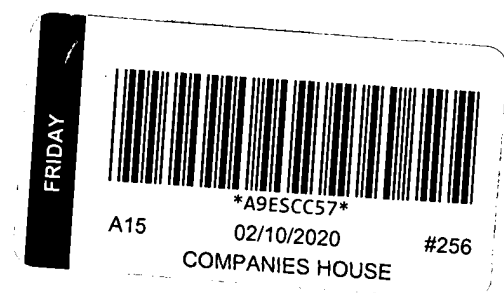


Registration number: 10645161

# INEOS Upstream Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



## **INEOS Upstream Holdings Limited**

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## **INEOS Upstream Holdings Limited**

### **Company Information**

<b>Directors</b>	Andrew Pizzey Douglas Scott
<b>Company secretary</b>	Gemma McLucas Cordelia Pace
<b>Registered office</b>	Anchor House 15-19 Britten Street London SW3 3TY
<b>Solicitors</b>	Slaughter and May 1 Bunhill Row London EC1Y 8YY
<b>Independent Auditor</b>	Deloitte LLP Statutory Auditor Union Plaza 1 Union Wynd Aberdeen United Kingdom AB10 1SL

## **INEOS Upstream Holdings Limited**

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

The Directors present the strategic report of INEOS Upstream Holdings Limited ("the Company") for the year ended 31 December 2019.

#### **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. Following an update to the group recharges, the Company now applies a mark-up on billings to group undertakings. This has resulted in a profit of £1,029,000 in the year (2018: a loss of £23,000).

As at 31 December 2019, the Company has net liabilities of £165,800,000 (2018: net liabilities of £122,268,000).

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 Offshore BCS Limited exceeded its carrying value by £44,561,000. An expected credit loss provision has been recognised in respect of this loan.

#### *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 no new investments or any additional investments in either INEOS Energy Trading Limited or INEOS Offshore BCS Limited.

## INEOS Upstream Holdings Limited

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

#### 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, Norway, Faroe Islands and Greenland. 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 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.

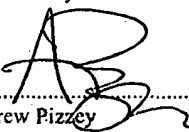
#### *The impact of the UK's exit from the European Union (EU) ("Brexit")*

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' advice. The Company has taken measures to mitigate the risk to keep employees safe, such as requesting all staff who are able to do so to work from home since mid-March and introducing social distancing measures on all premises. With regards to the business impact, the effect the virus will have on the global economy is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on the Company or its subsidiaries.

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

  
.....  
Andrew Pizzey  
Director

## INEOS Upstream Holdings Limited

### Directors' 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:

Andrew Pizzey

Geir Tuft (resigned 24 February 2020)

The following Directors were appointed after the year end:

Douglas Scott (appointed 9 September 2020)

David Brooks (appointed 24 February 2020 and resigned 9 September 2020)

#### **Principal activities**

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

#### **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 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, 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 many transactions are denominated in US Dollars, the Directors review the cost/benefit of currency hedging.
- (c) Price risk: The Company is not directly exposed to price risk as it is a holding company.
- (d) Credit risk: The Company has no significant exposure to credit risk as the majority of its receivables are due from other group companies which the Directors believe will be able to meet their obligations as they fall due.
- (e) Liquidity and cash flow risk: The Company has 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 Upstream Holdings Limited**

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

#### **Future developments**

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 restrictions 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 review of timing of turnarounds, reduction in the levels of non-essential capital expenditure in operating subsidiaries and cut-back of non-essential fixed cost 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 Industries Limited, would still have sufficient cash flow to meet all of its obligations as they fall due.

#### **Going concern**

As at 31 December 2019, the Company has net liabilities of £165,800,000 (2018: £122,268,000); however, the Company meets its day-to-day working capital requirements through its intercompany loan facility. The Directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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

The Company is closely monitoring the evolution of the COVID-19 pandemic and is following the World Health Organisation travel advice. With regards to business impact, the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on operations. Whilst there is significant uncertainty due to the COVID-19 crisis, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis as given the nature of the Company the impact is expected to be limited.

INEOS FPS Limited was disposed of on 15 June 2020 to a fellow group company as part of an internal organisational restructuring for consideration of \$262.7 million. As part of this restructuring, INEOS E&P Holdings Limited issued one new share for a total value of £1 plus a premium of £59.3 million.

#### **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.

## INEOS Upstream Holdings Limited

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

#### 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 September 2020 and signed on its behalf by:



Andrew Pizzey  
Director



## **INEOS Upstream Holdings Limited**

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

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

##### **Opinion**

In our opinion the financial statements of INEOS Upstream Holdings 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 Upstream Holdings Limited**

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

### **Independent Auditor's Report to the Members of INEOS Upstream Holdings 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 September 2020

# INEOS Upstream Holdings Limited

## Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	13,583	-
Administrative expenses		(12,574)	-
Impairment loss	12	<u>(44,561)</u>	<u>-</u>
Operating loss		<u>(43,552)</u>	<u>-</u>
Finance income	8	36,501	40,044
Finance costs	9	<u>(36,481)</u>	<u>(40,067)</u>
Net financing income/(costs)		<u>20</u>	<u>(23)</u>
Loss before tax		(43,532)	(23)
Tax	10	<u>-</u>	<u>-</u>
Loss for the financial year attributable to owners of the Company		<u><u>(43,532)</u></u>	<u><u>(23)</u></u>

The above results were derived from continuing operations.

**INEOS Upstream Holdings Limited**

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

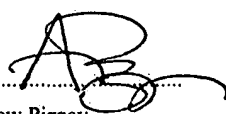
	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss for the year	<u>(43,532)</u>	<u>(23)</u>
Total comprehensive loss for the year attributable to the owners of the Company	<u>(43,532)</u>	<u>(23)</u>

# INEOS Upstream Holdings Limited

(Registration number: 10645161)  
Balance Sheet as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Non-current assets</b>			
Investments	11	1	1
<b>Current assets</b>			
Trade and other receivables	12	263,703	426,183
<b>Total assets</b>		<u>263,704</u>	<u>426,184</u>
<b>Current liabilities</b>			
Trade and other payables	13	(6,090)	(6,197)
Loans and borrowings	15	(423,414)	(542,255)
		<u>(429,504)</u>	<u>(548,452)</u>
<b>Net current liabilities</b>		<u>(165,801)</u>	<u>(122,269)</u>
<b>Total liabilities</b>		<u>(429,504)</u>	<u>(548,452)</u>
<b>Net liabilities</b>		<u>(165,800)</u>	<u>(122,268)</u>
<b>Equity</b>			
Share capital	14	-	-
Share premium		173,683	173,683
Retained deficit		(339,483)	(295,951)
<b>Equity attributable to owners of the Company</b>		<u>(165,800)</u>	<u>(122,268)</u>

The financial statements on pages 10 to 27 were approved by the Board on 30 September 2020 and signed on its behalf by:

  
.....  
Andrew Pizzey  
Director

# INEOS Upstream Holdings Limited

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

	Share capital £ 000	Share premium £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2019	-	173,683	(295,951)	(122,268)
Loss for the year	-	-	(43,532)	(43,532)
Total comprehensive loss	-	-	(43,532)	(43,532)
At 31 December 2019	-	173,683	(339,483)	(165,800)

	Share capital £ 000	Share premium £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2018	-	173,683	(295,928)	(122,245)
Loss for the year	-	-	(23)	(23)
Total comprehensive loss	-	-	(23)	(23)
At 31 December 2018	-	173,683	(295,951)	(122,268)

## **INEOS Upstream Holdings 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 in the United Kingdom and registered in England and Wales and domiciled in United Kingdom.

The address of its registered office is:

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

These financial statements were authorised for issue by the Board on 30 September 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, as applicable, the Companies Act 2006.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in British pound sterling (£), which is also the Company's functional currency. All the amounts in the financial statements unless stated 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 the 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 27 form an integral part of these financial statements.



## INEOS Upstream Holdings 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 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 Industries Limited.

## INEOS Upstream Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (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 Upstream Holdings 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.

##### Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the 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 14 to 27 form an integral part of these financial statements.

## INEOS Upstream Holdings Limited

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

#### 2 Accounting policies (continued)

##### **Impairment of non-financial assets**

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

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **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.

The notes on pages 14 to 27 form an integral part of these financial statements.

## INEOS Upstream Holdings Limited

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

#### 2 Accounting policies (continued)

##### Financial liabilities at amortised cost

###### *Trade and other payables*

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

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

##### Impairment of financial assets

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

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

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

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

#### 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 not critical judgements.

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

The notes on pages 14 to 27 form an integral part of these financial statements.

# INEOS Upstream Holdings Limited

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

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

#### Estimates - 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.

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 £44,561,000 to be recognised in respect of the loan to INEOS Offshore BCS Limited. In 2018, there was no additional credit loss provision recognised beyond the previously provided amount of £79,659,000. See note 13 for further details.

### 4 Revenue

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

	2019 £ 000	2018 £ 000
Rendering of services	13,583	-

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

	2019 £ 000	2018 £ 000
European Union	13,583	-

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	21	21

## INEOS Upstream Holdings Limited

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

#### 6 Directors and employees

The Directors received no remuneration for their services to the Company (2018: none). There were no employees with contracts of employment in the name of the Company during the year (2018: none).

#### 7 Staff costs

The Company operates as a holding company and is charged central costs relating to the management of its investments and financing developments. These costs are recharged back to its subsidiary companies.

#### 8 Finance income

	2019 £ 000	2018 £ 000
Interest income from group undertakings	36,491	40,044
Foreign exchange gains	10	-
	<u>36,501</u>	<u>40,044</u>

#### 9 Finance costs

	2019 £ 000	2018 £ 000
Interest paid to group undertakings	36,481	39,277
Foreign exchange loss	-	790
	<u>36,481</u>	<u>40,067</u>

#### 10 Tax

Tax charged/(credited) in the income statement

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

## INEOS Upstream Holdings Limited

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

#### 10 Tax (continued)

The tax on loss 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:

	2019 £ 000	2018 £ 000
Loss before tax	<u>(43,532)</u>	<u>(23)</u>
Corporation tax at standard rate	(8,271)	(4)
Increase from effect of expenses not deductible in determining taxable profit	8,468	-
Increase from tax losses for which no deferred tax asset was recognised	-	4
Decrease arising from group relief tax reconciliation	<u>(197)</u>	<u>-</u>
Total tax charge/(credit)	<u>-</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 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.

Deferred tax assets have not been recognised as the Directors consider there is insufficient certainty over the future utilisation of underlying tax losses. As at 31 December 2019, the Company has unrecognised losses of approximately £7,462 (2018: £43,895).

#### 11 Investments

Subsidiaries	£ 000
<b>Cost</b>	
At 1 January 2019	<u>173,684</u>
At 31 December 2019	<u>173,684</u>
<b>Impairment provision</b>	
At 1 January 2019	<u>173,683</u>
At 31 December 2019	<u>173,683</u>
<b>Carrying amount</b>	
At 1 January and 31 December 2019	<u>1</u>

## INEOS Upstream Holdings Limited

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

#### 11 Investments (continued)

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

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
INEOS Offshore BCS Limited*	A holding company that has investments in subsidiary undertakings operating in the oil and gas industry	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS Upstream Services Limited*	Support service provider for onshore and offshore exploration	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS Upstream Limited*	Exploration and evaluation of land leading to development and ultimately production of shale gas	Anchor House, 15-19 Britten Street, London SW3 3TY United Kingdom	100%	100%
INEOS Energy Trading Limited*	Market and add value to physical natural gas positions	Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG United Kingdom	100%	100%
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%

The notes on pages 14 to 27 form an integral part of these financial statements.  
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## INEOS Upstream Holdings Limited

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

#### 11 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
INEOS 120 Energy Limited	A holding company that has investments in subsidiary undertakings operating in the oil and gas industry	Anchor House, 15-19 Britten Street, London SW3 3TY United Kingdom	100%	100%
INEOS 120 Power Limited	Dormant	Anchor House, 15-19 Britten Street, London SW3 3TY United Kingdom	100%	100%
INEOS 120 Exploration Limited	Exploration and evaluation of PEDL 120 leading to development and ultimately production of shale gas	Anchor House, 15-19 Britten Street, London SW3 3TY United Kingdom	100%	100%
INEOS E&P Norge AS	Exploration, development and production of oil and gas	Veritasveien 25, 4007 Stavanger Norway	100%	100%
INEOS E&P A/S	Explore and develop hydrocarbons in Denmark and around the North Sea	Teknikerbyen 5, 1, 2830 Virum Denmark	100%	100%
INEOS E&P DK A/S	Explore and develop hydrocarbons as well as ancillary activities.	Teknikerbyen 5, 1, 2830 Virum Denmark	100%	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%
INEOS E&P Grønland 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 Upstream Holdings Limited

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

#### 11 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
INEOS E&P (Siri) UK Limited	Oil and gas exploration, development and production within Denmark.	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P (UK) Limited	Oil and gas exploration, development and production within the UK	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P Services (UK) Limited	Service provider to other group companies	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS FPS Limited	Transportation for processing of oil and gas liquids	Hawkslease, Chapel Lane, Lyndhurst, SO43 7FG United Kingdom	100%	100%
Grangemouth Holdings Limited	Purchase and leaseback of Grangemouth assets	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	100%	100%
Grangemouth Properties Limited	Purchase and leaseback of Grangemouth assets	Hawkslease, Chapel Lane, Lyndhurst, United Kingdom, SO43 7FG	100%	100%

\* indicates direct investment of the Company

The Company made a £1,000 investment in exchange for 1000 ordinary shares in INEOS Energy Trading Limited in May 2018.

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.

## INEOS Upstream Holdings 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	263,653	426,183
Prepayments	49	-
Other receivables	1	-
Total current trade and other receivables	<u>263,703</u>	<u>426,183</u>

The Company has a loan agreement with its subsidiary, INEOS Offshore BCS Limited, for US\$549,810,000 (2018: US\$687,790,000), net of repayment made. The loan is unsecured and bears interest of 7% and 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 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 £44,561,000 to be recognised in respect of the loan to INEOS Offshore BCS Limited. In 2018, there was no additional credit loss provision recognised beyond the previously provided amount of £79,659,000.

Amounts owed to group undertakings also include a balance of £7,024,000 (2018: £6,172,000) 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
Accrued expenses	6,080	6,196
Amounts due to group undertakings	10	1
Total current trade and other payables	<u>6,090</u>	<u>6,197</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

## INEOS Upstream Holdings Limited

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

#### 14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>

#### 15 Loans and borrowings

	31 December 2019 £ 000	31 December 2018 £ 000
<b>Current loans and borrowings</b>		
Amounts due to group undertakings	<u>423,414</u>	<u>542,255</u>

##### **Borrowings**

The Company has an outstanding loan balance of US\$549,821,000 (2018: US\$687,790,000) with INEOS Industries Holdings Limited with an interest rate of 7%. Interest is payable on a quarterly basis and the loan is payable on demand.

#### 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 pandemic and is following the World Health Organisation travel advice. With regards to business impact, the effect the virus will have on the global economy and the chemicals industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on operations. Whilst there is significant uncertainty due to the COVID-19 crisis, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis as given the nature of the Company the impact is expected to be limited.

INEOS FPS Limited was disposed of on 15 June 2020 to a fellow group company as part of an internal organisational restructuring for consideration of \$262.7 million. As part of this restructuring, INEOS E&P Holdings Limited issued one new share for a total value of £1 plus a premium of £59.3 million.

The notes on pages 14 to 27 form an integral part of these financial statements.

## **INEOS Upstream Holdings Limited**

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

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

The Company's immediate parent is *INEOS Industries 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.