

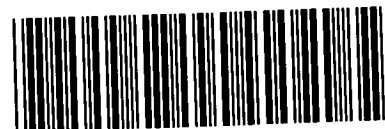
INEOS Energy Trading Limited

Annual report and financial statements

Registered number 11007244

31 December 2019

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Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Review of business and future developments

INEOS Energy Trading Limited (the “Company”) markets and aims to add value to the physical natural gas positions of the upstream INEOS Oil and Gas business in the UK and Norway through optimisation of its gas supply and capacity positions. The Company also provides other support services to the wider INEOS Group.

The Company traded profitably in 2019, selling the natural gas produced by the INEOS Oil & Gas business from its North Sea fields to customers and swap partners in the United Kingdom and continental Europe. A swap partner is a counterparty with whom we have entered into over the counter swap transactions with to exchange gas with for a consideration. In addition, the company successfully undertook some small entrepreneurial trading activity in the European natural gas markets, these activities resulted in a strong cash-inflow to the business.

2019 marked a big shift in global gas pricing, a mild first quarter and rising US liquefied natural gas exports saw prices fall away from usually supportive coal/gas switching range in Europe, narrowing the spread with Henry Hub. Another mild winter in succession saw record high storage inventory at the end of the heating season in March 2020.

The Energy Trading business operates and trades gas within a number of different European countries. The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company is developing plans to mitigate the impact of the end of the Brexit transition period on its activities in the European Union.

For 2020 and for future years it is the expectation that the company will continue with its current principal activities.

Results and dividends

The profit for the financial year before taxation was £4,797,000 (2018: loss for the financial period before taxation of £3,390,000). The directors do not propose the payment of a dividend (2018: £nil).

Strategy

The Company’s strategic aim is to maximise the long-term value of the natural gas production of the upstream INEOS Oil and Gas business in the UK and Norway.

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 suppliers, customers and the environment. The directors focus on engagement with all stakeholders, and consider stakeholders’ views when making decisions.

Long-term factors

The Company’s strategy is to grow its business portfolio through developing its current activities, and by entering related markets, resulting in the generation of strong, sustainable and growing cash flows across trading cycles.

Strategic report for the year ended 31 December 2019 *(continued)*

To achieve these objectives, the Company has the following key strategies:

- Maintain health, safety, security and environmental excellence;
- Maintain and grow the Company's business activities to enhance competitiveness;
- Work closely with the INEOS Oil & Gas business to add value to INEOS' physical natural gas positions;
- Carefully manage costs and realise synergies with other counterparties including other INEOS businesses;
- Develop and implement a sustainable business.

The directors believe these are critical long-term factors for the success of the Company.

The directors' decision making has supported the implementation of the strategy. As an example, the Company has developed a service for other INEOS businesses to support their acquisition of natural gas and works with other gas traders to optimise gas flows and reduce costs through swap agreements.

The directors ensure that the Company has sufficient resources to support its long-term growth strategy. An important element is the Company's long-term cash and operational planning in relation to the funding requirements needed to grow.

We aim to operate and develop our business in a way that supports both our current and future needs, taking into account relevant economic, environmental and social factors. This enables us to sustain our business for the long term. We strongly believe that sustainable business management and practices will contribute to our long-term business success.

Stakeholder engagement

Engaging stakeholders and developing meaningful partnerships is essential for our long-term business success. The Company engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the Company is able to integrate stakeholders' considerations into business decision making processes. Dialogue with stakeholders gives the Company the opportunity to explain its clear and committed approach to sustainability as well as the value of our work, and our services for society.

Key stakeholders contribute to our economic, social and environmental performance. Stakeholders include our customers, suppliers, investors, industry associations and our shareholder.

The Company is very conscious of changing attitudes to climate change, and monitors its impact on the environment, including emissions arising from its use of power and feedstock, and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. These matters are considered by the directors in making decisions and in assessing the long term viability of the business.

As a trader of natural gas the Company is aware of the impact of its operations on key stakeholders and engages with them on a regular basis to keep them informed of current and future developments. The Company adopts a holistic approach to its entire value chain and together with regulatory bodies, contractors and customers continually strive to achieve high standards.

The Company is committed to complying with all legislation intended to protect people, property and the environment is one of the Company's fundamental priorities and applies to our products as well as to our processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

Strategic report for the year ended 31 December 2019 (*continued*)

Act fairly between members

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

COVID-19 coronavirus

The COVID-19 coronavirus pandemic resulted in a sharp downturn in gas demand both in Europe and Asia with prices crashing to parity with Henry Hub in order to balance the market. Supply responded with US liquefied natural gas exports falling as well as Norwegian and Russian pipeline deliveries to Europe. From August 2020, future prices have started to recover as the market signals for a restoration of demand.

The Company is closely monitoring the evolution of COVID-19 and is following the World Health Organisation travel advice. The spread of COVID-19, actions from OPEC+ together with oversupply has caused a significant drop in gas prices since the year end. With regards to business impact, the effect the virus will have on the global economy and commodity prices is difficult to assess at this point in time. The Company is constantly evaluating the situation and monitoring any potential effects on operations however the nature of the sale and purchase contracts the Company has in place restricts its exposure to movements in market prices movements.

The Company meets its day-to-day working capital requirements through its inter-company loan facility. The Company's forecasts and projections including an assessment of the potential impact of COVID-19 show that the Company should be able to operate within the levels of its current facilities. In addition, if needed the directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed.

Although the directors cannot predict the extent and duration of COVID-19 crisis or other uncertainties facing the business, the directors have undertaken an assessment of the potential impact of COVID-19 on gas trading and the impact on EBITDA for over 12 months from the date of signing these financial statements. In conclusion, assessment has indicated that the Company would still have sufficient cash flow to meet its obligations as they fall due.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of INEOS Industries Limited which includes the Company, are discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of INEOS Industries Limited which include those of the Company are discussed in the Group's annual report.

Approved by the Board of Directors and signed on behalf of the Board of Directors



D Tesselaar
Director
26 October 2020
Registered number 11007244

Directors' report for the year ended 31 December 2019

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

Principal activities

The principal activity of INEOS Energy Trading Limited is to market and add value to the physical natural gas positions of the upstream INEOS Oil and Gas business in the UK and Norway through optimisation of its gas supply and capacity positions. The Company also provides other support services to the wider INEOS Group.

Results and dividends

Results and dividends are discussed in the Strategic report.

Future developments

Future developments are discussed in the Strategic report.

Post Balance sheet events

Post balance sheet events are discussed in the Strategic report.

Financial risk management

The management of the business and execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are discussed in the context of the group as a whole, and are provided in the annual report of INEOS Industries Limited.

Going Concern

The directors have at the date of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, if needed the directors have received confirmation that INEOS Industries Limited will support the Company for at least one year after these financial statements are signed, thus they continue to adopt the going concern basis of accounting in preparing the financial statements. To date, the impact of COVID-19 on the entity has been limited.

Directors

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

H D Carmichael

D Tesselaar

Business relationships

The business relationships with suppliers and customers are of strategic importance to the directors of the Company and their decision-making process. The business relationships of INEOS Energy Trading Limited are described in the Section 172(1) statement in the Strategic report.

Directors' report for the year ended 31 December 2019 *(continued)*

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

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

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

Directors' report for the year ended 31 December 2019 (continued)

Independent auditor

During the year Deloitte LLP were appointed as auditor and have expressed their willingness to continue in office as auditor pursuant to Section 485-488 of the Companies Act 2006. Appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board of Directors



D Tesselaa

Director

26 October 2020

Registered number 11007244

Independent auditor's report to the members of INEOS Energy Trading Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of INEOS Energy Trading 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 profit 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 Profit and Loss Account,
- the Balance Sheet,
- the Statement of Changes in Equity; and
- 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 the above matters.

Independent auditor's report to the members of INEOS Energy Trading 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors 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 auditors' 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 auditors' report.

Independent auditor's report to the members of INEOS Energy Trading 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

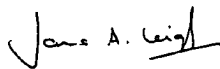
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



James Leigh (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 October 2020

Profit and Loss Account

for the year ended 31 December 2019

	Note	2019 £000	15 month period ended 31 December 2018 £000
Turnover	2	452,304	271,612
Cost of sales		(444,923)	(271,148)
Realised and unrealised net gains and losses from trading in energy contracts	13	839	-
Gross profit		8,220	464
Administrative expenses		(2,635)	(3,530)
Operating profit/(loss)	3	5,585	(3,066)
Interest receivable and similar income	5	27	-
Interest payable and similar expenses	6	(815)	(324)
Profit/(loss) before taxation		4,797	(3,390)
Tax on profit/(loss)	7	(878)	644
Profit/(loss) for the financial year/period		3,919	(2,746)

All activities of the Company relate to continuing operations.

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

Balance Sheet

as at year ended 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	8	323	270
		<u>323</u>	<u>270</u>
Current assets			
Debtors (including £6,065,000 (2018: £8,741,000) due after more than one year)	9	99,079	140,911
Cash at bank and in hand		3,394	1,532
		<u>102,473</u>	<u>142,443</u>
Creditors: amounts falling due within one year	10	<u>(90,532)</u>	<u>(125,468)</u>
Net current assets		<u>11,941</u>	<u>16,975</u>
Total assets less current liabilities		<u>12,264</u>	<u>17,245</u>
Creditors: amounts falling due after more than one year	11	<u>(11,090)</u>	<u>(19,990)</u>
Net assets/(liabilities)		<u>1,174</u>	<u>(2,745)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		1,173	(2,746)
		<u>1,174</u>	<u>(2,745)</u>
Total equity		<u>1,174</u>	<u>(2,745)</u>

These financial statements on pages 10 to 27 were approved by the board of directors on 26 October 2020 and were signed on its behalf by:



D Tesselaar
Director
Registered number 11007244

Statement of Changes in Equity

for the year ended 31 December 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 11 October 2017	-	-	-
Total comprehensive expense for the period, comprising Loss for the financial period	-	(2,746)	(2,746)
Total comprehensive expense for the period	-	(2,746)	(2,746)
Transactions with owners, recorded directly in equity			
Issue of shares	1	-	1
Total contributions by and distributions to owners	1	-	1
Balance at 31 December 2018	1	(2,746)	(2,745)
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	1	(2,746)	(2,745)
Total comprehensive income for the year, comprising Profit for the financial year	-	3,919	3,919
Total comprehensive income for the year	-	3,919	3,919
Balance at 31 December 2019	1	1,173	1,174

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements)

1 Accounting Policies

INEOS Energy Trading Limited (the “Company”) is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, England, SO43 7FG.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

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

INEOS Industries Limited is the parent undertaking that includes the Company in its consolidated financial statements. INEOS Industries Limited is a company incorporated in the UK. The consolidated financial statements of INEOS Industries Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of INEOS Industries Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*;
- Certain disclosures required by IFRS 15 *Revenue from Contracts with Customers*; and
- Certain disclosures required by IFRS 16 *Leases* in respect of leases for which the Company is a lessee.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 17.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through other comprehensive income or fair value through profit and loss.

1.2 Going concern

The Company meets its day-to-day working capital requirements through its inter-company loan facility. The Company's forecasts and projections including a rigorous assessment of the potential impact of COVID-19 show that the Company should be able to operate within the levels of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, if needed 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.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

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

Trade and other debtors

Trade and other debtors are recognised initially at fair value 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 debtors satisfy the criteria for cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost they are recognised at fair value through profit or loss.

Trade and other creditors

Trade and other creditors are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing 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, less any impairment losses.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.5 Derivative financial instruments

All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and derivative liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

Gains or losses arising from changes in fair value are taken directly to the income statement and are included within realised and unrealised net gains and losses from trading in energy contracts.

1.6 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Licences 5 years

1.7 Impairment of financial assets

Trade and other debtors

The Company applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade debtors and contract assets. This approach requires the Company to recognise the lifetime expected loss provision for all trade debtors 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.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.8 Impairment of non-financial assets excluding inventories and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are assessed at the end of the reporting period to determine whether there is any indication of impairment.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Turnover

Turnover represents the invoiced value of products and services sold or services provided to third parties net of sales discounts, value added taxes and duties. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from standalone selling prices for goods and services, allocated to the performance obligations. Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw materials prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are dispatched or delivered depending on the relevant delivery terms and point at which the control of the goods or service is transferred to the customer.

The timing of revenue recognition for the vast majority of the Company's sale transactions is at a point in time. There are no arrangements of significance which transfer goods or services over time.

No contract assets and liabilities have been recognised in the Balance Sheet of the Company. Its impact, if any, was deemed immaterial. The performed 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 debtor.

No asset related to costs to obtain or fulfil a contract have been recognised.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

1 Accounting Policies (continued)

1.10 Realised and unrealised net gains and losses from trading in energy contracts

Realised and unrealised net gains and losses from trading in energy contracts comprises the fair value of the consideration received or receivable from trading activities in the ordinary course of the business, and is recognised to the extent that it is probable that the economic benefits will flow to the Company and the trading income can be measured reliably. Trading income comprises both realised (settled) and unrealised (fair value changes) net gains and losses from trading in physical and financial energy contracts. All realised and unrealised movements in derivatives are reported within realised and unrealised net gains and losses from trading in energy contracts.

1.11 Commodity costs

Commodity costs comprise the fair value of the consideration paid or payable from trading activities in the ordinary course of the business, and is recognised to the extent that it is probable that economic benefits will flow away from the Company and the cost can be measured reliably. Commodity costs comprise both realised (settled) and unrealised (fair value changes) net losses and gains from trading in physical and financial energy contracts. Commodity costs are reported within cost of sales,

1.12 Interest receivable and Interest payable

Interest payable includes interest payable on funds borrowed, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). 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. Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 Impact of new standards and interpretations

There are no amendments to accounting standards that are effective for the year ended 31 December 2019 which have had a material impact on the Company. IFRS 16 became effective in the year; however given the entity does not have any leases, it is not relevant and as such does not apply IFRS 16.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

2 Turnover

		15 month period ended 31 December
	2019 £000	2018 £000
Sale of gas	452,304	271,612
Total turnover	452,304	271,612
		15 month period ended 31 December
	2019 £000	2018 £000
By geographical market:		
UK	355,370	226,135
Rest of Europe	96,934	45,477
	452,304	271,612

All revenue is derived from UK operations.

The timing of revenue recognition of the Company's sales transactions related to sale of gas is at a point in time.

No contract assets and liabilities have been recognised in the balance sheet of the Company. 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 debtors.

No assets related to costs to obtain or fulfil a contract have been recognised.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

3 Operating profit/(loss)

Included in operating profit/(loss) is the following:

	2019 £000	15 month period ended 31 December 2018 £000
Amortisation of intangible fixed assets (Note 8)	88	30
Exchange (gain) /loss	(100)	22

Auditor's remuneration:

	2019 £000	15 month period ended 31 December 2018 £000
Audit of these financial statements	56	55

The total in 2019 relates to fees paid to Deloitte LLP for the audit of the financial statements of the Company. Auditor's remuneration for services provided during the year ended 31 December 2018 relates to amounts paid to PricewaterhouseCoopers LLP.

4 Directors and employees

The Company had no employees during the year (2018: none). No Directors received any fees or remuneration in respect of their services as a Director of the Company during the financial year (2018: none).

5 Interest receivable and similar income

	2019 £000	15 month period ended 31 December 2018 £000
Interest income on financial assets measured at amortised cost	27	-
Total interest receivable and similar income	27	-

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

6 Interest payable and similar expenses

	2019 £000	15 month period ended 31 December 2018 £000
Net foreign exchange loss	67	22
Interest expense on financial liabilities measured at amortised cost	748	302
	<hr/>	<hr/>
Total interest payable and similar expenses	815	324
	<hr/>	<hr/>

Interest payable and similar expenses includes amounts payable to group undertakings of £718,000 (2018: £296,000).

7 Tax on profit/(loss)

Recognised in the profit and loss account

	2019 £000	15 month period ended 31 December 2018 £000
<i>UK corporation tax</i>		
Tax on profit/(loss) for the year/period	911	(644)
Adjustment in respect of prior years	(33)	-
	<hr/>	<hr/>
Tax on profit/(loss)	878	(644)
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2019 £000	15 month period ended 31 December 2018 £000
Tax on profit/(loss)	878	(644)
	<hr/>	<hr/>
Profit/(loss) before taxation	4,797	(3,390)
Profit/(loss) before taxation multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	911	(644)
Adjustment in respect of prior years	(33)	-
	<hr/>	<hr/>
Total tax charge/(credit)	878	(644)
	<hr/>	<hr/>

The UK Corporation Tax rate was reduced from 20% to 19% with effect from 1 April 2017. In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020 rather than reducing it to 17% from 1 April 2020 as had been announced previously. The charge to corporation tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

8 Intangible assets

	Licence fees £000
Cost	
Balance at 1 January 2019	300
Additions	141
	<hr/>
Balance at 31 December 2019	441
	<hr/>
Accumulated amortisation and impairment	
Balance at 1 January 2019	(30)
Amortisation charge for the financial year	(88)
	<hr/>
Balance at 31 December 2019	(118)
	<hr/>
Net book value	
At 31 December 2018	270
	<hr/>
At 31 December 2019	323
	<hr/>

Amortisation

The amortisation charge is recognised in administrative expense in the profit and loss account.

9 Debtors

	2019 £000	2018 £000
Trade debtors	63,001	125,602
Amounts owed by group undertakings	8,231	730
Other debtors	9,057	5,138
Taxation and social security	644	554
Derivative commodity contracts designated as fair value through profit or loss (Note 13)	17,348	-
Prepayments and accrued income	798	8,887
	<hr/>	<hr/>
	99,079	140,911
	<hr/>	<hr/>
Due within one year	93,014	132,170
Due after more than one year	6,065	8,741

The amounts not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers. At 31 December 2019 there were no significant trade, related party or other debtor balances not past due that were subsequently impaired.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

9 Debtors (continued)

Credit risk of trade debtors

	2019 £000	2018 £000
Low	63,001	125,602
Medium	-	-
High	-	-
Impairment allowance	-	-
	<u>63,001</u>	<u>125,602</u>

10 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	436	15
Amounts owed to group undertakings	35,841	73,323
Taxation and social security due	875	-
Derivative commodity contracts designated as fair value through profit or loss (Note 13)	16,065	-
Accruals and deferred income	37,315	52,130
	<u>90,532</u>	<u>125,468</u>

Amounts owed to group undertakings due within one year are unsecured, attract interest at commercial rates, have no fixed date of repayment and are repayable on demand.

11 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owed to group undertakings (Note 12)	<u>11,090</u>	<u>19,990</u>

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019 £000	2018 £000
Creditors falling due after more than one year		
Intercompany loan	11,090	19,990
	<u>11,090</u>	<u>19,990</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face Value 2019 £000	Carrying amount 2019 £000	Face Value 2018 £000	Carrying amount 2018 £000
Intercompany loan	€/£/\$	4.5%	2023	11,090	11,090	19,990	19,990
				<u>11,090</u>	<u>11,090</u>	<u>19,990</u>	<u>19,990</u>

13 Financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in managements' best estimate of fair value.

All Derivative commodity contracts are Level 2.

Categories of financial instruments held at fair value

	Fair Value 2019 £000	Carrying amount 2019 £000	Fair Value 2018 £000	Carrying amount 2018 £000
Financial assets held at fair value through profit and loss:				
Derivative commodity contracts	17,348	17,348	-	-
	<u>17,348</u>	<u>17,348</u>	<u>-</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

13 Financial instruments (continued)

	Fair Value 2019 £000	Carrying amount 2019 £000	Fair Value 2018 £000	Carrying amount 2018 £000
Financial liabilities held at fair value through profit and loss:				
Derivative commodity contracts	16,065	16,065	-	-
	<u>16,065</u>	<u>16,065</u>	<u>-</u>	<u>-</u>

Net gains and losses from financial instruments

	2019 £000	2018 £000
Financial instruments at fair value through profit and loss		
Realised and unrealised net gains and losses from trading in energy contracts	839	-
	<u>839</u>	<u>-</u>

The Company has entered into master netting agreements. The Company has:

	2019 £000	2018 £000
Derivative assets	17,348	-
Derivative liabilities	(16,065)	-
Trade debtors	63,001	125,602
Trade creditors	(436)	(14)
Amounts owed by group undertakings	14,210	83
Amounts owed to group undertakings	(13,166)	(72,974)
Accruals	(35,782)	(51,110)
	<u>31,129</u>	<u>3,605</u>
Net amount	31,129	3,605

The derivative assets and liabilities meet the offsetting criteria in IAS 32.42. Consequently, for each counterparty, the gross derivative liability of £18,550,000 (2018: £nil) is set off against the gross derivative asset £1,202,000 (2018: £nil), resulting in the presentation of a net derivative asset of £17,348,000 (2018: £nil) in the Company's Balance Sheet.

The derivative assets and liabilities meet the offsetting criteria in IAS 32.42. Consequently, the gross derivative liability £16,292,000 (2018: £nil) is set off against the gross derivative asset £227,000 (2018: £nil), resulting in the presentation of a net derivative liability of £16,065,000 (2018: £nil) in the Company's Balance Sheet.

Cash collateral has also been paid for a portion of the net derivative asset. The cash collateral of £3,126,000 (2018: £nil) does not meet the offsetting criteria in IAS 32.42, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with associated collateral arrangements. Cash collateral is included within debtors in the Company's Balance Sheet.

The Company did not enter into any other enforceable netting arrangements than discussed above.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

13 Financial instruments (continued)

Methods and assumptions

There were no material transfers during the financial year between Level 1 and 2 and there were no material transfers during the financial year between Level 2 and 3. There were no Level 1 trades during the year and at the end of the year.

Transfers between fair value hierarchy levels are based on the values of the relevant assets and liabilities at the beginning of the reporting period.

Assessing the significance of a particular input requires judgement. For the purposes of the fair value hierarchy, the Directors have determined Level 2 as the appropriate hierarchy level for all valuations generated from the Company's trading system given that all financial assets and financial liabilities measured and held at fair value mature within the active period.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and the quoted prices for those commodities in an active market.

14 Called up share capital

	Ordinary shares 2019	
On issue at 1 January and 31 December 2019 – fully paid	1,000	
	<hr/>	
	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
1,000 (2018: 1,000) ordinary shares of £1 each	1	1
	<hr/>	<hr/>

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

Dividends

A dividend has not been paid or declared (2018: £nil).

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

15 Related parties

Other related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow subsidiaries under common ownership.

16 Controlling parties

The immediate parent undertaking is INEOS Upstream Holdings Limited, a company incorporated in the UK.

The ultimate parent company at 31 December 2019 and at the date of signing the financial statements was INEOS Limited, a company incorporated in the Isle of Man.

INEOS Industries Limited is the smallest and largest group of undertakings to consolidate these financial statements. Copies of the financial statement of INEOS Industries Limited can be obtained from the Company Secretary at the registered office: Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

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

17 Accounting estimates and judgements

The Company prepares its financial statements in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework", which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts 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 are revised and in any future periods affected. The following areas are considered to involve a significant degree of judgement or estimation.

Critical judgements in applying the Company's accounting policies

The directors do not consider there to be any critical judgements, apart from those involving estimations, which are presented separately below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Determination of fair values - energy derivatives

Fair values of energy derivatives are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques. Quoted market prices considered for valuation purposes are the bid price for assets held and/or liabilities to be issued, or the offer price for assets to be acquired and/or liabilities held, although the mid-market price or another pricing convention may be used as a practical expedient (where typically used by other market participants). The judgements and the assumptions underpinning these judgements are considered to be appropriate.

Sensitivity analysis

Due to the nature of the trading activity, a 10% increase or decrease in gas prices would not have any material impact to the Company.

Notes to the financial statements for the year ended 31 December 2019 (forming part of the financial statements) (continued)

18 Subsequent events

United Kingdom withdrawal from the European Union ("Brexit")

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Company has developed plans to mitigate the impact of the end of the Brexit transition period on its activities in the European Union.

COVID-19 Coronavirus

The Company is closely monitoring the evolution of the COVID-19 coronavirus 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 oil and gas industry is difficult to assess at this point in time, although the Company is constantly evaluating the situation and monitoring any potential effects on production and deliveries. See Strategic report for further details.