budget 2021, the Government announced that the main rate of corporation tax will increase to 25% from 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 are not recognised when the Directors consider there is insufficient certainty over the future utilisation of underlying tax losses. As at 31 December 2020, the Company has no unrecognised losses (2019: £732,000).

9 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2020	205,698
Additions	<u>59,312</u>
At 31 December 2020	<u>265,010</u>
Impairment provision	
At 1 January 2020	205,698
Provision	<u>59,312</u>
At 31 December 2020	<u>265,010</u>
Carrying amount	
At 31 December 2020	<u>-</u>
At 31 December 2019	<u>-</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

9 Investments (continued)

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 UK E&P Holdings Limited*	A holding company that has investments in subsidiary undertakings operating in the oil and gas industry	Brodies House, 31-33 Union Grove, Aberdeen, Scotland, AB10 6SD United Kingdom	100%	100%
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 Norge A/S	Exploration, development and production of oil and gas	Veritasveien 25, 4007 Stavanger Norway	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 A/S	Explore and develop hydrocarbons in Denmark and around the North Sea	Teknikerbyen 5, 1, 2830 Virum, Denmark Denmark	100%	100%
Grangemouth Holdings Limited	Purchase and leaseback of Grangemouth assets	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	0%	100%
Grangemouth Properties Limited	Purchase and leaseback of Grangemouth assets	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	0%	100%
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%

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

Notes to the 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 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 (Petroleum Denmark) ApS	Development of oil and gas around the North Sea	Teknikerbyen 5, 1., 2830 Virum Denmark	100%	0%
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 (Norge) Petroleum DK AS	Development of oil and gas around the North Sea	Veritasveien 25, 4007 Stavanger Norway	100%	0%
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	0%	100%

* indicates direct investment of the Company

In 2020, an impairment test was performed on the carrying value of the investments, and, given the net present value of the investments was lower than the carrying value, an impairment of £59,312,000 was recorded, see note 3.

All holdings are of the ordinary shares of each subsidiary. The interests in the associate and joint venture are immaterial and therefore no further disclosures are made.

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

10 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Loans to group undertakings	-	272,105
Other receivables	195	-
Less non-current portion	-	(251,758)
Total current trade and other receivables	<u>195</u>	<u>20,347</u>

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

£Nil (2019: £251,758,000) of Loans to group undertakings is classified as non-current. The non-current balance is a loan to INEOS UK E&P Holdings Limited which is unsecured and bears interest of 7%. The interest is payable on a quarterly basis. The Company has indicated that no repayment will be demanded for at least 12 months from the date of approval of the financial statements. The remaining current balances bear interest of 7% and are repayable within 12 months after the year end.

At year end the net balance owed to the Company by INEOS E&P UK Holdings was £395,333,000 with an existing provision of £124,330,000. The Company has assessed the expected credit loss for the loan to group undertakings and identified the need for an additional expected credit loss provision of £271,113,000 (2019: £44,561,000) to be recognised in respect of the loan. The total amount provided for as at 31 December 2020 is £395,333,000 (2019: £124,220,000), with the result that the net book value of the loan at year end is £nil (2019: £272,105,000).

11 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Accrued expenses	<u>37</u>	<u>29</u>

12 Called up share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>

An additional ordinary share was awarded to INEOS Upstream Holdings Limited, the immediate parent as part of an internal restructuring process at a premium of £59,311,000.

The notes on pages 15 to 26 form an integral part of these financial statements.

INEOS Offshore BCS Limited

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

13 Loans and borrowings

	31 December 2020 £ 000	31 December 2019 £ 000
Current loans and borrowings		
Amounts due to group undertakings	433,285	433,049

Loans and Borrowings

The Company has a loan agreement with its parent, INEOS Upstream Holdings Limited with an interest rate of 7%. Interest is payable on a quarterly basis and the loan is repayable on demand.

Amounts owed to group undertakings also include a balance of £9,958,000 (2019: £9,635,000) that represents internal cash accounts. They are due on demand and bear interest at LIBOR plus a margin of 0.05%.

14 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.

15 Parent and ultimate parent undertaking

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

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

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

The ultimate controlling party is Mr J A Ratcliffe.