INEOS UK E&P Holdings Limited

Annual Report and Financial Statements
Registered number SC200459
for the Year Ended 31 December 2022

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SCT 21/09/2023 #179
COMPANIES HOUSE

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Contents

Strategic report

The directors present their strategic report on INEOS UK E&P Holdings Limited (the "Company") and its consolidated subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

Business Review

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

The Group reported a profit for the year of £365.1 million in 2022 (2021: £474.4 million which included £53.6 million of profit and £149.2 million gain on disposal from discontinued operations) as a result of higher average realised oil and gas prices (209p per therm and $107/bbl compared to 91p per therm and $72/bbl in 2021) partially offset by net derivative losses of £302.7 million (2021: net loss of £565.5 million). Revenue increased by £365.7 million from £515.0 million in 2021 to £880.7 million in 2022. Revenue by category is set out in note 6 to the consolidated financial statements. Normalised EBITDA from continuing operations, the Group's main financial measurement, increased by £134.7 million from £492.0 million in 2021 to £626.7 million in 2022. In 2022, the remaining consideration of the Group's obligation to the capital cost of the Fredericia Gas Plant as part of acquisition of DONG E&P A/S in 2017 was paid in its entirety US$105 million.

On 22 June 2022, the Group transferred its 25 million shares in HydrogenOne Capital Growth plc ("HGEN"), to another INEOS subsidiary. HGEN is an investment fund dedicated to clean hydrogen and energy storage for the energy transition.

As at 31 December 2022, the Group had net assets of £228.2 million (2021: net liabilities of £154.4 million).

Production, operations and development update

UK

Operational performance has been steady in the year with reliability of 98.9% (2021: 97.6%) on our operated fields. Sales averaged 15 kboe of oil and gas per day (2021: 16 kboe per day) with approximately 95% of the production realised by the following three key areas (2021: 97%): 24% from the operated Breagh field (2021: 31%), 32% from the operated Clipper South field (2021: 20%) and 39% from the non-operated Greater Laggan Area ("GLA") (2021: 46%).

There were no licenses awarded in the year (2021: none) and no licenses relinquished or withdrawn (2021: three).

Breagh Field

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

In 2022, a final investment decision was taken on a rig programme to take place in 2023 to (i) install velocity strings in the four liquid loaded wells to improve their performance and (ii) side-track the existing non-producing A2 well to boost production and protect reserves. The Onshore Compression Project (approved in 2021) continues and is expected on stream in late 2023.

Clipper South Field

Clipper South is a joint venture between the Group (Operator, 75%) and Spirit Energy Southern North Sea Limited (25%). The field is located in the Sole Pit Basin in the UK Southern North Sea. In 2020, an investment decision was taken to move Clipper South to low pressure operating mode in 2021 to further optimise and support continued production from the asset into late field life. This project was completed on schedule and below budget in August 2021, since when production rates have increased.

An investment is planned in 2023 to further reduce arrival pressure on the Shell-owned Clipper platform. This project will have a modest acceleration impact on Clipper South reserves and is also expected to extend field life by an additional year.

Strategic report (*continued*)

Greater Laggan Area

The Greater Laggan Area ("GLA") comprises the Laggan, Tormore, Edradour and Glenlivet licenses and is a joint venture between the Group (20%), Total Energies (Operator, 40%), RockRose Energy (20%) and Kistos (20%). The GLA fields are located 125km north-west of the Shetland. Production commenced from the Laggan and Tormore fields in early 2016 and in 2017 the Edradour and Glenlivet fields were completed and also tied back via existing infrastructure.

Operational performance over the course of the year was good with an operational efficiency of 92% achieved (2021: 92%). Planned repairs to the electrical distribution system were successfully completed in the second half of 2021 ahead of schedule and below budget.

In the second half of 2022, Total Energies decided to reassess the potential Glendronach field development, at this stage, due to high technical costs. Evaluation of a potential up-dip sidetrack of the existing Edradour well is planned for conclusion in 2023, with activity expected to be undertaken in 2024 if a decision is made to proceed. The JV has approved acquiring new 4D seismic across Laggan and Tormore (which may be extended to Glenlivet and Edradour). This activity will take place in 2023.

Cessation of production and decommissioning

Decommissioning activity in the UK continues on the Anglia, Minke, Markham, Orca, Victor, Topaz, Cavendish, Windermere, Saturn, Tethys and Mimas fields with well plugging & abandonment and facilities removal activities planned to continue up to 2033.

Exploration drilling

No exploration or appraisal wells were drilled in 2022 (2021: nil).

Development of drilling

No development wells were drilled in 2022 (2021: one)

Denmark

Production, operations and development update

Operational performance continued to be strong in the year with reliability of 96.2% (2021: 94.3%) on our existing operated fields. Sales averaged 8.9 kboe of oil and gas per day (2021: 10.0 kboe per day) with approximately 79.0% from the operated Syd Arne field (2021: 79%) and 21% from the operated fields Siri, Nini and Cecilie (2021: 21%).

Siri Area

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

Operational performance over the course of 2022 was good, although influenced by challenging compressor (26C) and turbine performance. The turbine was replaced as part of the planned summer shut down in September. Compressor (26C) will undergo a control system upgrade in 2023, with electrical panels and software updates. Scheduled turnarounds for 2023 are planned for April and November.

Strategic report *(continued)*

Denmark *(continued)*

Syd Arne Field

The Syd Arne field is a joint venture between the Group (Operator, 98.3%) and Danoil (1.7%). Production from the field commenced in 1999.

On 30 August 2021, the Group acquired Hess Denmark ApS (now "INEOS Energy (Syde Arne) ApS") which increased the Group's share by 61.5% to 98.3%. Following the acquisition, the Group became the operator of the field.

2022 marked the first full year with the Group responsible for daily operations. Significant strides were made to transfer contracts from the previous operator whilst maintaining safe operations. In January, an electrical motor for a high-pressure compressor failed, leading to a three-week production shut down. During this period, planned turnaround activities for later in the year were executed. The maturation of a tie-back of the nearby Solsort Oil discovery (The Solsort West Lobe) to the Syd Arne facilities for processing and export, reached conclusion in August 2022 when the project was sanctioned. Execution is ongoing with first oil expected in the final quarter of 2023.

Lulita Field

The Lulita field is a joint venture between Total (Operator, 15.6%), the Group (40%), Shell (18.4%), Noreco (10%), Nordsofonden (10%) and Chevron (6%). Production comprises a single well drilled from the Harald platform. The well liquids are processed on Harald and oil and gas are exported separately to the Tyra complex for onwards distribution. The Lulita license expires in 2026. Production is currently shut in and expected to restart in the first half of 2024 following a redevelopment of the Tyra area. Total cites delays to the Tyra Redevelopment Project, a prerequisite for Lulita production to resume.

Hejre Field

The Hejre area comprises of licenses 5/98 (100% owned by the Group) and 1/06 between the Group (80%) and NSF (State participation) (20%). Development and exploration activities takes place in license 5/98 whilst only exploration activities takes place in license 1/06.

The ongoing Hejre development project is in the concept selection phase with focus on maturing a tie-back to a suitable host. Following the acquisition of Hess Denmark ApS, 2022 maturation work has been focused on establishing technical feasibility and commercial attractiveness of taking produced Hejre fluids back to Syd Arne for processing and export of oil and gas.

Based on encouraging results, a non-binding Plan for Development and Operation "PDO" was submitted to the authorities in December 2022. In 2023 further preparations will take place to finalise and submit authority documents required as well as preparing for a potential Front End Engineering Design ("FEED") phase to be initiated following acceptable approval of the Hejre PDO and associated applications by the Danish authorities.

The Group is subject to a contingent consideration of US$ 60.0 million (£50.0 million) should a Final Investment Decision be made on Hejre and Solsort discoveries with notice issued to the regulator. The contingent liability has not been recognised at this stage because it is contingent on future events which are considered remote. Refer to note 29 of the consolidated financial statements for further details.

Solsort Field

The Solsort license is a joint venture between the Group (67.6%), NSF (State participation) (18.4%) and Danoil (14%).

The Solsort West Lobe development project consists of two wells drilled from the Syd Arne North Satellite platform and minor modifications to the Syd Arne facilities. This was approved by INEOS and the joint venture partners in September 2022. Operational preparations and procurement of long lead items continues into the first half of 2023 with a target to commence drilling activities in mid 2023.

Strategic report *(continued)*

Denmark *(continued)*

Greensand Project

The Greensand Carbon Capture Storage ("CCS") project is a consortium formed to develop a plan to safely and permanently store, in a cost effective manner, up to 8 million tonnes of CO2 per annum, in the Siri area, after the fields have ceased production.

Continuing into phase 2 of the project, the use of the Nini West reservoir as an initial target for a pilot project was matured in 2022. The scope included material testing, core lab experiments, further modelling of an offshore CO2 injection trial in the Nini West reservoir and seismic data acquisition operations. The pilot project, including offshore and seismic acquisition operations, were planned for the first quarter of 2023. Maturation of the full-scale project is ongoing and work will continue in 2023 to finalise regulatory matters and commercial agreements ahead of potential future investments.

Cessation of production and decommissioning

No material decommissioning was undertaken during 2022.

Other operational updates

Licence awards

There were no licence awards during 2022 (2021: nil)

Disposals, relinquishments and surrender of licences

The Group surrendered the 2013/40 Amaraq license on 31 August 2018. The wind-up of the license and the approval of the surrender from the authorities was completed on 30 August 2022.

Dry holes and write-offs

There were no write-offs in respect of wells in 2022 (2021: nil).

Impairment

The significant increase and volatility in oil and gas prices in 2022 and the introduction by the UK government of the Energy Profits Levy (EPL) are seen as potential indicators of impairment and therefore the Group has reviewed the carrying value of its oil and gas properties across all segments. Based on the results of the impairment test, a £14.1 million impairment charge was recognised against the Group's Danish assets (2021: £13.4 million) and no charge was recognised against the Group's UK assets (2021: impairment reversal of £79.4 million). Refer to note 12 for details.

Strategic report (*continued*)

Key performance indicators

The performance of the Group is measured on the basis of both financial and non-financial measures. Non-financial measures include health, safety and environmental factors such as Occupational Safety and Health Administration ("OSHA") recordable incidents, reliability of operated facilities and management of licence interests. There have been no changes in non-financial measures used and the Group met its target on these measures in both 2021 and 2022.

The main financial measure used by management is Normalised Earnings Before Interest, Tax, Depreciation and Amortisation ("Normalised EBITDA from continuing operations"), which excludes expenses such as impairment charges/reversals, unsuccessful exploration and evaluation activities, gains or losses on disposal and gains or losses on derivative financial instruments. Normalised EBITDA is a Non-GAAP measure, a reconciliation to the GAAP measure is presented below. Normalised EBITDA from continuing operations for 2022 was £626.7 million (2021: £492.0 million). The increase largely reflects the significant rise in oil and gas prices. Reported profit from continuing operations for the year was £365.6 million (2021: profit of £271.6 million).

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

	2022	**2021**
	£'000	**£'000**
Operating profit/(loss)	144,411	(150,482)
Depreciation for the year	162,953	139,098
Amortisation for the year	89	291
EBITDA	**307,453**	**(11,093)**
Exceptional items	2,275	(555)
Unsuccessful exploration and evaluation activities	-	4,072
Impairment loss on fixed assets	14,068	13,442
Impairment reversal on fixed assets	-	(79,376)
Net loss on derivative financial instruments	302,722	565,541
Impairment loss on other intangibles	192	-
Normalised EBITDA from continuing operations	**626,710**	**492,031**

Safety, Health and Environment ("SHE")

In addition to the application of Group's internal SHE management systems, the Group has maintained ISO 14001 and ISA 45001 certifications. Four OSHA recordable incidents were reported in the year (2021: one).

Strategic report (*continued*)

Future outlook

As part of the Group's continued response to meeting the demands of the energy transition, work has continued on maturing the Project Greensand CO2 storage project in Denmark. During the first quarter of 2023, the Group undertook a pilot project which successfully injected a number of batches of CO2 into the Nini depleted oil reservoir which forms of part of the Siri field complex. The CO2 was supplied from the INEOS Ethylene Oxide plant in Antwerp, Belgium and transported in ISO containers aboard the Aurora Storm supply vessel before being injected into the Nini field via the Noble Resolve jack-up drilling rig. The data from the project will now be analysed and incorporated into the plans for the full Project development. If sanctioned, Project Greensand could be commercialised from as early as 2025 and have the potential to eventually store up to 8 million tonnes of CO2 per annum over time.

Elsewhere in Denmark, the Group has sanctioned the development of the West Lobe of the Solsort field which will consist of one production and one injection well tied back to the Syd Arne production facilities. The field is due onstream during Q4 2023 and has 2P recoverable reserves estimated at 9mmboe. Further incremental development opportunities are being evaluated including drilling into the lightly exploited Ekofisk reservoir formation that forms part of the Syd Arne field and longer term the development of the Hejre field, a High Pressure/High Temperature (HP/HT) development that was halted by the previous operator DONG when partially complete.

In the UK, the Group has continued to progress the compression project on the Breagh field with commissioning now expected around the end of 2023. A well intervention campaign on the field commenced in March 2023, and will include a sidetrack to the A2 well and the installation of velocity strings on 4 wells to aid field deliverability ahead of compression. TotalEnergies, the operator of the Greater Laggan Area gas development West of Shetlands, is evaluating further investment opportunities to extend the life of the project including sanctioning the development of the Glendronach field and undertaking a 4D seismic survey to identify unswept gas accumulations that could be targeted with infill drilling.

Oil and gas prices continued to be volatile in 2022 given the impact of sanctions imposed on Russia following the military invasion of Ukraine in February. Having traded as high as 300p/therm for UK gas and $120/bbl for Brent oil during the year, prices had come down by year end and into early 2023. However, they remain high by historic standards as the markets weigh competing factors such as a general slowdown in Global economies of both length and severity, an expected increase in Chinese demand post lifting of COVID restrictions and the medium-term impact of continuing Russian supply constraints, especially on the European gas market.

The directors have undertaken a rigorous assessment of the potential impact of these factors on commodity prices and their impact on the revenues for the Group for at least 12 months from the date of signing these financial statements. In conclusion, the stress testing and sensitivity analyses on both EBITDA and cash flow have indicated that the Group would have sufficient cash flow to meet all of its obligations as they fall due.

The directors constantly review strategy amid a volatile commodity price environment and will continue to pursue growth opportunities through further developments in Denmark and the UK.

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

Strategic report *(continued)*

Section 172 statement

The directors have the duty under section 172 to promote the success of the Group for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment. In the performance of its duty to promote the success of the Group and fairness in decision making the Board have regard (amongst other matters) for:

a. the likely consequences of any decision in the long term;
b. the interests of the Group's employees;
c. the need to foster the Group's business relationships with suppliers, customers and others;
d. the impact of the Group's operations on the community and the environment;
e. the desirability of the Group maintaining a reputation for high standards of business conduct; and
f. the need to act fairly between members of the Group's.

The Group's governance and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Group's long-term success, which are discussed below.

Long term factors (a)

The Group's principal objectives are to maintain its position as a key global supplier of its products and to increase the value of INEOS by generating strong, sustainable, and growing cash flows across industry cycles. To achieve these objectives, the Group has the following key strategies:

a. Maintain health, safety, security, and environmental excellence;
b. Maintain and grow the Group's leadership positions to enhance competitiveness;
c. Reduce costs and realise synergies;
d. Maximise utilisation of assets;
e. Access advantaged feedstock and energy opportunities; and
f. Develop and implement a sustainable business.

The Group aims to operate and develop its business in a way that supports both the current and future needs, taking into account relevant economic, environmental, and social factors. This enables the Group to sustain the business for the long term. The directors strongly believe that sustainable business management and practices will contribute to long-term business success and will strengthen the Group's leading position in the market and also in a circular world. The directors ensure that the Group has sufficient resources to support its long-term growth strategy and to fund its investments. An important element is the Group's long-term cash and operational planning in relation to the capital requirements needed to grow and to extend the life span of the assets. The directors consider available and required funds as a basis for any dividend under its distribution policy.

Stakeholder considerations (b – e)

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The Group's engages in regular, open, and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns, and needs. For example, the Group works with regulatory bodies such as the North Sea Transition Authority (NSTA) to have open and constructive discussions. The Group also invests in training programmes to continue to develop employees at all levels of the organisation and business updates are held quarterly on a groupwide basis. In this way, the Group is able to integrate stakeholder's considerations into business decision-making processes. Dialogue with stakeholders gives the Group the opportunity to explain its clear and committed approach to sustainability as well as the value of the Group's work, products and services for society.

Key stakeholders contribute to the Group's economic, social, and environmental performance. Stakeholders include customers, suppliers, employees, investors, financial experts and rating agencies, local communities, industry associations, NGOs, scientific institutions, universities, government, and value chain partners. The Group is very conscious of having a sustainable business, INEOS produces an annual sustainability report which aligns with the Global Reporting Initiative (GRI) framework and focuses on the issues most material to the Group and its stakeholders. The report focuses on seven key areas, being:

Strategic report *(continued)*

Section 172 statement *(continued)*

1. Climate change – advancing the transition to net zero;
2. Circular economy – maximising resource efficiency and eliminating waste;
3. Zero pollution – driving progress towards sustainable chemical value chains;
4. Our people – prioritising workplace health and safety (SHE) and fairness;
5. People in our value chain – safeguarding conditions and human rights;
6. People in our communities – respecting and supporting local communities;
7. Governance – maintaining the highest standard of ethics and compliance.

These matters are considered by the directors in making decisions and in assessing the long-term viability of the business.

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

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

The need to act fairly as between members of the Group (f)

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

Principal decisions

Management have continued with the implementation of principal decisions disclosed in previous financial periods:

- *Breagh compression project*

In 2021, a final investment decision was taken on the Breagh Onshore Compression Project, which will be located at the Teesside Gas Processing Plant (TGPP). The directors engaged with the Breagh Joint Venture Partner who was fully supportive of progressing the capital project. In addition, it was necessary to seek consent from the Oil & Gas Authority (now the North Sea Transition Authority) for additional drilling, who were fully supportive and approved the necessary Field Development Plan Addendum. Work continued to progress on the project in 2022 and through to 2023.

- *Greensands Project*

The Greensand Carbon Capture Storage ("CCS") project is a consortium formed to develop a plan to safely and permanently store, in a cost effective manner, up to 8 million tonnes of CO_2 per annum, in the Siri area, after the fields have ceased production.

Continuing into phase 2 of the project, the use of the Nini West reservoir as an initial target for a pilot project was matured in 2022. Maturation of the full-scale project is ongoing and work will continue in 2023 to finalise regulatory matters and commercial agreements ahead of potential future investments.

- *Energy Profits Levy ("EPL")*

Effective 26 May 2022, a new 25% EPL on the profits of oil and gas companies has been implemented charging an additional 25% tax on UK oil & gas profits. Management have considered the implications of EPL in line with the Group's cash requirements and planned capital expenditures.

Strategic report *(continued)*

Section 172 statement *(continued)*

- *Solsort*

The Solsort West Lobe development project was approved by INEOS and the joint venture partners in September 2022. Operational preparations and procurement of long lead items continues into the first half of 2023 with a target to commence drilling activities in mid 2023.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks and uncertainties. Management undertakes an annual risk identification and assessment process to identify the key business risks affecting the Group. The key business risks affecting the Group which were identified within this risk assessment process are set out below:

Production and reserves access

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

Health, safety, environment and security (HSES)

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

Joint Operations and contractors

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

Climate change and the transition to low carbon economy

The Group recognises the scientific consensus on climate change and is committed to reduce its own emissions and, as part of the wider Oil and Gas industry, will continue to play a vital role in delivering low-carbon solutions.

Existing and proposed regulations to address climate change by limiting greenhouse gas emissions may cause us to incur significant additional operating and capital expenses. In addition compliance with new regulation could limit the useful economic life of our plants, lead to a reduction in demand for fossil fuel derived products and result in a lack of competitiveness if our competitors develop new technologies.

As part of its commitment to energy transition, the Group has continued to invest in Project Greensand. See page 4 for further details.

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

Cyber security

The Group is subject to cyber security risks. A cyber incident could result in information theft, data corruption, operational disruption and/or financial loss. Cyber security imposes an increasing risk on companies. With the growing volume and sophistication of cyber-attacks, the risk is that sensitive business and personal information

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

is not well protected and assets and the Group's security are not safeguarded. The Group has resources dedicated to mitigate the risk of a cyber attack and to recover as soon as possible from any attack that might occur.

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the Group's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties. The Group is committed to operating in a responsible manner and to comply with all relevant local, national and international laws. To uphold this commitment a Code of Conduct is in place that defines and summarises what is expected of the business and our people.

Regulation and geopolitical instability

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

on a timely and cost-effective basis. The Group is actively monitoring any factors and events that could cause adverse effects and mitigating measures are implemented where appropriate.

Treasury and trading activities

The Group uses debt instruments, such as loans, to raise capital. Should access to debt markets become more difficult, the potential impact on the Group's liquidity could have a material adverse effect on its operations. Ineffective oversight of treasury and trading activities could also lead to business disruption, financial loss, regulatory intervention or damage to the Group's reputation. The Group actively mitigates risks by having constant, daily visibility of its consolidated cash position and maintaining a rolling thirteen week cash flow forecast.

Reporting

Failure to accurately report the Group's data could lead to regulatory action, legal liability and reputational damage. The Group has internal controls and processes in place to ensure accurate reporting.

Financial risk

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

Business relationships

Relationships with suppliers and customers are of strategic importance to the Directors of the Group and their decision-making process and are described in the Section 172(c) statement in the Strategic Report.

Employee engagements

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

Approved by the Board and signed on its behalf by:

Richard Rose
Director
19 May 2023

Directors' report

The directors present their report and the audited consolidated and company financial statements of the Group and the Company for the year ended 31 December 2022.

General information

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

Principal activities

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

Results and dividends

The results of the Group are set out in the consolidated statement of comprehensive income on page 20 which shows a profit for the financial year of £365.1 million (2021: profit of £474.4 million) which has been transferred to reserves. The directors have not paid and do not recommend the payment of a dividend (2021: nil).

Overseas branches

The Group has no overseas branches (2021: nil).

Political donations

No political donations were made or political expenditure incurred and no contributions were made to a non-EU political party (2021: nil).

Energy and carbon reporting

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

Greenhouse gas ("GHG") emissions data are provided below in accordance with UK regulations. GHG emissions comprise CO2, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. The data are calculated using locally regulated methods where they exist.

	2022	**2021**
Total energy consumption used to calculate emissions in KwH	2,694,104	26,093,053
Emissions (tonnes of CO2 equivalent)		
Direct *	714	5,532
Energy indirect **	10	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	13	-
Intensity ratio (tonne/tonne)		
All facilities ***	0.002	0.010

* Scope 1 emissions from the combustion of fuel and the operation of facilities operated by the Group within the UK and offshore area.

** Scope 2 emissions from the purchase of electricity, heat, steam and cooling for the Group's own use.

*** In tonnes of total direct and energy indirect GHG emissions, expressed in metric tonnes of CO2 equivalent, emitted into the atmosphere per metric tonne of oil and gas production available for sale.

2021 includes Breagh gas flaring. There were no flarings in 2022. Energy indirect (scope 2 emissions) and emissions from business travel were not disclosed in the prior year and therefore 2021 do not represent comparative figures.

Business relationships

Business relationships are discussed in the Strategic report.

Future developments

Future developments are discussed in the Strategic report.

Directors' report *(continued)*

Directors

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

Andrew Pizzey	
David Bucknall	
Mads Weng Gade	
Mark Hobbs	(appointed 31 May 2022)
Michael Llewellyn	(resigned 10 August 2022)
Richard Rose	(appointed 10 August 2022)

COVID-19 and the Ukraine conflict

The Company and its fellow subsidiaries continue to implement contingency plans for the COVID-19 pandemic, with the primary objective of maintaining the safety of personnel and the reliable operation of the Company's plants.

The Oil and Gas industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Company and its fellow subsidiaries' plants continued to operate fully, and supply chains operated without significant disruption. Protecting employees and ensuring that they remain healthy has been the first priority of the Company and its fellow subsidiaries. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

The Group does not have operations in Belarus, Russia or Ukraine. During 2021 and 2022 revenue generated in these countries was not material to the Company and its fellow subsidiaries. The Company and its fellow subsidiaries are not currently experiencing any material disruption to its operations and does not foresee any direct impact as a result of the conflict but will continue to monitor the evolving situation closely.

Whilst there is still uncertainty due to the COVID-19 pandemic and the disruption on the energy market resulting from the conflict in Ukraine, the directors have undertaken a rigorous assessment of the potential impact on demand for the Group and services and the impact on margins for the next 12 months and the directors do not expect a material impact on the Group's ability to operate as a going concern.

Going concern

The Group and the Company financial statements have been prepared on a going concern basis and approved by the Board of Directors in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom ("Adopted IFRSs") effective 31 December 2022 and with the Companies Act as applicable to companies using Adopted IFRSs.

The Group was compliant with its debt covenants as at 31 December 2022 and meets its day to day working capital requirements through its intercompany loan and external financing facilities, along with cash from operations. The Group held cash balances of £143.0 million at 31 December 2022 (2021: £89.9 million) and interest-bearing loans and borrowings (net of debt issue costs) of £496.4 million at 31 December 2022 (2021: £440.0 million) in which £nil is due to be repaid within 12 months of signing the financial statements. Group cash balances held of £179.2 million at the end of the first quarter of 2023 and $450 million remained undrawn on the Group's RBL facility, please refer to note 18.

The Group has considered its funding position and financial projections up to December 2024, including stress test sensitivities, and the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In arriving at this conclusion, the directors have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed in the Strategic Report.

Directors' report *(continued)*

Going concern (continued)

Cash forecasts are produced based on a number of inputs, such as production and expenditure forecasts, oil and gas price assumptions, and investing and financing cash flows. These inputs have been reviewed and approved by the board and sensitivities are applied for different scenarios. Base case prices for gas were set an average 119.4p per therm for 2023 and 175.0p per therm in 2024, and oil prices were set at an average $82.4/bbl in 2023 and $85/bbl in 2024. The most significant sensitivity scenario was low commodity prices resulting in an average gas price of 99.1p per therm for the remainder of 2023 and 125.0p per therm in 2024, and an average oil price of $72.4 /bbl for the remainder of 2023 and $75.0 /bbl in 2024.

Oil and gas prices rose significantly during the first half of 2022 and, coupled with the ongoing Russian war in Ukraine, prices remained volatile throughout the year. Although the directors cannot predict the impact they have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing these financial statements. The base assumptions indicate that the Group expects to be able to operate within its contractual debt facilities and have sufficient finance headroom for at least 12 months from the date of approval of these financial statements, with RBL ("Reserves based lending") covenants fully complied throughout the forecast period. In particular, the directors have stress tested the forecasts through taking account of reasonable possible changes in trading performance on the impact on EBITDA, cash flow and debt. The stress tests show that the Group will be compliant with its debt covenants and will still have sufficient cash flow to meet all of its obligations as they fall due within the next 12 months from the date of signing the financial statements. Should circumstances arise that differ from the Group's projections, the directors believe that a number of mitigating actions, including deferment of planned capital expenditure projects or other funding options, can be executed successfully in the necessary timeframe to meet obligations as they become due and maintain liquidity.

On the basis of this assessment together with net assets of £228.2 million as at 31 December 2022 (2021: net liabilities of £154.4 million) and the Group's ability to meet working capital requirements through its external financing facilities, along with access to cash generated by its subsidiaries, the directors have concluded that the Group and the Company can operate within its current facilities without the need to obtain new ones for a period of at least 12 months from the date of this report and have therefore prepared these financial statements on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Financial risk management

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

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

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

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

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

b) Interest rate risk: The Group has a mix of financing facilities including the Reserves Based Lending (or "RBL") Facility and a shareholder loan facility. The RBL Facility bears interest at a margin above risk free rates; the shareholder facility bears interest at a fixed rate of 7% per annum. The directors review the interest rate and assess the cost- benefit of interest rate hedging. Refer to note 18 for details.

Directors' report *(continued)*

Financial risk management (continued)

c) Currency risk: The Group undertakes transactions in various currencies and manages this risk by matching receipts and payments in the same currency (where possible) and monitoring the movements in exchange rates. The shareholder loan is denominated in USD and the RBL facility allows drawing in a number of currencies. The Group implements a foreign exchange risk management policy to manage these exposures.

d) Credit risk: The Group has in place policies and procedures to mitigate the risk that customers or joint venture partners default on amounts owed. Exposure to credit risk is minimised by the nature of the customers and joint venture partners with which the Group deals with.

e) Liquidity and cash flow risk: The Group seeks to ensure that its operating assets generate sufficient positive cash flows to cover the Group's costs and development activities and service the Group's own obligations. The Group has access to liquidity, through the RBL facility and support from shareholders to manage such risks.

Disabled employees

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

Employee consultation

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

Reappointment of auditor

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the parent company 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 the parent company 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 UK 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.

Directors' report *(continued)*

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

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

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

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

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

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

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

Approved by the Board and signed on its behalf by:

Richard Rose
Director
19 May 2023

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of INEOS UK E&P Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial positions;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related consolidated notes 1 to 31; and
- the related parent company notes 1 to 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, directors and legal counsel about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud in recognition of exceptional costs in the income statement, and our procedures performed to address it are to test a sample of costs incurred and expensed during the year and assess each sample for appropriateness of recording the cost as an expense during the year.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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
London, United Kingdom
19 May 2023

Consolidated Statement of Comprehensive Income

for year ended 31 December 2022

	Note	£'000	2022 £'000	£'000	2021 £'000
Continuing operations					
Revenue	6		880,693		514,981
Cost of sales			(399,355)		(234,561)
Gross profit			481,338		280,420
Administrative expenses before exceptional items		(33,696)		(12,650)	
Exceptional administrative (expenses)/gains	8	(2,275)		555	
Total administrative expenses			(35,971)		(12,095)
Other operating expenses	7		(300,956)		(418,807)
Operating profit/(loss)	7		144,411		(150,482)
Profit on disposal of fixed assets			132	-	
Finance income	10	14,450		73,886	
Finance expense	10	(116,469)		(53,817)	
Net financing (expense)/income			(102,019)		20,069
Profit/(loss) before tax			42,524		(130,413)
Taxation	11		323,124		402,026
Profit for the year from continuing operations			365,648		271,613
Discontinued operations					
(Loss)/gain on disposal of discontinued operations	4	(550)		149,240	
Profit from discontinued operations	4	-		53,563	
Net (loss)/profit from discontinued operations			(550)		202,803
Profit for the year			365,098		474,416
Other comprehensive income/ (expense)*					
Items that may be subsequently reclassified to profit or loss					
Foreign exchange differences on translation of foreign operations	24		23,657		(31,889)
Items that will not be subsequently reclassified to profit or loss					
Fair value gain/(loss) in equity instruments designated as at FVTOCI	24		(6,125)		4,875
Total comprehensive income for the year			**382,630**		**447,402**

**There is no tax relating to other comprehensive income.*

The notes on page 26 to page 81 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	12	506,039	592,954
Intangible assets	13	112,888	83,204
Right-of-use assets	26	40,059	40,837
Indemnification assets	15	214,819	331,285
Prepayments	17	11,124	8,654
Financial assets at fair value through other comprehensive income	25	-	29,875
Derivative financial instruments	25	-	7,474
Loan receivables	17	212,165	181,103
Deferred tax assets	23	856,180	507,484
		1,953,274	**1,782,870**
Current assets			
Inventories	16	20,615	19,156
Indemnification assets	15	7,275	3,401
Tax receivable	17	199,249	122,397
Trade and other receivables	17	335,031	170,450
Cash and cash equivalents		143,001	89,871
		705,171	**405,275**
Total assets		**2,658,445**	**2,188,145**
Current liabilities			
Interest-bearing loans and borrowings	18	(9)	(1,758)
Trade and other payables	19	(152,620)	(79,748)
Tax payable	19	(262,725)	(166,788)
Derivative financial instruments	25	(361,136)	(401,087)
Deferred consideration	22	(2,724)	(78,828)
Lease liabilities	27	(752)	(1,018)
Provisions	21	(59,152)	(151,739)
		(839,118)	**(880,966)**
Non-current liabilities			
Interest-bearing loans and borrowings	18	(496,437)	(438,245)
Trade and other payables	19	(4,322)	(9,565)
Lease liabilities	27	(41,281)	(40,944)
Provisions	21	(1,049,096)	(971,569)
Deferred tax liabilities	23	-	(1,295)
		(1,591,136)	**(1,461,618)**
Total liabilities		**(2,430,254)**	**(2,342,584)**
Net assets/(liabilities)		**228,191**	**(154,439)**
Equity attributable to equity holders of the parent			
Share capital	24	74,327	74,327
Share premium	24	232,994	232,994
Other reserves	24	16,697	(835)
Retained losses		(95,827)	(460,925)
Total equity		**228,191**	**(154,439)**

Consolidated Statement of Financial Position *(continued)*

as at 31 December 2022

These financial statements from page 20 to page 81 were approved by the board of directors on 19 May 2023 and were signed on its behalf by

Richard Rose
Director
Company registered number: SC200459

Consolidated Statement of Changes in Equity

for year ended 31 December 2022

	Share capital	Share premium	Capital redemption reserve	Other reserves	Foreign currency translation reserve	Retained earnings/ (losses)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	74,327	232,994	22,546	-	3,633	(935,341)	(601,841)
Total comprehensive income/ (expense)							
Profit for the year	-	-	-	-	-	474,416	474,416
Other comprehensive income/ (expense) (note 24)	-	-	-	4,875	(31,889)	-	(27,014)
Total comprehensive income/(expense) for the year	-	-	-	**4,875**	**(31,889)**	**474,416**	**447,402**
Balance at 31 December 2021	**74,327**	**232,994**	**22,546**	**4,875**	**(28,256)**	**(460,925)**	**(154,439)**

	Share capital	Share premium	Capital redemption reserve	Other reserves	Foreign currency translation reserve	Retained earnings/ (losses)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	74,327	232,994	22,546	4,875	(28,256)	(460,925)	(154,439)
Total comprehensive income/ (expense)							
Profit for the year	-	-	-	-	-	365,098	365,098
Other comprehensive (expense)/income (note 24)	-	-	-	(6,125)	23,657	-	17,532
Total comprehensive income/ (expense) for the year	-	-	-	**(6,125)**	**23,657**	**365,098**	**382,630**
Balance at 31 December 2022	**74,327**	**232,994**	**22,546**	**(1,250)**	**(4,599)**	**(95,827)**	**228,191**

The notes on page 26 to page 81 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the year from continuing operations		365,648	271,613
Adjustments for:			
Depreciation and amortisation	7	163,042	139,389
Finance income	10	(14,450)	(73,886)
Finance expense	10	116,469	53,817
Gain on sale of property, plant and equipment		(132)	-
Adjustment for changes in estimates (indemnification assets)	15	4,669	(146,734)
Adjustment for changes in estimates (Deferred consideration)	22	(6,435)	
Unsuccessful exploration and evaluation activities	13	-	4,072
Exceptional items – non-cash items	8	-	(10,400)
Net loss on derivative financial instruments	7	302,722	565,541
Impairment loss on fixed assets	12	14,068	13,442
Impairment reversal on fixed assets	12	-	(79,376)
Impairment loss on other intangibles	13	192	-
Taxation	11	(323,124)	(402,026)
Increase in trade and other receivables		(159,577)	(98,948)
(Increase)/ decrease in inventories		(1,459)	7,536
Decrease in trade and other payables		(297,665)	(179,445)
Increase/(decrease) in decommissioning and other provisions		87,202	(70,177)
Tax (paid)/ received		(46,547)	7,256
Net cash from operating activities – continued operations		**204,623**	**1,674**
Net cash from operating activities – discontinued operations		**-**	**246,144**
Net cash generated from operating activities		**204,623**	**247,818**
Cash flows from investing activities			
Interest received		2,224	8,388
Disposal of discontinued operations, net of cash disposed of	4	(550)	158,975
Acquisition of subsidiary, net of cash acquired	3	-	(93,230)
Payment of deferred consideration	22	(88,486)	(25,956)
Acquisition of property, plant and equipment		(34,453)	(28,261)
Acquisition of intangible assets		(21,824)	(94)
Acquisition of other financial assets		-	(25,000)
Disposal of other financial assets		23,750	-
Net cash used in investing activities – continuing operations		**(119,339)**	**(5,178)**
Net cash used in investing activities – discontinued operations		**-**	**(30,485)**
		(119,339)	**(35,663)**
Cash flows from financing activities			
Interest paid		(11,208)	(10,305)
Repayment of borrowings	18	(14,716)	(234,943)
Principal elements of lease payments		(5,578)	(3,938)
Net cash used from in financing activities – continuing operations		**(31,502)**	**(249,186)**
Net cash used in financing activities – discontinued operations		**-**	**(3,933)**
		(31,502)	**(253,119)**

Consolidated Statement of Cash Flows *(continued)*

for year ended 31 December 2022

Net increase/ (decrease) in cash and cash equivalents	53,782	(40,965)
Cash and cash equivalents at 1 January	89,871	130,936
Effect of exchange rate fluctuations on cash held	(652)	(100)
Cash and cash equivalents at 31 December	**143,001**	**89,871**

.The notes on page 26 to page 81 are an integral part of these financial statements.

Notes to the consolidated financial statements

1 Corporate information

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

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

2 Summary of significant accounting policies and key accounting estimates

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

2.1 Basis of preparation

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

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

The Group financial statements have been prepared and approved by the directors in accordance with UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The Company has elected to prepare its Company financial statements in accordance with FRS 101; these are presented on page 82 to page 99.

2.2 Measurement convention

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

2.3 Going concern

Based on the assessment described on page 12-13, which takes account of ongoing uncertainty primarily as a result of geopolitical events such as the Russian war in Ukraine, and its impact on commodity prices, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

2.4 Basis of consolidation

Subsidiaries

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

Notes to the consolidated financial statements *(continued)*

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

2.4 Basis of consolidation (continued)

Change in subsidiary ownership and loss of control

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

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

Associates

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

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

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

Transactions eliminated on consolidation

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

Joint arrangements

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

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

Interests in joint ventures (joint operation)

The Group's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator the Group takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis. Joint venture expenses and the Group's entitlement to production are recognised on a pro rata basis according to the Group's joint venture interest.

Notes to the consolidated financial statements *(continued)*

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

2.5 Foreign currency transactions and balances

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

Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

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

2.6 Financial assets and liabilities

Classification

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

Recognition and measurement

Trade and other receivables

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

Trade and other payables

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid, it is disclosed within other receivables in the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Notes to the consolidated financial statements *(continued)*

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

2.6 Financial assets and liabilities (continued)

Interest-bearing loans/borrowings

Interest-bearing loans/borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. They are included in current assets/liabilities, except for maturities greater than 12 months after the end of the reporting period, such as the bank loans the Group has in place. Refer to note 18 for details.

Derivatives and hedging

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

Financial assets held at fair value through other comprehensive income

For investments in equity securities not held for trading, the Group may irrevocably elect to present subsequent changes to fair value in other comprehensive income. The Group makes this election on an investment-by-investment basis. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is not reclassified to the income statement. Please refer to note 25 for further details.

Impairment of financial assets

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost. The Group applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade receivables and contract assets. This approach requires the Group to recognise the lifetime expected loss provision for all trade receivables taking in consideration historical as well as forward looking information. Financial assets which are considered low risk are not provided for impairment by the Group.

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The carrying amount of tangible fixed assets is reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimation of recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount.

Buildings, plant and equipment, furniture and equipment

Depreciation is charged on a straight line basis over the estimated useful lives of each part of the tangible fixed assets. Depreciation commences from the date an asset is available or ready for use.

Notes to the consolidated financial statements *(continued)*

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

2.7 Property, plant and equipment (continued)

Oil and gas properties

Oil and gas properties are carried at cost, net of accumulated depletion and accumulated impairment losses. Depletion and depreciation of the capitalised costs for producing oil and gas properties is provided by the unit-of-production method based upon proved and probable recoverable oil and gas reserves, where unit-of-production method is deemed not appropriate, straight line method is applied over the estimated useful lives of the assets.

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

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

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

2.8 Intangible assets

Exploration and evaluation activities

The Group follows a successful efforts accounting policy for oil and gas assets. The success or failure of each exploration or appraisal effort is assessed on a well-by-well basis. Exploration costs prior to obtaining the licence interest are charged to the statement of comprehensive income as they are incurred.

Exploration and evaluation expenditure associated with an exploration well, including related exploration and evaluation activities, are initially capitalised as intangible assets. If the prospects are determined to be successful on completion of evaluation and the project is initially sanctioned by management, the relevant expenditure including licence acquisition costs are capitalised as oil and gas properties.

If the prospects are subsequently determined to be unsuccessful, and the asset is impaired, the associated costs are expensed in the period in which that determination is made.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets relate to purchased carbon emissions permits. The Group participates in the UK Emissions Trading Scheme (UK ETS). The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

Purchased emissions credits are recognised as an intangible asset based on the costs associated with the purchase. The emissions credits or allowances are subject to impairment under the indefinite lived intangible asset impairment model. There is no amortisation of these allowances. The carrying value of the emissions credits or allowances are assessed against the prevailing market price at the period end with any fall in price being accounted for as an impairment.

Notes to the consolidated financial statements *(continued)*

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

2.8 Intangible assets (continued)

Goodwill

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

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

Amortisation

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

Asset class	**Amortisation method and rate**
Software	3-5 years

Intangible assets are tested for impairments at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on prospective basis.

2.9 Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

Notes to the consolidated financial statements *(continued)*

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

2.9 Business combinations (continued)

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

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

Acquisitions under common control

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

2.10 Inventories

Inventories consist of petroleum, condensate, liquid petroleum gas and materials. Inventories are valued at the lower of cost and net realisable value, which is the estimated selling price less costs of completion and disposal. Cost is determined using a weighted average of purchase prices. Provision is made for obsolete, slow-moving and defective items where appropriate.

Long lead items and other special material, which are only purchased for a particular property or approved project are classified as property, plant and equipment.

2.11 Impairment of non-financial assets

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

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

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

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

Notes to the consolidated financial statements *(continued)*

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

2.11 Impairment of non-financial assets (continued)

An impairment charge of £14.1 million (2021: 13.4 million) was recognised against Siri assets in Denmark and £nil (2021: £79.4 million impairment reversal) was recognised against a number of assets in the UK for the year ended 31 December 2022 as a result of impairment review performed. Refer to note 12 for details.

2.12 Employee benefits

Defined contribution pension obligation

The Group operates defined contribution retirement plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plan if the Group has a present legal or constructive obligation to the pay the amount as a result of past service provided by the employee and the obligation can be measured reliably.

2.13 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Dilapidation and Restoration

The Group makes full provision for the future restoration costs of leased properties on a discounted basis. The restoration provision relates to the total costs of returning the property at the end of the lease to its original state. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also recognised. The asset is depleted on a straight line basis. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates are reflected prospectively over the remaining life of the lease.

Decommissioning and restoration

The Group makes full provision for the future costs of the decommissioning and restoration of oil and gas properties on a discounted basis. The decommissioning and restoration provision relates to total cost of plugging and abandoning the existing wells and any costs associated with returning the sites to their original use. The amount recognised is the estimated cost of decommissioning discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also recognised. The asset is depleted using the unit of production method. The unwinding of discount in the net present value of the total expected cost is treated as an interest expense. Changes in the estimates are reflected prospectively over the remaining life of the field.

Notes to the consolidated financial statements *(continued)*

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

2.14 Leases

Definition

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

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

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

Initial recognition and measurement

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

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

2.14 Leases (continued)

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

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

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

Short term and low value leases

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

2.15 Revenue and over/underlift

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

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

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

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

Notes to the consolidated financial statements *(continued)*

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

2.16 Finance income and expense policy

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

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

2.17 Exceptional items

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

2.18 Taxation

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

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

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

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Segmental analysis

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

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

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

Notes to the consolidated financial statements *(continued)*

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

2.21 Government grants

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

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

2.22 New and amended standards and interpretations

The Group financial statements have been prepared using accounting policies that are consistent with those of the previous financial year. The Group has adopted the following amendments to accounting standards for the first time in 2022, with effect from 1 January 2022, although there has been no material effect on the Group's financial statements:

- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract.

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to References to the Conceptual Framework in IFRS 3.

The amendments update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use.

Under the amendments, proceeds from selling items before the related item of Property, Plant and Equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

- Annual Improvements to IFRS Standards 2018-2020:

IFRS 1: Subsidiary as a first-time Adopter – The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. The amendment allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

Notes to the consolidated financial statements (*continued*)

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

2.22 New and amended standards and interpretations (continued)

IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.

2.23 Accounting standards not yet applied

A number of new standards and amendments are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The impact of their adoption is being assessed and is not expected to have a material impact on the Group's financial statements in the period of initial application. The new standards and amendments are as follows:

- IFRS 17 Insurance Contracts (effective date 1 January 2023).
- Amendments to IAS 12: Income taxes—deferred tax related to assets and liabilities arising from a single transaction (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective date 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (effective date 1 January 2023).
- Amendments to IFRS 16: Lease liability in a sale and leaseback (effective date 1 January 2024).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective date 1 January 2024).

2.24 Critical judgements and key sources of estimation uncertainty

The Group prepares its consolidated financial statements in accordance with IFRSs 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 change and in any future periods.

Critical judgements in applying the Group's accounting policies

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

Exceptional costs (Judgement)

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of goodwill, the cost of restructuring acquired businesses and the impact of one-off events such as legal settlements as exceptional items. Judgement is involved in determining if the costs incurred are deemed as exceptional, exceptional items are reviewed individually but are determined under a common process and consistent basis. A change in that judgement could result in changes in Normalised EBITDA (page 5).

Notes to the consolidated financial statements *(continued)*

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

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

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.

Impairment of non-financial assets (Estimate)

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment and/or reversals of previous impairments. 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.

Management have assessed and concluded that the impacts of climate change do not affect the life of the Group's non-financial assets as the assets have a relatively short useful life, consisting of gas production which is deemed a transition fuel. Management have also considered the impact of climate change on its long-term price forecasts and consider that the price assumptions reflect appropriately the best estimate of the impact from demand reduction on oil and gas commodity prices in the future.

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

For oil and gas assets, the recoverable amount is calculated using valuation techniques and inputs of various estimates including the expected future cash flows based on future production, commodity prices, exchange rates, discount rates and inflation rates, of which discount rates, reserves estimates and commodity prices are considered to be the key assumptions used in calculations. The discount rates applied in impairment tests are reassessed each year and in 2022, the pre-tax discount rates were between 9.1% to 13.4% (2021: post-tax discount rates between 6.9% to 8.0%). Commodity price assumptions are based on consensus from a group of third party oil and gas analysts and banks, they are reviewed and approved by management. Refer to note 12 for details.

As a result of the impairment review performed on the Group's oil and gas assets, an impairment charge of £14.1 million (2021: £13.4 million) was recognised against the Groups Danish assets and £nil (2021: £79.4 million impairment reversal) against the Groups UK assets for the year ended 31 December 2022. Refer to note 12 for details.

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

£nil million (2021: £4.1 million) exploration assets were written off in the year due to unsuccessful results. No other impairment was deemed necessary since the recoverable amounts were higher than their carrying value. Refer to note 13 for details.

Notes to the consolidated financial statements (*continued*)

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

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

Oil and gas reserves (Estimate)

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

Oil and gas reserves have a direct impact on certain amounts reported in the financial statements. Estimated reserves are used in determining depreciation and depletion expenses, impairment testing for oil and gas properties and goodwill, and the timing of decommissioning. Judgement is involved in determining when to use an alternative basis for estimation of the reserves base in order to appropriately reflect the expected utilisation of the assets concerned. Sensitivity analysis performed for increase/decrease in commodity price also reflects the sensitivity for increase/decrease in reserves by the same percentage.

Recognition and impairment of goodwill (Estimate)

Goodwill impairment testing is performed annually or of there is an indication of impairment. Goodwill impairment tests are based on cash generating units and compare the recoverable amount of the unit with the respective carrying amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs of disposal and its value in use. The value in use is determined using a discounted cash flow method, considering earnings forecast of the unit. The management of the Group identified the operating segments as cash generating units ("CGUs") for the purposes of testing goodwill for impairment. Each unit or group of units to which goodwill is allocated to shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. The goodwill is internally monitored at the level of business units.

Intangible assets other than goodwill assets and property, plant and equipment are generally valued at cost less amortisation. Impairment losses on intangible assets and property, plant and equipment are recognised when the recoverable amount of the cash generating unit which includes the asset is lower than the respective carrying amount. In accordance with the definition of a cash generating unit under IAS 36, the individual production plants generally do not represent separate cash generating units but are part of larger asset groups that form the cash generating units.

Since assessment whether goodwill or a non-financial asset is impaired is based on long-term business plans for the cash generating units and the determination of an appropriate discount rate, management uses significant estimates and assumptions in making these assessments. Details on the estimates used for the goodwill impairment test are disclosed in note 13.

Tax provisions/assets (Estimate)

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

Notes to the consolidated financial statements *(continued)*

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

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

The Group's current tax provision of £262.8 million (2021: £166.8 million) relates primarily to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the Norwegian Oil Taxation Office (£171.7 million (2021: £166.3 million)). £73.9 million (2021: £Nil) relates to EPL and £17.2 million (2021: £0.5 million relates to RFCT and SC). Uncertain tax items for which a provision including interest of £ 215.3 million (2021: £213.5 million) is made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group and consist primarily of transfer pricing issues in relation to gas sales agreements and other intra group transactions. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range is from additional liabilities of up to £0.0 million to a reduction in liabilities of up to £215.3 million. £215.3 million of the above provision is subject to an indemnity by a third party, and where the changes to the estimated amount would offset against movement in indemnification assets. Refer to note 15 for details.

The Group's current tax receivables of £199.2 million (2021:£122.4 million) relates to group relief surrenders to INEOS UK entities.

The Group has recognized a deferred tax asset of £856.2 million (2021: £507.5 million). The basis for the recognition has been the model applied to determine impairment of non-financial assets, (which is described on page 39), and adjusted for certain items to determine the future estimated taxable income.

The Group has deferred tax assets of £856.2 million and liabilities of £nil million as at 31 December 2022 (2021: assets of £507.5 million and liabilities of £1.3 million) based on an assessment of expected future profits against the gross tax losses available, refer to note 23 for details.

Provisions (Estimate)

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related assets and depreciated over its estimated useful life.

The decommissioning of oil and gas assets may not be due to occur for many years into the future (between 2023 and 2045). Consequently, estimation in place of judgement is required in relation to the estimated cash flows, removal date, environmental legislation, inflation and discount rate used to calculate present value.

Other provisions are recognised in the year when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

The nature and amount of provisions as well as the key assumptions are included within the financial statements are detailed in note 21. The discount rate applied to reflect the time value of money in the carrying amount of provisions requires estimation. The discount rate applied is reviewed regularly and adjusted following changes in market rates. If the estimated discount rate, one of the key assumptions in determining the decommissioning and restoration provisions, used in the calculation had been 1% higher than management's estimate, the carrying amount of the decommissioning and restoration costs provision would have been £83.5 million lower.

Notes to the consolidated financial statements *(continued)*

3 Acquisitions of subsidiaries

Acquisitions in current year

There have been no acquisitions in the current year.

Acquisitions in prior year

On 30 August 2021, the Group's subsidiary, INEOS E&P A/S, acquired Hess Denmark ApS (now INEOS Energy (Syde Arne) ApS). The acquisition comprises 61.5% of the HESS operated Syd Arne oil field (which the Group already holds 36.8% prior to the acquisition) and 4.8% interest in the Solsort field which the Group holds the operatorship. The acquisition unlocked operational and cost synergies between the Group's Danish assets and opened up prospects in Denmark's offshore oil and gas sector.

	Recognised final values on acquisition £'000
Acquiree's net assets recognised at the acquisition date:	
Property, plant and equipment	274,020
Right-of-use assets	18,196
Deferred tax assets	51,509
Inventories	9,536
Trade and other receivables	6,423
Cash and cash equivalents	2,052
Tax receivables	2,139
Trade and other payables	(11,103)
Leases liabilities	(18,196)
Provisions	(223,671)
Net assets	**110,905**
Consideration paid:	
Cash	95,282
Deferred consideration	4,687
Total consideration transferred	**99,969**
Negative goodwill at acquisition	**(10,936)**
Recognised as exceptional income	10,400
Effect of movement in foreign exchange	536
Goodwill as at 31 December 2021	-

The fair values were provisional as at 30 August 2021. This was due to the complexity of the acquisition and the inherently uncertain nature of the oil and gas sector; further work was required to confirm the final fair value. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired has been completed within 12 months of the acquisition date..

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

Deferred consideration of £4.7 million relates to several tax settlements, of which £2.0 million was settled in the current financial period. £2.7 million remains unsettled at year end and is included within current liabilities in the consolidated statement of financial position based on the timing of expected payments, refer to note 22 for details.

Notes to the consolidated financial statements *(continued)*

3 Acquisitions of subsidiaries (continued)

As the fair value of the net assets and liabilities was greater than the total consideration transferred, in accordance with IFRS 3, £10.4 million was immediately recognised as exceptional income in the prior financial period. Please refer to note 8.

The revenue included in the prior year consolidated statement of comprehensive income contributed by the acquired entity was £32.9 million. They incurred £1.9 million loss before tax over the same period.

If INEOS Energy (Syd Arne) ApS had been consolidated from 1 January 2021, the consolidated statement of comprehensive income would have shown revenue from the entity of £81.2 million and a loss before tax of £27.8 million for the year ended 31 December 2021.

4 Disposal of subsidiaries

Disposals in current year

There have been no disposals in the current year.

Disposals in prior year

On 25 March 2021, the Group's subsidiary, INEOS E&P Norge A/S, entered into an agreement to divest its oil and gas business in Norway to PGNiG Upstream Norway AS. The transaction balanced the Group's portfolio of oil and gas production and move the Group towards a more operated position, which was completed on 30 September 2021.

The disposals had the following effect on the Group's assets and liabilities:

	Recognised values on disposal £'000
Subsidiary's net assets recognised at the disposal date:	
Property, plant and equipment	365,076
Investments	1,280
Intangible assets	30,250
Inventory	814
Indemnification assets	8,295
Trade and other receivables	9,980
Goodwill	96,210
Taxations	(344,447)
Trade and other payables	(25,353)
Provisions	(132,370)
Net assets of disposal group	**9,735**
Proceeds:	
Consideration	159,683
Disposal costs	(708)
Net proceeds	**158,975**
Gain on disposal	**149,240**

The gain arose on disposal, being the difference between net proceeds of $213.4 million (£159.0 million) and net assets disposed, amounted to £149.2 million and was recognised on the statement of comprehensive income.

Notes to the consolidated financial statements *(continued)*

4 Disposal of subsidiaries (continued)

In March 2023, the Group agreed to pay PGNiG Upstream Norway AS £0.6 million as a final settlement figure. This has been recognised in the statement of comprehensive income for the current financial period.

As a result of the disposal of INEOS E&P Norge A/S, the financial results relating to the subsidiary have been classified as discontinued operations and the primary statements and associated disclosures have been reclassified. The discontinued operations which have been included in the consolidated statement of comprehensive income for the prior year, were as follows:

Discontinued operations	**Period ended 30 September 2021**
	£'000
Revenue	428,783
Cost of sales	(126,572)
Gross profit	**302,211**
Total administrative expenses	(10,771)
Gain on disposal of discontinued operations	149,240
Operating profit	**440,680**
Profit on disposal of fixed assets	-
Finance income	761
Finance expense	(5,618)
Profit before tax	435,823
Taxation	(233,020)
Net profit/ (loss) attributable to discontinued operations	**202,803**

	Period ended 30 September 2021
	£'000
Operating profit	440,680
Depreciation for the year	59,981
EBITDA	**500,661**
Profit on disposal of fixed assets	-
Unsuccessful exploration and evaluation activities	-
Exceptional items	356
Gain on disposal of discontinued operations	(149,240)
Normalised EBITDA from discontinued operations	**351,777**

During the year, INEOS E&P Norge A/S contributed £246.1 million to the Group's net operating cash flows, paid £30.5 million in respect of investing activities and paid £3.9 million in respect of financing activities.

Notes to the consolidated financial statements *(continued)*

5 Operating segments

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group's reportable segments are based on geographic region and the nature of the operation. Information regarding the operations of each reportable segment is included in the following table. Segments mainly engage in the exploration, development and production and sale of oil and gas. Performance is measured based on earnings before interest, tax, depreciation and amortisation, measured under IFRS ("Segment EBITDA") and after adjustment for exceptional or non-recurring items and gains or losses on derivative financial instruments ("Normalised EBITDA"). Normalised EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to each other and similar businesses that operate within the oil and gas industry. Information regarding segments reviewed by management includes management accounts comprising the profit or loss, cash flows and other financial and non-financial information used to manage the business.

Segment information – 2022	**United Kingdom**	**Denmark**	**Norway**	**Corporate**	**Adjustments and eliminations**	**Amounts in financial statements**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External customers	622,039	258,654	-	-	-	**880,693**
Segment revenue	**622,039**	**258,654**	-	-	-	**880,693**
Segment EBITDA	**201,222**	**108,537**	**(50)**	**(2,256)**	-	**307,453**
Exceptional items (note 8)	19	-	-	2,256	-	**2,275**
Impairment charge (note 12)	192	14,068	-	-	-	**14,260**
Net loss on derivative financial instruments (note 7)	302,722	-	-	-	-	**302,722**
Normalised EBITDA	**504,155**	**122,605**	**(50)**	-	-	**626,710**
Non-current assets	**1,373,233**	**1,541,675**	-	**1,598,857**	**(2,560,491)**	**1,953,274**

Segment information – 2021	**United Kingdom**	**Denmark**	**Norway***	**Corporate**	**Adjustments and eliminations**	**Amounts in financial statements***
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue						
External customers	384,159	130,822	428,783	-	-	**943,764**
Segment revenue	**384,159**	**130,822**	**428,783**	-	-	**943,764**
Segment EBITDA	**(51,158)**	**40,916**	**500,661**	**(851)**	-	**489,568**
Exceptional items (note 8)	1,814	(3,220)	356	851	-	**(199)**
Unsuccessful exploration and evaluation activities (note 13)	4,072	-	-	-	-	**4,072**
Impairment charge (note 12 & 13)	(79,376)	13,442	-	-	-	**(65,934)**
Net loss on derivative financial instruments (note 7)	565,541	-	-	-	-	**565,541**
Gain on disposal of fixed assets (note 7)	-	-	(149,240)	-	-	**(149,240)**
Normalised EBITDA	**440,893**	**51,138**	**351,777**	-	-	**843,808**
Non-current assets	**1,441,334**	**1,452,082**	-	**1,598,857**	**(2,709,403)**	**1,782,870**

**Discontinued operations (note 4)*

Notes to the consolidated financial statements *(continued)*

6 Revenue

Type of goods/ services

	2022 £'000 United Kingdom	2022 £'000 Denmark	2022 £'000 Total
Sale of gas	608,690	8,767	617,457
Sale of oil	2,332	249,597	251,929
Other income relating to oil and gas production	3,351	290	3,641
Transportation and processing services	7,666	-	7,666
	622,039	**258,654**	**880,693**

	2021 £'000 United Kingdom	2021 £'000 Denmark	2021 £'000 Total
Sale of gas	370,716	1,586	372,302
Sale of oil	1,480	128,483	129,963
Other income relating to oil and gas production	3,381	753	4,134
Transportation and processing services	8,582	-	8,582
	384,159	**130,822**	**514,981**

Geographical markets

	2022 £'000	2021 £'000
UK	871,675	488,706
Rest of Europe	9,000	26,275
USA	18	-
	880,693	**514,981**

	2022 £'000	2021 £'000
Timing of revenue recognition		
At a point in time	873,027	506,399
Over time	7,666	8,582
	880,693	**514,981**

Notes to the consolidated financial statements *(continued)*

6 Revenue (continued)

As discussed in note 30, revenues of approximately £599.2 million (2021: £362.6 million) are derived from wider INEOS Group entities, of which £599.2 million (2021: £362.6 million) arose from the Group's largest customer.

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

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

7 Operating expenses and auditor's remuneration

Included in consolidated statement of comprehensive income are the following:

	2022 £'000	2021 £'000
Gain on disposal of fixed assets (Other operating income)	(132)	-
Adjustment for changes in estimates (note 15 and note 22)	(1,766)	(146,734)
Loss/(gain) on disposal of discontinued operations (note 4)	550	(149,240)
Depreciation charge (note 12 and 26)	162,953	139,098
Amortisation charge (note 13)	89	291
Exceptional items (note 8)	2,275	(555)
Unsuccessful evaluation and exploration activities (note 13)	-	4,072
Impairment reversal on fixed assets (note 12)	-	(79,376)
Impairment loss on other intangible assets (note 13)	192	-
Impairment loss on fixed assets (note 12)	14,068	13,442
Discontinued operations' depreciation and amortisation (note 4)	-	59,981
Net loss on derivative financial instruments	302,722	565,541

Auditor's remuneration:

	2022 £'000	2021 £'000
Audit of the consolidated financial statements	108	78
Audit of the individual Company financial statements	37	26
Audit of financial statements of subsidiaries of the Company	612	377
Amounts receivable in respect of other services to the Company and its subsidiaries:		
Audit related assurance services	20	94
Other assurance services	-	10
	777	**585**

Notes to the consolidated financial statements (*continued*)

8 Exceptional items

Exceptional administrative expenses/(gains)

	2022 £'000	2021 £'000
Negative goodwill recognised (note 3)	-	(10,400)
Restructuring costs	19	8,994
Acquisition costs	2,256	851
	2,275	**(555)**

2022

Exceptional administrative expenses
Exceptional restructuring costs have been charged to the consolidated statement of comprehensive income for the year ended 31 December 2022 in relation to internal restructuring of senior management and one-off restructuring costs relating to current year acquisitions. £2.3 million of exceptional acquisition costs were recognised in the current financial period.

2021

On 30 August 2021 the Group acquired Hess Denmark ApS. Total consideration paid was £100.0 million to purchase net assets with a provisional fair value on acquisition of £111.0 million. The resulting negative goodwill of £10.4 million was credited to the consolidated income statement as an exceptional administrative gain in the prior year with the remaining movement of £0.6 million due to foreign exchange (see Note 3).

Exceptional administrative expenses
Exceptional restructuring costs of £9.0 million were charged to the consolidated statement of comprehensive income for the year ended 31 December 2021 in relation to internal restructuring of senior management and one-off restructuring costs relating to current year acquisitions. A further £0.9 million of exceptional acquisition costs were recognised in the financial period.

9 Staff numbers and costs

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

	Number of employees 2022	2021
Production	227	171
Administration and support	85	77
Research and development	12	16
	324	**264**

Notes to the consolidated financial statements *(continued)*

9 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	34,049	26,122
Social security costs	1,475	859
Contributions to defined contribution plans	3,159	2,163
	38,683	**29,144**

10 Finance income and expense

	2022	2021
	£'000	£'000
Finance income		
Interest income on cash and cash equivalents	1,744	105
Interest income from related parties (note 30)	12,335	8,263
Other interest income	371	20
Foreign exchange gains	-	65,498
Total finance income	**14,450**	**73,886**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	8,021	8,367
Interest paid to related parties (note 30)	34,373	28,943
Other interest expense	1,694	565
Interest payable on lease liabilities	1,493	1,254
Unwind of discount on provisions and deferred consideration	8,490	3,885
Net loss arising on modification of financial instruments measured at amortised cost that were not derecognised	-	10,803
Foreign exchange losses	62,398	-
Total finance expense	**116,469**	**53,817**

Notes to the consolidated financial statements *(continued)*

11 Taxation

Recognised in the consolidated income statement	**2022 £'000**	**2021 £'000**
Current tax		
Current tax income	(58,910)	(97,099)
Current tax - Prior year	(713)	139,634
EPL	73,933	-
Current tax expense	**14,310**	**42,535**
Deferred tax		
Origination and reversal of temporary differences	(359,980)	(445,769)
Adjustments for prior years	-	1,189
Deferred Petroleum Revenue Tax	201	19
Deferred EPL	22,345	-
Deferred tax income	**(337,434)**	**(444,561)**
Total tax income	**(323,124)**	**(402,026)**

The tax on profit before tax for the year from continuing operations is lower than the standard rate of corporation tax applicable to oil and gas companies in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 40% (2021 - 40%). The differences are reconciled below.

Reconciliation of effective tax rate

	2022 £'000	**2021 £'000**
Profit/ (loss) before tax	42,524	(130,413)
Tax using the UK corporation tax rate of 40% (2021: 40%)	17,009	(52,165)
Increase from effect of capital allowances depreciation	3,582	5,843
Decrease from effect of tax incentive	(57,143)	(56,221)
Increase/(decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	5,013	(43,997)
Financing costs not allowed for Special Consumption Tax (SCT)	838	238
(Decrease)/Increase in tax from adjustment for prior periods	(5,357)	140,823
Other temporary differences not recognised	(183,009)	22,622
Decrease arising from group relief tax reconciliation	-	(4)
Petroleum Revenue Tax	201	275
EPL, Current and deferred tax charge	96,278	-
Increase from incremental recognition of losses for which no deferred tax recognised	(297,235)	(470,659)
Difference in rate of tax	96,699	51,219
Total tax income	**(323,124)**	**(402,026)**

Notes to the consolidated financial statements *(continued)*

11 Taxation (continued)

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

The main rate of corporation tax will increase to 25% from 1 April 2023. Given that the Company is not providing any deferred tax at that rate this change will not have any impact on the recorded tax position.

Effective 26 May 2022, a new 25% Energy Profit Levy (EPL) on the profits of oil and gas companies has been implemented charging an additional 25% tax on UK oil & gas profits. The tax takes into effect profits arising on and after 26 May 2022.

In November 2022, the Government announced changes to the EPL regime, which were enacted before the end of December 2022. This included an increase in the rate to 35%, a reduction in the investment allowance to 29% and an extension of the sunset clause to 31 March 2028.

The changes are effective from 1 January 2023, and have been taken into consideration calculating the deferred tax liability related to EPL.

Since the EPL is temporary to 31 March 2028, we have applied the standard rate of corporation tax applicable to oil and gas companies in the UK of 40% in the tax reconciliation of effective tax rate, and the EPL have been specified.

Notes to the consolidated financial statements *(continued)*

12 Property, plant and equipment

	Furniture and equipment £'000	Oil and gas properties £'000	Total £'000
Cost			
Balance at 1 January 2021	2,246	2,736,638	2,738,884
Additions	86	51,396	51,482
Transfers	-	10,245	10,245
Disposals	(17)	-	(17)
Change in decommissioning provision (note 21)	2	14,474	14,476
Acquisitions (note 3)	-	274,020	274,020
Business disposal (note 4)	(130)	(724,313)	(724,443)
Effect of movements in foreign exchange	(19)	(32,887)	(32,906)
Balance at 31 December 2021	**2,168**	**2,329,573**	**2,331,741**
Additions	107	32,475	32,582
Disposals	(8)	(405)	(413)
Change in decommissioning provision (note 21)	2	35,560	35,562
Effect of movements in foreign exchange	11	31,210	31,221
Balance at 31 December 2022	**2,280**	**2,428,413**	**2,430,693**
Accumulated depreciation and impairment			
Balance at 1 January 2021	(1,560)	(1,988,279)	(1,989,839)
Depreciation charge for the year	(201)	(194,335)	(194,536)
Disposals	17	-	17
Impairment losses	-	(13,442)	(13,442)
Impairment reversals	-	79,376	79,376
Business disposal (note 4)	122	359,623	359,745
Effect of movements in foreign exchange	10	19,882	19,892
Balance at 31 December 2021	**(1,612)**	**(1,737,175)**	**(1,738,787)**
Depreciation charge for the year	(179)	(156,234)	(156,413)
Disposals	8	225	233
Impairment losses	-	(14,068)	(14,068)
Effect of movements in foreign exchange	(8)	(15,611)	(15,619)
Balance at 31 December 2022	**(1,791)**	**(1,922,863)**	**(1,924,654)**
Net book value			
At 31 December 2021	**556**	**592,398**	**592,954**
At 31 December 2022	**489**	**505,550**	**506,039**

Notes to the consolidated financial statements *(continued)*

12 Property, plant and equipment (continued)

All assets (2021: All) are pledged as security for the bank loan the Group obtained since 2016 (see note 18). In 2021 this encompassed the removal of Norwegian assets (see note 4) and business acquisitions in Denmark (see note 3).

Impairment test

2022

The significant increase and volatility in oil and gas prices in 2022 and the introduction by the UK government of the Energy Profits Levy (EPL) are seen as potential indicators of impairment and therefore the Group has reviewed the carrying value of its oil and gas properties across all segments.

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

As a result of the assessment, an impairment charge of £14.1 million against the Group's Danish (Siri Area) assets in connection to the 2022 increase in the decommissioning estimate (note 21) has been recognised (2021: £13.4 million charge). No impairment charges or reversals were necessary or available on other assets since the recoverable amounts were higher than their carrying value (2021: £79.4 million reversal).

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

	UK	Denmark
Long term gas price (p/therm)	74	74
Long term oil price ($/bbl)	69	69
Exchange rate (USD to GBP)	1.20	1.20
Exchange rate (USD to DKK)	7.17	7.17
Inflation rate	2%	2%
Pre-tax discount rate	13.4%	9.1%

Oil and gas price assumptions up to 2025 reflect market forward price curves, transitioning to a long-term price from 2026, inflated at 2% per annum. Long term gas and oil prices are based on consensus from a group of third party oil and gas analysts and banks.

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

The sensitivity analyses below relate exclusively to Siri Area and are based on a reasonably possible change in an assumption, with short term volatility of prices not considered to have long-term sustainability. All other assumptions remain constant. Reasonably possible changes in assumptions for all other assets would not lead to an impairment charge or reversal.

Sensitivity of recoverable amounts

		Variance £'000
		Siri Area
Discount rate	1% increase in discount rate	(357)
Discount rate	1% decrease in discount rate	952
Long term price*	10% increase in long term price	19,760
Long term price*	10% decrease in long term price	(19,177)

** Sensitivity analysis performed for increase/decrease in long term commodity price also reflects the sensitivity for increase/decrease in reserves by the same percentage.*

Notes to the consolidated financial statements *(continued)*

12 Property, plant and equipment (continued)

2021

The significant increase in oil and gas prices in 2021 is seen as an indication of impairment reversal and therefore the Group has reviewed the carrying value of its oil and gas properties across all segments.

The recoverable amount of the assets has been determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts. The significant increase in realised gas price from an average of 25.2p per therm in 2020 to 91.0p per therm in 2021 is seen as an impairment reversal trigger, and the Group has performed impairment assessments on all of its oil and gas assets at year end. As a result of the assessment, an impairment reversal of £79.4 million, being the maximum available, was recognised against the Group's UK assets and an impairment charge of £13.4 million against the Group's Danish assets in connection to the 2021 change in decommissioning estimate.

No impairment charges or reversals were necessary or available on other assets since the recoverable amounts were higher than their carrying value.

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

	Breagh /Greater Laggan Area	Siri Area
Long term gas price (p/therm)	94	94
Long term oil price ($/bbl)	66	66
Exchange rate (USD to GBP)	1.40	1.40
Exchange rate (USD to DKK)	N/A	6.21
Inflation rate	2%	2%
Post-tax discount rate	8.04%	6.85%

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

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks. The sensitivity analyses below are based on a reasonably possible change in an assumption, with short term volatility of prices not considered to have long-term sustainability. All other assumptions constant.

Sensitivity of recoverable amounts

				Variance £'000
		Breagh	GLA	Siri Area
Discount rate	1% increase in discount rate	(20,216)	1,660	(226)
Discount rate	1% decrease in discount rate	21,663	(2,140)	339
Long term price	10% increase in long term price	79,358	30,020	4,742
Long term price	10% decrease in long term price	(79,679)	(32,825)	(4,855)

Notes to the consolidated financial statements *(continued)*

13 Intangible assets

	Goodwill £'000	Software £'000	Exploration and evaluation assets £'000	Other £'000	Total £'000
Cost					
Balance at 1 January 2021	**651,996**	**3,887**	**44,606**	**-**	**700,489**
Additions	-	-	14,379	-	14,379
Transfers	-	-	(10,245)	-	(10,245)
Unsuccessful exploration and evaluation activities	-	-	(4,072)	-	(4,072)
Disposals	-	(13)	-	-	(13)
Business disposal (note 4)	(96,210)	-	(30,250)	-	(126,460)
Effect of movements in foreign exchange	(163)	(71)	63	-	(171)
Balance at 31 December 2021	**555,623**	**3,803**	**14,481**	**-**	**573,907**
Additions	-	-	1,550	24,160	25,710
Disposals	-	(2,139)	-	-	(2,139)
Effect of movements in foreign exchange	3,898	50	-	555	4,503
Balance at 31 December 2022	**559,521**	**1,714**	**16,031**	**24,715**	**601,981**
Amortisation and impairment					
Balance at 1 January 2021	(483,342)	(3,375)	-	-	(486,717)
Amortisation for the year	-	(291)	-	-	(291)
Effect of movements in foreign exchange	(3,748)	53	-	-	(3,695)
Balance at 31 December 2021	**(487,090)**	**(3,613)**	**-**	**-**	**(490,703)**
Amortisation for the year	-	(89)	-	-	(89)
Disposals	-	2,139	-	-	2,139
Impairment charge	-	-	-	(192)	(192)
Effect of movements in foreign exchange	(200)	(48)	-	-	(248)
Balance at 31 December 2022	**(487,290)**	**(1,611)**	**-**	**(192)**	**(489,093)**
Net book value					
At 31 December 2021	**68,533**	**190**	**14,481**	**-**	**83,204**
At 31 December 2022	**72;231**	**103**	**16,031**	**24,523**	**112,888**

Notes to the consolidated financial statements *(continued)*

13 Intangible assets (continued)

Goodwill and impairment charge

US$781.5 million (£581.3 million) of goodwill was recognised in 2017 and related to the requirement to recognise deferred tax on the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value. US$652.3 million (£497.5 million) relating to the Danish and UK CGU was impaired subsequent to the acquisition and the remaining US$129.1 million (£94.9 million) goodwill relating to the Norwegian CGU was assessed for impairment at each year end.

In 2021, goodwill relating to the Norwegian CGU was fully disposed as part of the disposal of the operations, please refer to note 4.

As at 31 December 2022, the carrying amount of the Danish Goodwill was lower than its recoverable amount thus no impairment was recognised.

Amortisation

Amortisation of £89,000 (2021: £291,000) is recognised within administrative expenses in the consolidated statement of comprehensive income.

Impairment test for Goodwill

2022

The carrying value of goodwill as at 31 December 2022 relates to goodwill acquired through business combinations in 2017 and 2020.

	Denmark £'000
Goodwill as at 31 December 2021	68,533
Effect of movements in foreign exchange	3,698
Goodwill as at 31 December 2022	72,231

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

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

	Denmark
Long term gas price (p/therm)	74
Long term oil price ($/bbl)	69
Exchange rate (USD to GBP)	1.20
Exchange rate (USD to DKK)	7.17
Inflation rate	2%
Pre-tax discount rate	9.1%

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

Notes to the consolidated financial statements *(continued)*

13 Intangible assets (continued)

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks. No sensitivity analyses were deemed necessary on goodwill arising from prior years acquisition, as the goodwill is supported by the contingent indemnification received and not related to above assumptions, please refer to note 29.

Other intangible assets

£24.2 million (2021: nil) of emissions credits were purchased in the year. The emissions credits are subject to impairment under the indefinite lived intangible asset impairment model. There is no amortisation of these allowances. At the year-end an impairment test was performed on these assets based on the prevailing market price at the period end. These are categorised as level 1 of the fair value hierarchy. As a results of this review an impairment charge of £0.2 million was recognised.

2021

The carrying value of goodwill as at 31 December 2021 relates to goodwill acquired through business combinations in 2017 and 2020.

	Norway	Denmark	Total
	£'000	£'000	£'000
Goodwill as at 31 December 2020	94,906	73,748	168,654
Business disposals (note 4)	(96,210)	-	(96,210)
Effect of movements in foreign exchange	1,306	(5,215)	(3,909)
Goodwill as at 31 December 2021	2	68,533	68,535

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

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

	Denmark
Long term gas price (p/therm)	94
Long term oil price ($/bbl)	66
Exchange rate (USD to GBP)	1.40
Exchange rate (USD to DKK)	6.21
Inflation rate	2%
Post-tax discount rate	6.85%

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

Notes to the consolidated financial statements *(continued)*

13 Intangible assets (continued)

The discount rate applied was determined by calculating the Group's weighted average cost of capital adjusted for country specific risks. No sensitivity analyses were deemed necessary on goodwill arose from prior year acquisition, as the goodwill is supported by the contingent indemnification received and not related to above assumptions.

14 Investments in associates, joint ventures and subsidiaries

Investments in associates and joint ventures

	Joint venture	Total
	£'000	£'000
Balance at 1 January 2021	1,303	1,303
Disposals	(1,280)	(1,280)
Effect of movements in foreign exchange	(23)	(23)
Balance at 31 December 2021	-	-
Balance at 31 December 2022	-	-

The Group has a 20% interest in Shetland Land Lease Limited, a land rental company. The interests in the associate are immaterial and therefore no further disclosures are made.

Investments in subsidiaries

The Group consists of the following subsidiaries:

	Registered office	Class of shares held	Ownership 2022	Ownership 2021
INEOS UK SNS Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS Clipper South B Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS Clipper South C Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P A/S	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%	100%
INEOS E&P DK A/S	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%	100%

Notes to the consolidated financial statements *(continued)*

14 Investments in associates and joint ventures (continued)

	Registered office	Class of shares held	Ownership 2022	Ownership 2021
INEOS Grønland E&P A/S*	Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk, Greenland	Ordinary	100%	100%
INEOS E&P Norge A/S	Inovyn Norge AS Rafnes, 3966 Stathelle, Norway	Ordinary	100%	100%
INEOS E&P (UK) Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P (Siri) UK Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
INEOS E&P Services (UK) Limited	Anchor House, 15-19 Britten Street, London, England, SW3 3TY	Ordinary	100%	100%
Shetland Land Lease Ltd	18th Floor, 10 Upper Bank Street, Canary Wharf, London, England, E14 5BF	Ordinary	20%	20%
INEOS E&P (Petroleum Denmark) ApS	Teknikerbyen 5, 1, 2830 Virum, Denmark	Ordinary	100%	100%
INEOS E&P (Norge) Petroleum DK AS	Veritasveien 25, 4007 Stavanger, Norway	Ordinary	100%	100%
INEOS Energy (Syd Arne) ApS	Teknikerbyen 5, 1., 2830 Virum, Denmark	Ordinary	100%	100%

**Subsidiary dissolved post-year end*

Joint operations

Joint control is defined as "the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing controls". All of the joint operations of the Group are subject to Joint Operating Agreements (JOAs) which fall into this category and where the participants in the agreements are entitled to a share of all the assets, obligations and liabilities of the operations, rather than a share of the net assets.

Notes to the consolidated financial statements *(continued)*

14 Investments in associates and joint ventures (continued)

The contractual agreement for the licence interests in which the Group has an investment do not typically convey control of the underlying joint arrangement to any one party, even where one party has a greater than 50% equity ownership of the area of interest.

The Group's material joint operations as at 31 December 2022 and 2021 are:

Block	Licence	Field/ Discovery name	Operator	Group Net % interest
United Kingdom				
48/19aB, 48/20aD	P0008	Clipper South	INEOS UK SNS Limited	75%
48/20b	P1909	Clipper South	INEOS UK SNS Limited	75%
48/19cF	P0465	Clipper South	INEOS UK SNS Limited	75%
42/13a	P1230	Breagh	INEOS UK SNS Limited	70%
42/12a	P1328	Breagh	INEOS UK SNS Limited	70%
206/1a	P911	Laggan	Total E&P UK Limited	20%
205/5a and 5d	P1159	Tormore	Total E&P UK Limited	20%
206/3a, 206/3b and 206/4a	P1453	Edradour	Total E&P UK Limited	20%
205/4b	P1678	Tormore	Total E&P UK Limited	20%
Denmark				
5604/18	1/90	Lulita	INEOS E&P A/S	80%
5605/10, 14	4/95	Nini	INEOS E&P A/S	57%
5604/16, 20; 5605/13, 17	6/95	Siri	INEOS E&P A/S	100%
5604/22	7/86	Lulita part	INEOS E&P A/S	80%
5604/29, 30	7/89	Syd Arne	Hess Denmark ApS	98%
5604/19, 20	16/98	Cecilie	INEOS E&P A/S	56%
5603/24, 28; 5604/21, 25	5/98	Hejre	INEOS E&P A/S	100%
5603/28; 5604/21, 25	1/06	Hejre Extension	INEOS E&P A/S	80%
5604/25, 26, 29, 30	3/09	Solsort	INEOS E&P A/S	65%
5604/26, 30	4/98	Solsort	INEOS E&P A/S	65%

Notes to the consolidated financial statements *(continued)*

15 Indemnification assets

	£'000
Balance at 1 January 2021	222,756
Adjustment for changes in estimates	146,734
Business disposal (note 4)	(8,295)
Realised during the year	(16,913)
Effect of movements in foreign exchange	(9,596)
Balance at 31 December 2021	**334,686**
Adjustment for changes in estimates	(4,669)
Realised during the year	(110,752)
Effect of movements in foreign exchange	2,829
Balance at 31 December 2022	**222,094**

Non-current	331,285
Current	3,401
Balance at 31 December 2021	**334,686**

Non-current	214,819
Current	7,275
Balance at 31 December 2022	**222,094**

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

In 2021, a £146.7 million adjustment was recognised to reflect the changes in estimates and £16.9 million of the obligation was settled. In 2022, £4.7 million adjustment was recognised to reflect the changes in estimates relating to a reassessment of income in years 2007-2011 by the Norwegian Oil Taxation Office (OTO). £110.8 million of the obligation was settled, please refer to note 19.

Total indemnification assets as at 31 December 2022 are £222.1 million (2021: £334.7 million).

Notes to the consolidated financial statements *(continued)*

16 Inventories

	2022	2021
	£'000	£'000
Goods and materials	20,615	19,156
	20,615	**19,156**

The write-down of inventories to net realisable value amounted to £0.2 million (2021: £1.3 million).

17 Trade and other receivables

	2022	2021
	£'000	£'000
Current		
Trade receivables	29,028	37,759
Trade receivables due from related parties	66,927	78,675
Other receivables	49,420	35,336
Other receivables due from related parties	166,217	-
Prepayments and accrued income	23,439	18,680
Trade and other receivables	335,031	170,450
Tax receivable	199,249	122,397
	534,280	**292,847**
Non-Current		
Other receivables due from related parties	212,165	181,103
Prepayments	11,124	8,654
	223,289	**189,757**

As at 31 December 2022, £nil of the trade receivables were past due (2021: £0.6 million). All trade and other receivables are deemed as low risk and collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers. Trade and other receivables due from related parties are repayable on demand and do not accrue interest. At 31 December 2021 and 2022 there were no significant trade, related party or other receivables balances not past due that were subsequently impaired.

Within other receivables, the Group has £28.3 million (2021: £11.1 million) in restricted cash held at local banks mainly related to the joint venture operations. This cash is not available to finance the Group's day to day operations and therefore has been excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flow and is disclosed within other receivables. Other receivables due from related parties relate to amounts due from INEOS group entities where the Group has in house cash arrangements (IHC). Interest is charged monthly at current market rates.

Notes to the consolidated financial statements *(continued)*

17 Trade and other receivables (continued)

Non-current receivables due from related parties related to loan receivables from a fellow group company, INEOS Industries Holdings Limited, is in relation to the disposal made in 2020. The loan amounting to US$227.8 million, repayable in 2025, charges interest of 4.5% and is payable on a quarterly basis. Current year movement relates to capitalisation of interest income and there are no cash movements in the current financial period.

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

18 Interest-bearing loans and borrowings

	2022	2021
	£'000	£'000
Current liabilities		
Amounts due to related parties	9	1,758
	9	**1,758**
Non-current liabilities		
Amounts due to related parties	496,437	438,245
	496,437	**438,245**

Gross debt and issue costs

	Gross loans and borrowings 2022	Issue costs 2022	Loss on loan modification 2022	Net loans and borrowings 2022
	£'000	£'000	£'000	£'000
Amounts due to related parties	496,446	-	-	496,446
	496,446	**-**	**-**	**496,446**

	Gross loans and borrowings 2021	Issue costs 2021	Loss on loan modification 2021	Net loans and borrowings 2021
	£'000	£'000	£'000	£'000
Amounts due to related parties	440,003	-	-	440,003
	440,003	**-**	**-**	**440,003**

Amounts due to related parties

The Group has a loan arrangement with its parent INEOS Offshore BCS Limited. The loan amounting to US$598.4 million (2021: $575.3 million) bears interest of 7% and the interest is payable on a quarterly basis or is accrued into the principal amount if unpaid. INEOS Offshore BCS Limited has indicated no repayment will be demanded for at least 12 months from the approval of these financial statements.

Notes to the consolidated financial statements *(continued)*

18 Interest-bearing loans and borrowings (continued)

Bank loans

In September 2021 the Company, together with its fellow subsidiaries, amended and restated the RBL Facility to accommodate restructuring of the activities of the Group; being the disposal of the trade and assets formerly held by INEOS Norge A/S and acquisition of further interests in Denmark (see note 3). In October 2021, the Company repaid the outstanding balance of the RBL Facility in full. Through qualitative assessment, management concluded the amendment to the facility constituted a substantial modification and resulted in the immediate recognition of a £10.8 million expense relating to issued debt costs in the consolidated statement of comprehensive income in 2021, please refer to note 10.

The $450 million RBL Facility is secured on customary terms and bears interest at a margin above risk free rates. The majority of the Company's subsidiaries are the guarantors to the RBL Facility.

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

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

	2022 £'000	2021 £'000
British pound sterling	9	1,758
United States Dollars	496,437	438,245
	496,446	**440,003**

Reconciliation of net cash flow to movement in net debt

	2022 £'000	2021 £'000
Increase/(decrease) in cash and cash equivalents in the year	53,782	(40,965)
Cash outflow from change in debt financing	14,716	234,943
Change in net debt resulting from cash flows	**68,498**	**193,978**
Other net non-cash transactions (financing and investing cash-flows)	(71,811)	(26,286)
Movement in net debt in year	**(3,313)**	**167,692**

Net debt is defined as cash and cash equivalents less gross debt (current and non-current) per note 18 of the financial statements.

Notes to the consolidated financial statements *(continued)*

19 Trade and other payables

	2022	2021
	£'000	£'000
Current		
Trade payables	32,092	31,198
Trade payables due to related parties (note 30)	752	59
Other payables	37,157	6,559
Accruals and deferred income	82,619	41,932
Trade and other payables	**152,620**	**79,748**
Tax payable	262,725	166,788
	415,345	**246,536**
Non-Current		
Other payables	4,322	9,565
	4,322	**9,565**

Included within tax payable is an amount of £215.4 million (2021: £218.8 million) relating to tax liabilities that are subject to indemnification as explained in note 15 and for which an indemnification asset of equal amount is recognised. Trade payables due to related parties are repayable on demand and do not accrue interest.

20 Employee benefits

Defined contribution plans

The Group contributes to personal pension schemes on behalf of certain directors and employees. These schemes are administered independently of the Group. The total pension cost which is charged to statement of comprehensive income represents contributions payable by the Group and amounted to £3.2 million (2021: £2.2 million). There were no contributions outstanding as at 31 December 2022 (2021: nil).

Notes to the consolidated financial statements (*continued*)

21 Provisions

	Decommissioning & restoration £'000	Other £'000	Total £'000
Balance at 1 January 2021	982,829	160,481	1,143,310
Provisions (released)/ made during the year	(5,189)	4,804	(385)
Provisions used during the year	(33,361)	(22,632)	(55,993)
Acquisitions (note 3)	223,444	227	223,671
Business disposal (note 4)	(132,370)	-	(132,370)
Unwinding of discount (note 10)	3,106	-	3,106
Effect of movements in foreign exchange	(47,059)	(10,972)	(58,031)
Balance at 31 December 2021	**991,400**	**131,908**	**1,123,308**
Provisions made during the year	63,478	11,298	74,776
Provisions used during the year	(20,042)	(124,972)	(145,014)
Unwinding of discount (note 10)	8,490	-	8,490
Effect of movements in foreign exchange	42,817	3,871	46,688
Balance at 31 December 2022	**1,086,143**	**22,105**	**1,108,248**
Non-current	955,647	15,922	971,569
Current	35,753	115,986	151,739
Balance at 31 December 2021	**991,400**	**131,908**	**1,123,308**
Non-current	1,049,016	80	1,049,096
Current	37,127	22,025	59,152
Balance at 31 December 2022	**1,086,143**	**22,105**	**1,108,248**

Decommissioning & restoration

The Group has provided for its share of the estimated decommissioning and restoration costs of the facilities on fields across Denmark and the United Kingdom, this includes plugging and abandonment of wells, the total removal of platforms and disposal on shore, and the restoration of the seabed. The Group uses a range of risk free rates between 2.3% -3.6% (2021: between 0.0% -0.7%) and inflation rate of 2.0% (2021: 0.1% - 0.9%) over the lives of the assets to calculate the present value of the decommissioning and restoration costs. Decommissioning is expected to occur after the fields reach the end of their economic lives on a schedule agreed with regulatory authorities and joint venture partners between 2022 and 2043.

Notes to the consolidated financial statements (*continued*)

21 Provisions (continued)

Other provisions

£22.1 million (2021: £129.5 million) of other provisions relates to the committed obligation to fund the Group's share of the historical construction cost of the Fredericia Gas Plant incurred in connection with the development of the Hejre field.

22 Deferred consideration

	£'000
Balance at 1 January 2021	98,237
Unwinding of discount (note 10)	1,798
Acquisitions (note 3)	4,687
Consideration settled during the year	(25,956)
Effect of movements in foreign exchange	62
Balance at 31 December 2021	**78,828**
Adjustment for changes in estimates	6,435
Consideration settled during the year	(88,486)
Effect of movements in foreign exchange	5,947
Balance at 31 December 2022	**2,724**
Non-current	-
Current	78,828
Balance at 31 December 2021	**78,828**
Non-current	-
Current	2,724
Balance at 31 December 2022	**2,724**

Deferred consideration relates to the obligation of the Group to pay US$150.0 million in instalments in connection with the capital cost of the Fredericia Gas Plant as part of acquisition of DONG E&P A/S in 2017. In 2022, the remaining consideration was paid in its entirety, $105 million.

In 2021, deferred consideration of £4.7 million relating to several tax settlements were recognised as part of the Group's acquisition of Hess Denmarks ApS (now INEOS Energy (Syde Arne) ApS) of which £2.0 million was settled in the current financial period. £2.7 million remains unsettled at December 2022.

Notes to the consolidated financial statements (*continued*)

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	Assets 2022 £'000	Liabilities 2022 £'000	Total 2022 £'000
Property, plant and equipment	90,485	-	90,485
Tax value of loss carry-forwards	687,125	-	687,125
Other	78,570	-	78,570
Tax assets	**856,180**	**-**	**856,180**
Net tax assets	**856,180**	**-**	**856,180**

	Assets 2021 £'000	Liabilities 2021 £'000	Total 2021 £'000
Property, plant and equipment	-	(37,755)	(37,755)
Tax value of loss carry-forwards	456,880	-	456,880
Other	87,064	-	87,064
Tax assets/(liabilities)	**543,944**	**(37,755)**	**506,189**
Net of tax assets/(liabilities)	(36,460)	36,460	-
Net tax assets/ (liabilities)	**507,484**	**(1,295)**	**506,189**

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

	2022 £'000	2021 £'000
Deferred tax assets	856,180	507,484
Deferred tax liabilities	-	(1,295)
	856,180	**506,189**

The Group has net deferred tax assets of £856:2 million as at 31 December 2022 (2021: (£506.2 million)).

The Group has recognised a deferred tax asset of £ 856.2 million (2021: £507.5 million). The basis for the recognition has been the model applied to determine impairment of non-financial assets adjusted for certain items to determine the future estimated taxable income. The increase in recognised deferred tax assets is due to the significant increase in oil and gas prices in 2022 and sanctioned fields, which will go in production in 2023.

A sensitivity analysis has been made based on price changes of +/- 10% compared to the assumptions in the impairment model. All other assumptions are constant. The deferred tax asset related to UK will increase/decrease £200 million/-£194million if the gas prices changes +/- 10%. The deferred tax asset related to DK will increase/decrease £157 million/-£148million if the oil and gas prices changes +/- 10%.

Notes to the consolidated financial statements (*continued*)

23 Deferred tax assets and liabilities (continued)

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

The Group has not provided deferred tax of approximately £233.6 million on ring fence losses (2021: £522.7 million). In addition, the Group has Danish tax losses of £2,387.2 million (2021: £2,322.6 million) and timing differences of £1,887.7 million (2021: £1,836.6 million) for which no deferred tax asset has been provided due to a lack of probable future taxable profits against which these losses may be utilised.

Movement in deferred tax during the year

	1 January 2022 £'000	Prior period adjustment £'000	Business combination £'000	Disposal £'000	Recognised in income £'000	Translation reserve £'000	31 December 2022 £'000
Accelerated tax depreciation	(37,756)	-	-	-	122,522	5,719	90,485
Tax losses carry-forwards	456,880	-	-	-	225,253	4,992	687.125
Other timing differences	87,065	-	-		(10,341)	1,846	78,570
	506,189	**-**	**-**	**-**	**337,434**	**12,557**	**856,180**

Movement in deferred tax during the prior year

	1 January 2021 £'000	Prior period adjustment £'000	Business combination £'000	Disposal £'000	Recognised in income £'000	Translation reserve £'000	31 December 2021 £'000
Accelerated tax depreciation	(324,858)	-	8,580	256,141	16,874	5,507	(37,756)
Tax losses carry-forwards	53,398	66	32,431	-	372,325	(1,340)	456,880
Other timing differences	166,038	-	10,497	(128,704)	42,001	(2,767)	87,065
	(105,422)	**66**	**51,508**	**127,437**	**431,200**	**1,400**	**506,189**

24 Capital and reserves

Share capital and premium

	Authorised No.	Allotted and fully paid No.	Ordinary Shares £'000	Share premium £'000	Total £'000
As at 1 January 2022 and 31 December 2022 (par value £1 (2021: £1))	**74,327,242**	**74,327,242**	**74,327**	**232,994**	**307,321**

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.

	2022 £'000	2021 £'000
Capital redemption reserve	22,546	22,546
Other reserves	(1,250)	4,875
Foreign currency translation deficit	(4,599)	(28,256)
	16,697	**(835)**

Notes to the consolidated financial statements *(continued)*

24 Capital and reserves (continued)

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

Other reserves balance of £4.9 million in 2021 and a deficit of £1.3 million in 2022 is the net change in fair value of financial assets at fair value through other comprehensive income, see note 25 for further details.

Foreign currency translation deficit of £4.6 million (2021: deficit of £28.3 million) arose as a result of translating foreign operations' balances into the Group's reporting currency GBP.

25 Financial instruments

25 (a) Fair values of financial instruments

Trade and other receivables

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

Indemnification assets

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

Cash and cash equivalents

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

Trade and other payables

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as amounts falling due after more than one year.

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

Interest-bearing loans and borrowings

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

Derivatives

The Group entered into a number of put option agreements for financial periods through to 2025 with strike prices ranging from £0.40 to £0.57 per therm. None of the options were exercised in the year (2021: none). As at 31 December 2022, £9.1 million (2021: £nil) has been recognised in respect of unrealised gains and losses for the outstanding options. Put option premiums are amortised throughout the life of the options and has been recognised within the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

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

The Group also entered into swap agreements with fixed price ranging from £0.28 to £0.69 per therm. Some of the contracts expired in the year contributing to a net realised derivative loss of £343.4 million (2021: loss of £181.6 million). As at 31 December 2022, a liability of £361.1 million (2021: a liability of £401.1 million) has been recognised in respect of unrealised losses (2021: unrealised losses) for the outstanding swaps.

Financial assets at fair value through other comprehensive income

On 30 July 2021, the Group purchased 25 million shares of HydrogenOne Capital Growth plc for a total consideration of £25 million. This represents 23.3% of issued shares. For investments in equity securities that are not held for trading, the Group may irrevocably elect to present subsequent changes to fair value in other comprehensive income. The Group makes this election on an investment-by-investment basis.

On 22 June 2022, the Company divested its 25 million shares in HydrogenOne Capital Growth plc to another INEOS company: INEOS Offshore BCS Limited, as part of an internal corporate restructuring. There was no gain or loss on disposal as the shares were transferred at the fair value at the date of the transfer.

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

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

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

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

Carrying amounts and fair values at the reporting date

	Carrying amount	Fair value	Carrying amount	Fair value
	2022	**2022**	**2021**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets carried at amortised cost				
Loan receivables	212,165	212,165	181,103	181,103
Trade receivables	29,028	29,028	37,759	37,759
Trade receivables due from related parties	66,927	66,927	78,675	78,675
Other receivables	49,420	49,420	35,336	35,336
Other receivables due from related parties	166,217	166,217	-	-
Cash and cash equivalents	143,001	143,001	89,871	89,871
Total financial assets carried at amortised cost	**666,758**	**666,758**	**422,744**	**422,744**
Financial assets carried at fair value				
Indemnified assets (note 15)	222,094	222,094	334,686	334,686
Financial assets at fair value through other comprehensive income	-	-	29,875	29,875
Derivatives financial instruments	-	-	7,474	7,474
Total financial assets	**888,852**	**888,852**	**794,779**	**794,779**

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

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

	Carrying amount 2022 £'000	Fair value 2022 £'000	Carrying amount 2021 £'000	Fair value 2021 £'000
Financial liabilities carried at amortised cost				
Interest-bearing loans and borrowings	496,446	496,446	440,003	440,003
Deferred consideration	2,724	2,724	78,828	78,828
Lease liabilities	42,033	42,033	41,962	41,962
Trade payables	32,092	32,092	31,198	31,198
Trade payables due to related parties	752	752	59	59
Other payables	41,479	41,479	16,124	16,124
Total financial liabilities measured at amortised cost	**615,526**	**615,526**	**608,174**	**608,174**
Financial liabilities carried at fair value				
Derivatives financial instruments	361,136	361,136	401,087	401,087
Total financial liabilities carried at fair value	**576,516**	**576,516**	**619,861**	**619,861**
Total financial liabilities	**1,192,042**	**1,192,042**	**1,228,035**	**1,228,035**

For all financial instruments within the scope of IFRS 9, the carrying amount is either the fair value, or approximates the fair value. Other than cash and derivative financial instruments, all financial assets and liabilities are categorised as level 3 of the fair value hierarchy. Derivatives financial instruments are categorised within level 2 of the fair value hierarchy and cash and cash equivalents are categorised within level 1.

25 (b) Credit risk

Financial risk management

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

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

Trade and other receivables

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

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

25 (b) Credit risk (continued)

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

The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade and other receivables and taken into account in the calculation of impairment. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. At 31 December 2021 and 2022 there were no significant trade, related party or other receivables balances not past due that were subsequently impaired. Refer to note 17 for details.

Investments, cash and cash equivalents

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

Exposure to credit risk

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

Credit quality of financial assets and impairment losses

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

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

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

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

25 (c) Liquidity risk

Financial risk management

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

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

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

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

25 (c) Liquidity risk (continued)

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

	2022					
	Carrying amount £'000	**Contractual cash flows £'000**	**One year or less £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**
Non-derivative financial liabilities						
Trade payables	32,092	32,092	32,092	-	-	-
Trade payables due to related parties	752	752	752	-	-	-
Other payables	41,479	41,479	37,157	-	4,321	-
Deferred consideration	2,724	2,724	2,724	-	-	-
Lease liabilities	42,033	55,439	6,217	5,688	17,065	26,469
Interest-bearing loans and borrowings	496,446	757,423	34,760	64,636	161,590	496,437
Derivative financial liabilities						
Derivative financial instruments	361,136	361,136	361,136	-	-	-
	976,662	**1,251,045**	**474,838**	**70,324**	**182,977**	**522,906**

	2021					
	Carrying amount £'000	**Contractual cash flows £'000**	**One year or less £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**
Non-derivative financial liabilities						
Trade payables	31,198	31,198	31,198	-	-	-
Trade payables due to related parties	59	59	59	-	-	-
Other payables	16,124	16,124	6,559	-	9,565	-
Deferred consideration	78,828	78,828	78,828	-	-	-
Lease liabilities	41,962	49,585	6,237	5,481	16,442	21,425
Interest-bearing loans and borrowings	440,003	670,389	32,435	57,060	142,649	438,245
Derivative financial liabilities						
Derivative financial instruments	401,087	401,087	282,667	118,420	-	-
	1,009,261	**1,247,270**	**437,983**	**180,961**	**168,656**	**459,670**

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

25 (d) Market risk

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

Market risk - Foreign currency risk

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

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

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

	2022	2021
	£'000	£'000
US Dollars	(415,344)	(417,754)
Euro	1,562	14,602
	(413,782)	**(403,152)**

Sensitivity analysis

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

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

	2022	2021
	£'000	£'000
US Dollars	(41,534)	(41,775)
Euro	156	1,460

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

Market risk – Interest rate risk

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

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

25 (d) Market risk (continued)

	2022 £'000	2021 £'000
Fixed rate instruments		
Financial liabilities	496,446	440,003

Market risk – Commodity price risk

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

Sensitivity analysis

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

	2022 £'000	2021 £'000
Increase in oil price by 10%	25,557	37,230
Decrease in oil price by 10%	(25,557)	(37,230)

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

	2022 £'000	2021 £'000
Increase in gas price by 10%	61,746	27,208
Decrease in gas price by 10%	(61,746)	(27,208)

Notes to the consolidated financial statements (*continued*)

25 Financial instruments (continued)

25 (e) Capital management

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

	2022	2021
	£'000	£'000
Total borrowings	496,446	440,003
Less: Cash and cash equivalents	(143,001)	(89,871)
Net debt	**353,445**	**350,132**
Total equity	228,191	(154,439)
Total capital	**581,636**	**195,693**

26 Right-of-use assets

	Land and buildings	Oil and Gas	Plant and equipment	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	28,560	-	1,988	3,536	34,084
Additions	-	-	708	-	708
Acquisitions (note 3)		18,196	-	-	18,196
Lease modifications	541	-	-	1,164	1,705
Business disposal (note 4)	(1,211)	-	-	-	(1,211)
Effect of movements in foreign currency exchange	(1,355)	(575)	-	(255)	(2,185)
Balance at 31 December 2021	**26,535**	**17,621**	**2,696**	**4,445**	**51,297**
Additions	-	-	902	-	902
Lease modifications	1,631	-	-	18,025	19,656
Disposals	(374)	(17,784)	-	-	(18,158)
Effect of movements in foreign currency exchange	1,006	163	-	1,034	2,203
Balance at 31 December 2022	**28,798**	**-**	**3,598**	**23,504**	**55,900**

Notes to the consolidated financial statements (*continued*)

26 Right-of-use assets (continued)

	Land and buildings	Oil and Gas	Plant and equipment	Furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment					
At 1 January 2022	(3,581)	-	(1,160)	(2,411)	(7,152)
Depreciation charge for the year	(1,686)	-	(750)	(2,107)	(4,543)
Business disposal (note 4)	821	-	-	-	821
Effect of movements in foreign exchange	201	-	-	213	414
Balance at 31 December 2021	**(4,245)**	-	**(1,910)**	**(4,305)**	**(10,460)**
Depreciation charge for the year	(1,721)	(877)	(823)	(3,119)	(6,540)
Disposals	-	1,697	-	-	1,697
Reclassifications	-	(803)	-	803	-
Effect of movements in foreign exchange	(216)	(17)	-	(305)	(538)
Balance at 31 December 2022	**(6,182)**	-	**(2,733)**	**(6,926)**	**(15,841)**
Net book value					
At 31 December 2021	**22,290**	**17,621**	**786**	**140**	**40,837**
At 31 December 2022	**22,616**	-	**865**	**16,578**	**40,059**

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

Amount recognised in profit and loss

	2022 £'000	2021 £'000
Expense relating to short-term leases for which recognition exemption is applied	481	592
Expense relating to leases of low value assets for which recognition exemption is applied	-	-
Income from subleasing right-of-use assets	4,303	2,001

Notes to the consolidated financial statements (*continued*)

27 Leases liabilities

	2022	2021
	£'000	£'000
Analysed as:		
Non-current	41,281	40,944
Current	752	1,018
	42,033	**41,962**
Maturity analysis- contractual undiscounted cash flows		
Less than one year	6,217	6,237
One to five years	22,753	21,922
More than five years	26,469	21,425
Total undiscounted lease liabilities at 31 December	**55,439**	**49,584**
Amounts recognised in the statement of cash flows:		
Lease capital payments	5,578	3,938
Lease interest payments	1,387	1,251
Short-term leases	481	592
Leases of low value assets	9	9
Total cash outflow for leases	**7,455**	**5,790**

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

28 Commitments

Capital commitments

As at 31 December 2022, the Group had capital commitments contracted but not provided for of £37.7 million (2021: £6.0 million). All capital commitments relate to contacted project costs.

29 Contingencies

Contingent asset

As part of the sales and purchase agreements over interests in the Darwin field, the Group is entitled to a contingent consideration should a Field Development Plan be submitted and approved by the regulator within 7 years of the Completion Date. The total value of contingent assets are £1.7 million, which have not been recognised because it is contingent on future events, which are not under the control of the Group (2021: £1.7 million).

The Group is entitled to receive a contingent consideration of DKK 607.0 million (£72.3 million) if a decision is made to not invest on Hejre and Solsort discoveries, relating to the goodwill arising on acquisition of the licences in 2020. The contingent asset has not been recognised because they are contingent on future events which have a high level of uncertainty at the year end.

Notes to the consolidated financial statements (*continued*)

29 Contingencies *(continued)*

Contingent liabilities

The Group is subject to a contingent consideration of US$ 60.0 million (£50.0 million) should a Final Investment Decision be made on Hejre and Solsort discoveries with notice issued to the regulator. The contingent liability has not been recognised because it is contingent on future events which are considered remote.

30 Related parties

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

	Revenue 2022 £'000	Net Purchase of Services 2022 £'000	Interest income 2022 £'000	Interest expense 2022 £'000	Receivables outstanding 2022 £'000	Payables outstanding 2022 £'000	Borrowings outstanding 2022 £'000
INEOS Offshore BCS Limited	-	-	2,908	34,366	159,936	-	496,437
Other INEOS group entities	599,151	49,272	9,427	7	285,373	752	9
	599,151	**49,272**	**12,335**	**34,373**	**445,309**	**752**	**496,446**

	Revenue 2021 £'000	Net Purchase of Services 2021 £'000	Interest income 2021 £'000	Interest expense 2021 £'000	Receivables outstanding 2021 £'000	Payables outstanding 2021 £'000	Borrowings outstanding 2021 £'000
INEOS Offshore BCS Limited	-	-	289	28,943	10,293	-	438,245
Other INEOS group entities	362,614	(8,578)	7,974	-	249,485	59	1,758
	362,614	**(8,578)**	**8,263**	**28,943**	**259,778**	**59**	**440,003**

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

Notes to the consolidated financial statements *(continued)*

30 Related parties (continued)

Transactions with key management personnel

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

	2022	2021
	£'000	£'000
Remuneration	1,178	1,117
Compensation in relation to loss of office	-	891
Company contributions to money purchase pension plans	-	8
	1,178	**2,016**

Highest paid director

	2022	2021
	£'000	£'000
Remuneration	809	751
Compensation in relation to loss of office	-	891
	809	**1,642**

31 Ultimate parent company and parent company of larger group

The Group's immediate parent is INEOS Offshore BCS Limited. The ultimate parent is INEOS Limited, a company incorporated in the Isle of Man.

The most senior parent entity producing publicly available financial statements, and largest group to consolidate these financial statements is INEOS Industries Limited. These financial statements are available upon request from the companies registered address: Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom or from Companies' House. The ultimate controlling party is Mr J A Ratcliffe.

Company's Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Non-current assets			
Intangible assets	7	67	105
Property, plant and equipment	8	185	408
Right-of-use assets	9	146	155
Investments	10	1,116,275	1,293,419
Financial assets at fair value through other comprehensive income	16	-	29,875
Indemnification assets	11	214,819	325,445
		1,331,492	1,649,407
Current assets			
Trade and other receivables	12	789,604	539,120
Cash and bank balances	13	142,923	89,813
		932,527	628,933
Total assets		2,264,019	2,278,340
Current liabilities			
Trade and other payables	14	(10,449)	(10,023)
Loans and borrowings	15	(996,415)	(661,008)
Derivatives financial instruments	16	(352,013)	(257,409)
Deferred consideration	17	-	(74,195)
Lease liabilities	19	(92)	(84)
		(1,358,969)	(1,002,719)
Net current liabilities		(426,442)	(373,786)
Total assets less current liabilities		905,050	1,275,621
Non-current liabilities			
Trade and other payables	14	(2,623)	(2,489)
Loans and borrowings	15	(1,001,554)	(1,095,024)
Provisions	18	(80)	(79)
Lease liabilities	19	(63)	(95)
		(1,004,320)	(1,097,687)
Total liabilities		**(2,363,289)**	**(2,100,406)**
Net (liabilities)/assets		(99,270)	177,934

Company's Balance Sheet as at 31 December 2022 (continued)

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Equity			
Share capital	21	74,327	74,327
Share premium		232,994	232,994
Capital redemption reserve		22,547	22,547
Other reserves*		(1,250)	4,875
Retained deficit		(427,888)	(156,809)
Equity attributable to owners of the Company		(99,270)	177,934

** Other reserves balance of £4.9 million in 2021 and a deficit of £1.3 million in 2022 is the net change in fair value of financial assets at fair value through other comprehensive income, see note 25 for further details.*

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

The financial statements on pages 82 to 99 were approved by the Board on 19 May 2023 and signed on its behalf by:

....

Richard Rose

Director

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2022	74,327	232,994	22,547	4,875	(156,809)	177,934
Loss for the year	-	-	-	-	(271,079)	(271,079)
Other comprehensive expense	-	-	-	(6,125)	-	(6,125)
Total comprehensive expense	-	-	-	(6,125)	(271,079)	(277,204)
At 31 December 2022	74,327	232,994	22,547	(1,250)	(427,888)	(99,270)

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained deficit £ 000	Total equity £ 000
At 1 January 2021	74,327	232,994	22,547	-	(431,357)	(101,489)
Profit for the year	-	-	-	-	274,548	274,548
Other comprehensive income	-	-	-	4,875	-	4,875
Total comprehensive income	-	-	-	4,875	274,548	279,423
At 31 December 2021	74,327	232,994	22,547	4,875	(156,809)	177,934

Notes to the Financial Statements for the Year Ended 31 December 2022

1 Accounting policies

Summary of significant accounting policies and key accounting estimates
The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through other comprehensive income. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The Company's financial statements are presented in British pound sterling (£), which is also the Company's functional currency. All the amounts in the financial statements unless stated have been rounded to the nearest £'000.

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

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

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

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

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 Accounting policies (continued)

Changes in significant accounting policies

The Company financial statements have been prepared using accounting policies that are consistent with those of the previous financial year. The Company has adopted the following amendments to accounting standards for the first time in 2022, with effect from 1 January 2022, although there has been no material effect on the Company's financial statements:

• Amendments to IAS 37: Onerous Contracts-Cost of Fulfilling a Contract.
The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

• Amendments to References to the Conceptual Framework in IFRS 3.
The amendments update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

• Amendments to IAS 16: Property, Plant and Equipment-Proceeds before Intended Use.
Under the amendments, proceeds from selling items before the related item of Property, Plant and Equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.
The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.
If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

• Annual Improvements to IFRS Standards 2018-2020:
IFRS 1: Subsidiary as a first-time Adopter - The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. The amendment allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

1 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:

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period end 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.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

Impairment of investments

An impairment test requires an assessment as to whether the carrying value of an asset can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate. Estimations of the future cash flows require application of judgements and actual cash flows can differ from the estimate due to changes in assumptions.

The Company has assessed the carrying value of investments in subsidiaries and has identified the need for an impairment provision of £177.1 million in respect of the investment in INEOS UK SNS Limited (2021: £376.8 million reversal in respect of the investment in INEOS UK SNS Limited and £34.5 million in respect of the investment in INEOS E&P (UK) Limited). Refer to note 10 for further details. If the gas price assumptions decreased by 10% in management's calculation, the impairment provision would increase by £129.3 million.

3 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	37	25

4 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	5,902	6,724
Social security costs	1,463	1,197
Pension costs, defined contribution scheme	1,045	772
	8,410	8,693

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Staff costs (continued)

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

	2022 No.	2021 No.
Production	38	39
Administration and support	29	26
Research and development	12	16
	79	81

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	1,178	1,117
Compensation in respect of loss of office	-	891
Pension contributions	-	8
	1,178	2,016

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

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	-	1

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	809	751
Compensation in relation to loss of office	-	891
	809	1,642

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Tax

Tax credited to the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	(71,005)	(57,342)
UK corporation tax adjustment to prior periods	-	(111)
	(71,005)	(57,453)

The tax on loss before tax for the year is the same as the standard rate of corporation tax in the UK (2021: the same as the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(342,084)	217,095
Corporation tax at standard rate	(64,996)	41,248
Increase from effect of capital allowances depreciation	1	1
Increase from effect of revenues exempt from taxation	(39,394)	-
Decrease in current tax from adjustment for prior periods	-	(111)
Increase from effect of different UK tax rates on some earnings	(9)	1
Increase/(decrease) from effect of expenses not deductible in determining taxable (loss)/profit	33,354	(98,590)
Decrease/(increase) from tax losses for which no deferred tax asset was recognised	39	(2)
Total tax credit	(71,005)	(57,453)

Deferred tax assets have not been recognised as the directors consider there is insufficient certainty over the future utilisation of deductible temporary differences of £193,000 (2021: £1,593,000).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Intangible assets

	Software £ 000
Cost	
At 1 January 2022	2,331
Disposals	(2,139)
At 31 December 2022	192
Accumulated amortisation and impairment	
At 1 January 2022	2,226
Amortisation charge	38
Amortisation eliminated on disposals	(2,139)
At 31 December 2022	125
Carrying amount	
At 31 December 2022	67
At 31 December 2021	105

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Property plant and equipment

	Furniture, fittings and equipment £ 000
Cost	
At 1 January 2022	1,629
Additions	107
Disposals	(406)
At 31 December 2022	1,330
Depreciation	
At 1 January 2022	1,221
Charge for the year	150
Eliminated on disposal	(226)
At 31 December 2022	1,145
Carrying amount	
At 31 December 2022	185
At 31 December 2021	408

9 Right-of-use

	Property £ 000
Cost or valuation assets	
At 1 January 2022	375
Additions	106
At 31 December 2022	481
Depreciation	
At 1 January 2022	220
Charge for the year	115
At 31 December 2022	335
Carrying amount	
At 31 December 2022	146
At 31 December 2021	155

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Investments

Subsidiaries	**£ 000**
Cost	
At 1 January 2022	1,307,527
At 31 December 2022	1,307,527
Impairment provision	
At 1 January 2022	14,108
Increase in provision	177,144
At 31 December 2022	191,252
Carrying amount	
At 31 December 2022	1,116,275
At 31 December 2021	1,293,419

At the year-end, an impairment test was performed on the carrying value of the investments and due to an increase and volatility in oil and gas prices an impairment charge of £177.1 million was recognised in the income statement (2021: impairment reversal of £376.8 million). The discount rate used in measuring value in use was a pre-tax rate of 13.40% (2021: post tax rate of 8.04%).

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
INEOS Clipper South B Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS Clipper South C Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS UK SNS Limited	Exploration, development and production of gas	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P Norg A/S	Exploration, development and production of oil and gas	Inovyn Norge AS Rafnes, 3966 Stathelle Norway	100%	100%

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
INEOS E&P (Petroleum Denmark) ApS	Development of oil and gas around the North Sea	Teknikerbyen 5, 1., 2830 Virum Denmark	100%	100%
INEOS E&P A/S	Explore and develop hydrocarbons in Denmark and around the North Sea	Teknikerbyen 5, 1, 2830 Virum Denmark	100%	100%
INEOS E&P (Norge) Petroleum DK AS	Development of oil and gas around the North Sea	Veritasveien 25, 4007 Stavanger Norway	100%	100%
INEOS Energy (Syde Arne) ApS	Oil and gas exploration, development and production within Denmark	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 Grønland E&P A/S*	Explore and develop hydrocarbons and related activities in Greenland	Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk Greenland	100%	100%
INEOS E&P (Siri) UK Limited	Oil and gas exploration, development and production within Denmark	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P (UK) Limited	Oil and gas exploration, development and production within the UK	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%
INEOS E&P Services (UK) Limited	Service provider to other group companies	Anchor House, 15-19 Britten Street, London, SW3 3TY United Kingdom	100%	100%

**Subsidiary dissolved post year-end*

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Indemnification assets

	2022 £ 000	2021 £ 000
At 31 December	214,819	325,445

As part of the acquisition of DONG E&P A/S in 2017, the Company benefits from an indemnity in respect of uncertain tax liabilities relating to pre-acquisition periods. The Company also benefits from a contractual right to receive sufficient cash to fulfil the obligation to settle actual payments in respect of the historical construction cost of the Fredericia Gas Plant, regardless of amount and timing. These indemnification assets were valued at £214.8 million as at 31 December 2022 (2021: £325.4 million).

12 Trade and other receivables

	2022 £ 000	2021 £ 000
Trade receivables	12	10
Amount owed by group undertakings	639,400	460,398
Prepayments	371	580
Other receivable	149,821	78,132
Total current trade and other receivable	789,604	539,120

The Company has loan arrangements with its subsidiaries. The loans bear interest of a range of 3.5% - 7% and the interest is payable on a quarterly basis. The full amount is unsecured and repayable on demand.

The Company also has internal cash accounts with its subsidiaries. They are due on demand and bear interest at LIBOR plus a margin 0.5% (2021: 0.5%).

Trade receivables
As at 31 December 2022, none of the trade receivables were past due (2021: nil). All trade and other receivables are deemed as low risk and collectible on the basis of established credit management processes such as regular analysis of the creditworthiness of our customers and external credit checks where appropriate for new customers. At 31 December 2022 and 2021, there were no significant trade or other receivables balances not past due that were subsequently impaired.

13 Cash and bank balances

	2022 £ 000	2021 £ 000
Cash at bank	142,923	89,813

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Trade and other payables

	2022 £ 000	2021 £ 000
Current		
Trade payables	6,066	5,963
Accrued expenses	2,887	2,687
Amounts owed to group undertakings	93	27
Other payables	1,403	1,346
Total current trade and other payables	10,449	10,023
Non-current		
Other payables	2,623	2,489
Total non-current trade and other payables	2,623	2,489

Amounts owed to group undertakings consists of balances outstanding with INEOS group companies for the purchase and receipt of services under the normal course of business. All outstanding balances are unsecured and are repayable in cash.

15 Loans and borrowings

	2022 £ 000	2021 £ 000
Non-current loans and borrowings		
Amounts owed to group undertakings	1,001,554	1,095,024

	2022 £ 000	2021 £ 000
Current loans and borrowings		
Amounts owed to group undertakings	996,415	661,008

Borrowings

Amounts owed to group undertakings

The Company has a loan arrangement with its parent INEOS Offshore BCS Limited. The loans amount to US$598.4 million (£496.4 million) bears interest of 7% and the interest is payable on a quarterly basis. INEOS Offshore BCS Limited has indicated no repayment will be demanded for at least 12 months from the approval of financial statements.

The Company has a loan arrangement with INEOS E&P A/S. The loan amounts to DKK 4,245 million (£505.1 million), bears interest of 3.25% plus CIBOR and the interest is payable on a quarterly basis. In the year, the Company has repaid DKK 1,800.9 million (£309.0 million) of the loan. INEOS E&P A/S has indicated no repayment will be demanded for at least 12 months from the approval of financial statements.

Amounts owed to group undertakings also include a balance of £996.4 million (2021: £661.1 million) that represents internal cash accounts with its subsidiaries. They are due on demand and bear interest at variable rates.

Bank Borrowings

The RBL Facility is secured on customary terms and bears interest at a margin above LIBOR. The Company's subsidiaries are the guarantors to the RBL Facility. In October 2021, the Company repaid the outstanding balance of the RBL Facility in full. There have been no draw downs in 2022 leaving £nil liability as at 31 December 2022 (2021: nil).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial instruments

	2022 £ 000	2021 £ 000
Derivative liabilities held for risk management	(352,013)	(257,409)
Financial assets at fair value through other comprehensive income	-	29,875
Liabilities	(352,013)	(227,534)

The Company has entered into swap agreements with fixed price ranging from £0.35 to £0.57 per therm.

On 22 June 2022, the Company divested its 25 million shares in HydrogenOne Capital Growth plc to another INEOS company: INEOS Offshore BCS Limited, as part of an internal corporate restructuring. There was no gain or loss on disposal as the shares were transferred at the fair value at the date of the transfer.

17 Deferred consideration

	2022 £ 000
At 1 January 2022	74,195
Consideration settled during the year	(74,195)
At 31 December 2022	-

Deferred consideration related to the obligation of the Company to pay $150.0 million in instalments in connection with the capital cost of the Fredericia Gas Plant as part of acquisition of DONG E&P A/S in 2017. In 2022, this balance was fully settled with no liability remaining at the 31 December 2022.

18 Provisions for liabilities

	Dilapidation and restoration provisions £ 000
At 1 January 2022	79
Increase in existing provisions	1
At 31 December 2022	80
Non-current liabilities	80

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Provisions for liabilities (continued)

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

19 Leases Liabilities

Leases liabilities

	2022 £ 000	2021 £ 000
Current lease liabilities	92	84
Non-current lease liabilities	63	95

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

	2022 £ 000	2021 £ 000
On demand or within one year	97	88
Between one and five years	64	98
Total lease liabilities (undiscounted)	161	186

Total cash outflows related to leases
Total cash outflows related to leases are presented in the table below:

Payment	31 December 2022 £ 000	31 December 2021 £ 000
Right of use assets	137	70
Low value leases	9	9
Total cash outflow	146	79

The Company leases a number of assets as part of its activities. This primarily includes its offices and accommodation in the UK.

20 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the Company to the scheme and amounted to £1,045,224 (2021: £772,477).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary Shares of £1 each	74,327	74,327	74,327	74,327

22 Related party transactions

During the year the Company entered into transactions, in the ordinary courses of business, with related parties. The nature and terms of the transactions have been disclosed in notes 12, 14 and 15. The Company has also taken advantage of the exemption under paragraph 8 of Financial Reporting Standard 101 not to disclose transactions with the fellow subsidiaries under common ownership.

23 Parent and ultimate parent undertaking

The Company's immediate parent is INEOS Offshore BCS Limited.

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

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

The ultimate controlling party is Mr J A Ratcliffe.