INEOS Energy (Syd Arne) ApS

Teknikerbyen 5, 1.
Virum

Annual report for 2021

CVR no. 73 58 91 18

Adopted at the annual general meeting on
30 June 2022

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Christian Vinten

Contents

Management's Statement

The Executive Board and the Board of Directors have today discussed and approved the annual report of INEOS Energy (Syd Arne) ApS for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

Virum, 30 June 2022

Excutive Board

DocuSigned by:
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Mads Weng Gade

Board of Directors

DocuSigned by: Erik Magnesen 0DAAD53F0D48436...	DocuSigned by: David James Bucknall C57281F437AE48D...	DocuSigned by: BB5628A74E1C438...
Erik Fantoft Magnesen	David James Bucknall	Mads Weng Gade
Chairman	Deputy chairman	

Independent Auditor's Report

To the shareholder of INEOS Energy (Syd Arne) ApS

Opinion

We have audited the financial statements of INEOS Energy (Syd Arne) ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 – 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Management's Responsibilities for the financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30 June 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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	murat Guler
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Lars Hillebrand	**Murat Guler**
State-Authorised Public Accountant	State-Authorised Public Accountant
Indentification No (MNE) mne26712	Indentification No (MNE) mne46582

Company Details

The Company	INEOS Energy (Syd Arne) ApS Teknikerbyen 5, 1. 2830 Virum Website: www.ineos.com CVR no.: 73 58 91 18 Reporting period: 1 January - 31 December
Board of Directors	Erik Fantoft Magnesen, Chairman David James Bucknall, Deputy chairman Mads Weng Gade
Executive Board	Mads Weng Gade
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S
Consolidated Financial Statements	The Company is included in the consolidated Financial Statements of INEOS E&P UK Holdings Limited. The consolidated financial statements of INEOS E&P UK Holdings Limited can be obtained by contacting INEOS E&P A/S or at: https://beta.companieshouse.gov.uk/company/SC200459

Financial Highlights

Key figures

Income statement (USDm)	2021	2020	2019	2018	2017
Revenue	109,272	88,283	138,108	163,767	191,014
Operating profit/loss	39,858	-271,703	-91,006	-50,049	-163,106
Net financials	-10,312	-12,405	-11,061	-9,934	-10,766
Net profit/loss for the year	67,785	-280,367	-91,592	-45,766	-142,690
Balance Sheet (USDm)					
Total assets	544,412	344,894	622,705	845,369	891,009
Investment in property, plant and equipment	142	1,574	17,599	12,163	17,839
Equity	206,137	99,184	379,551	471,143	516,909
Financial ratios					
Return on assets	7.32%	-77.70%	-14.60%	-5.80%	-3.50%
Solvency ratio	37.86%	28.80%	61.00%	55.70%	58.60%
Return on equity	44.40%	-117.10%	-21.50%	-9.30%	-19.70%
None-financial data					
Average number of employees (FTE's)	47	99	104	106	117

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's Review

Main activity
The main activity of INEOS Energy (Syd Arne) ApS is as the Operator of the South Arne field, under license 7/89, and with an equity share of 61.51572%.

Market overview and development in the year
On 30 august 2021 the ownership of the Company changed from Hess (Netherlands) Holding B.V. to INEOS E&P A/S. on the same date the Company changed its name to INEOS Energy (Syd Arne) ApS.

The INEOS Energy (Syd Arne) ApS share of production from the South Arne field during 2021 averaged 4.8 thousand barrels of oil equivalent per day, a 18% decrease on 2020 production. The decline in production was due to delayed interventions as a result of logistical and operational reasons brought about by the COVID-19 pandemic and to the shut in of one of the producing wells during part of the year due to technical issues.

COVID-19 continues to have a profound impact on society and industry. A multidisciplinary INEOS emergency response team has been overseeing plans and precautions to reduce the risks of COVID-19 in the work environment while maintaining business continuity based on the most current recommendations by government and public health agencies. INEOS Energy (Syd Arne) ApS has implemented a variety of health and safety measures including enhanced cleaning procedures and modified work practices such as travel restrictions, health screenings, reduced personnel at South Arne and onshore office locations and remote working arrangements for office workers.

Pre-development work on the Solsort unit, in which INEOS Energy (Syd Arne) ApS has an interest of 4.8%, continues to be progressed by the Operator, INEOS E&P A/S.

The company's revenue for 2021 was USD 109,272 thousand with a net profit after tax of USD 67,785 thousand including an reversal of impairment of USD 37,968 thousand (we refer to note 2). The company balance sheet as at 31 December 2021 shows equity of USD 206,137 thousand after a proposed dividend of USD 0 thousand.

Future development
In these uncertain times current price environment, the company will continue to focus on optimizing operational efficiency and reducing costs. For the longer-term horizon, INEOS Energy (Syd Arne) ApS is working to mature other opportunities for future investment as well as continuing to position South Arne as a processing hub for third party production.

The past year and follow-up on development expectations from last year
2021 production from the South Arne field was lower than expected and the year ended with lower daily production compared with that at the start of the year. This was a result of deferred interventions due to logistics and operational challenges brought about by the COVID-19 pandemic and tasks was put on hold to the change in ownership of the company.

The overall year-end financial result was better than expected due to higher prices despite the lower production.

Special risks - operating risks and financial risks

Market risks
As the company produces and sells crude oil it is exposed to fluctuating oil prices.

Foreign exchange risks
The operating costs of the company are primarily in DKK and are therefore exposed to currency exchange rate fluctuations.

Management's Review

Environment and safety
INEOS Energy (Syd Arne) ApS aims to be compliant at all times with all Danish EHS Regulations, Corporate EHS Standards and Industry Guidelines and Recommended Practices. The company equally strives to ensure its operations and activities are carried out in a safe and responsible manner with no harm to people or damage to the environment. The company’s Occupational Health and Safety Management System is ISO 45001 certified and the Environmental Management system is ISO14001 certified.

Recognition and measurement uncertainties
The recognition of Deferred Tax, Fixed Assets (impairments) and decommissioning liabilities are all subject to a high degree of uncertainty due to the level and nature of assumptions made when estimating the outcome of subsequent events. The assumptions which would change future measurement includes:

- General price development or development in market prices
- Expected useful live of production assets
- Weighted average cost of capital (WACC) and risk free rate
- Exchange rates, etc.
- Development of existing technologies

The recognition and measurement of items in the financial statements is not subject to any other significant uncertainty.

Subsequent events
On 1 April 2022, the operatorship of the oil license 7/89 Syd Arne was transfered to INEOS E&P A/S. The company continuces to hold it's exsistings license share.

There are no other material events post balance sheet date.

Statutory report on corporate governance

Business model
The Company's main activity is exploration and production of oil and gas in the Danish part of the North Sea. Oil and gas are sold to primarily oil refineries in Europe.

A part of our strategy is to transform the business into a leading North Sea oil and gas company in terms of returns and cash generation. Furthermore, we continue to assess other opportunities for value creation, with investments focused on field extensions or build-out near existing producing assets as well as already initiated developments.

Corporate social responsibility
In INEOS Energy (Syd Arne) ApS we are committed to conducting our operations in a responsible manner for the benefit of our shareholders, customers, employees, and the society and environment in which we work. Safety is our number 1 priority, and our efforts to keep people safe never end, and we hold ourselves and one another accountable for our Quality, Health, Safety and Environment (QHSE) performance. We continuously strive to improve our performance and the INEOS 20 Safety Principles are an integral part of this.

INEOS Energy (Syd Arne) ApS is aware of the role it plays in society and of its responsibility towards its business partners as well as its shareholders and employees. INEOS E&P A/S has therefore committed itself to clear principles, which serve as the foundation for the actions INEOS E&P A/S takes as a business and as a corporate citizen.

Management's Review

Corporate social responsibility (continued)
The actions taken by INEOS Energy (Syd Arne) ApS and by its employees are founded on personal responsibility, honesty, loyalty and respect for others and for the environment. Managers bear particular responsibility in this regard.

Therefore, the Company has implemented a Code of Conduct which serves two main purposes:

1. It encourages every single employee to take responsibility for his or her actions and it seeks to provide them with appropriate guidance.

2. It outlines the ethical principles which guide the business activities of INEOS Energy (Syd Arne) ApS.

The Company has joined the principles of the UN Global Compact. INEOS Energy (Syd Arne) ApS works to further honor the Global Compact in its business relationships and does not have business relationships with business partners who are known to be in violation of the principles underlying the Global Compact.

INEOS Energy (Syd Arne) ApS is a part of INEOS Group. Read more about the Group Corporate Social Reponsibility (CSR) objectives on the Company's website www.ineos.com/sustainability.

Human rights
No significant risks have been identified in relation to human rights. INEOS Energy (Syd Arne) ApS conduct business in a regulated market where authorities inspects companies to make sure that they comply with legislation and where labour unions is involved in negotiation regarding working conditions including human rights for employees.

INEOS Energy (Syd Arne) ApS conducts business business to business (B2B) and our customers are mostly large corporation or public companies. Therefore, violation of human rights is rare and INEOS Energy (Syd Arne) ApS haven't registered any.

INEOS Energy (Syd Arne) ApS will continuously ensure that all human rights are respected, and there is a continuous follow up. INEOS Energy (syd Arne) ApS will continuously ensures that all human rights are respected and will implement adequate policies if deemed required.

Anti-Corruption Policy
INEOS Energy (Syd Arne) ApS is committed to conduct all its business activities throughout the world in an honest and ethical manner and expects the same of its Employees and Business Partners. INEOS have implemented a policy on anti-corruption in order to follow this.

INEOS Energy (Syd Arne) ApS does not tolerate any form of Corruption, neither active or passive nor direct or indirect, and works against Corruption in all its forms. In all its activities, INEOS Energy (Syd Arne) ApS is committed to complying with the provisions of the Bribery Act 2010, the United States Foreign Corrupt Practices Act and any applicable anti-corruption laws in the countries where it does business. INEOS Energy (Syd Arne) ApS implements and enforces adequate procedures and systems, including the anti-corruption Policy, in order to ensure compliance with these commitments and laws.

During 2021, we have registered no cases of anti-corruption nor bribery behavior.

Management's Review

Social and employee conditions
Through relevant procedures and processes, we must create the safest possible working environment for our employees and minimize work-related accidents and diseases. Furthermore, we must protect our employees from stress, bullying, harassment and physical danger in their workplace.

Every year, our goal is to avoid accidents in the workplace completely. The prevention will be upheld by a combination of education of each employee and the implementation of behavioral procedures ensuring a safe working environment. We must always make sure that all equipment is maintained properly, for it to carry a minimal risk to our employees.

In 2021, we reported 11.7 workplace accidents (OSHA recordable injury rate per 200,000 hours). It is the view of the Company that the most significant risk pertaining to working conditions is workplace accidents, which can cause injury to employees and impact our ability as a company to attract a skilled workforce.

Environmental
INEOS Energy (Syd Arne) ApS take the environment seriously and have therefore defined a mandatory minimum requirement for environmental management in the Company and it provides direction and support to the statements in the Company's QHSE Policy "We will commit ourselves to continual improvement and prevention of pollution” and “We will minimise our consumption of resources and impact on the environment".

In 2021 INEOS Energy (Syd Arne) ApS discharged 3079 kg of oil into the sea with the produced water and 409 kg with the ballast water from operated oil and gas activities in Denmark. This was an increase from 2020 which can mainly be attributed to the WI pumps was unavailable from end May, due to the incident with switchboard. As a consequence, reinjection of produced water decreased to 76.8 % from 88.4% in 2021.

Gas flaring from own operated platforms had a slight increased to 1.68 Nm3 in 2021 from 1.60 Nm3 in 2020, but the overall flare gas consumption in 2021 was at still very low.

The discharges and emissions are both increased in 2021 compared to 2020, but are well within the limits of the relevant permits. The WI pumps switchboard was fixed during January 2022, and therefor the reinjection of produced water has increased significantly.

INEOS Energy (Syd Arne) ApS believe that results of our efforts are reflected in our success in complying with regulatory requirements regarding environment and climate and acted with due environmental care. Nonetheless continuous efforts are put in to reducing our impacts going forward.

Data ethics
INEOS Energy (Syd Arne) ApS has not defined a separate "Data ethics Policy". INEOS Energy (Syd Arne) ApS have defined General Data Protection Policy, Data Breach Policy and Data Retention Policy which defines rules on how data is managed and protected. Any violation of the policy or other internal procedures may be reported by employees through the group's whistleblower system or to the company's Compliance Officer. No report were filed in 2021.

Management's Review

Climate

Global air temperatures have warmed steadily over past decades, and climate variations becomes more and more severe, with both warmer and wetter climate in some areas, and drier in other areas. The cause for the warmer climate is to a large extent ascribed to an increased amount of greenhouse gasses in the atmosphere, due to burning of fossil fuels.

INEOS is committed to contribute to reduce the emission of greenhouse gasses, both when it comes to our own installation, and in our effort to contribute in other sectors.

At our installation, we constantly strive to make the process more efficient and reduce the energy consumption, in particularly by waste-heat recovery and improved procedures.

INEOS is investigating the options for making the Siri Area (owned by INEOS Energy (Syd Arne) ApS's parent company INEOS E&P A/S) a future test area for a number of Green Transition Projects, due to its benign location.

The Siri Area holds a number of oil fields, which are to be decommissioned during this decade, due to the natural decline in production. However, the reservoirs are at a benign depth for geological storage of CO2, and the facility already in place, may be used for future carbon storage. INEOS is in the process of analyzing the feasibility and potential for carbon storage in our fields. If the use of the fields is deemed feasible, it may open up for storage of up to 4 million tons CO2 per year.

The Siri Area Complex is uniquely located in an area where:
- Carbon storage is viable (sand reservoir in depth 800-3,000m)
- Electricity from wind farms is likely ~2025 (Sørlige Nordsjø II in Norway)
- Hydrogen storage might be matured for power-to-X (presence of salt diapirs)

INEOS supports the ambition of the Danish Government to reduce CO2 emission by 70 % in 2030. Therefore, INEOS has played an active role in the work within the oil and gas industry which has led to input to the Climate Partnership for Energy and Utilities demonstrating a large potential for reductions.

Statement on the underrepresented gender

Board of Directors

INEOS wants to encourage diversity and create equal opportunities for all. INEOS Energy (Syd Arne) ApS is following its policy to ensure an increased proportion of females on the Board of Directors. Currently the Board of directors consist of 3 members of whom 0 is women. Therefore, the company is required to set a target for the underrepresented gender in according to The Financial Statements Act section 99 b. Our target is that the Board of Directors should consist of at least 1 woman before end of 2025. While this target was not achieved in 2021 due to change in ownership of the company, it remains a key focus for INEOS to be delivered before the 2025 target date is reached.

Management Team:

INEOS Energy (Syd Arne) ApS doesn't have any employees by the end of 2021 but INEOS has a policy in place to increase the number of underrepresented gender in other management levels. In our recruitment process we ensure that everyone has an equal opportunity. When recruiting for a specific job we make sure to invite at least one qualified female applicant for an interview. Each year when the People Review has been completed, women with special leadership potential are identified, and individual action plans are prepared for them, so they are ready when a management position becomes open.

Management's Review

Statement on the underrepresented gender (continued)
The development of women in management is monitored through continuous reporting by HR. On at least a quarterly basis the IOG DK Executive management receives an overview of the gender distribution of management in our organisation to ensure appropriate focus and efforts to increase the proportion of female managers.

Due to the fact that the company doesn't have any employees by the end of 2021 no target has been set for other management level.

Report on payments to authorities
Pursuant to section 99c of the Danish Financial Statements Act, INEOS E&P A/S is obliged to account for payment authorities. In 2019 INEOS E&P A/S has made payment of DKK 110 thousand regarding Nitrogen Oxide (NOx) fee.

Income Statement 1 January - 31 December 2021

	Note	2021	2020
		USD'000	USD'000
Revenue	4	**109,272**	**88,283**
Cost of sales and exploration	6.7	-67,218	-355,186
Gross profit/(loss)		**42,054**	**-266,903**
Administrative expenses		-2,196	-4,800
Operating profit/(loss)		**39,858**	**-271,703**
Other operating income	5	4,981	3,578
Profit/loss before financial income and expenses		**44,840**	**-268,125**
Financial income	8	153	715
Financial expenses	9	-10,465	-13,120
Profit/(loss) before tax		**34,528**	**-280,530**
Tax on profit/loss for the year	10	33,257	163
Net profit/(loss) for the year		**67,785**	**-280,367**

Balance Sheet at 31 December 2021

	Note	2021	2020
		USD'000	USD'000
Assets			
Plant and machinery		428,771	228,330
Plant and machinery under construction		6,593	12,570
Property, plant and equipment	12	**435,364**	**240,900**
Lease assets		24,026	-
Lease assets	13	**24,026**	**-**
Deferred tax asset		30,000	-
Other non-current assets	15	**30,000**	**-**
Non-current assets		**489,390**	**240,900**
Inventories	14	**12,755**	**8,111**
Trade receivables		12,145	1,741
Receivables from group enterprises		23,884	74,073
Other receivables		3,521	5,559
Tax receivables		2,609	-
Prepayments	16	108	1,735
Current assets		**55,022**	**91,219**
Cash at bank and in hand		**-**	**12,775**
Current assets		**55,022**	**103,994**
Assets		**544,412**	**344,894**

Balance Sheet at 31 December 2021

	Note	2021	2020
		USD'000	USD'000
Liabilities and equity			
Share capital		2,286	2,476
Retained earnings		203,851	96,708
Equity	17	**206,137**	**99,184**
Provisions	18	297,732	86,208
Lease liabilities	13	20,863	-
Payables to group enterprises	19	-	127,463
Non-current liabilities		**318,595**	**213,671**
Provisions		1,805	-
Lease liabilities	13	3,548	-
Credit institutions		-	3,356
Trade payables		5,660	3,614
Payables to group enterprises	19	-	7,785
Corporation tax		-	803
Other payables		8,667	16,481
Current liabilities		**19,680**	**32,039**
Liabilities		**338,275**	**245,710**
Liabilities and equity		**544,412**	**344,894**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	USD'000	USD'000	USD'000
2021			
Equity at 1 January	2,476	96,708	99,184
Exchange adjustments, foreign	-191	191	-
Capital increase	1	39,168	39,169
Profit for the year	-	67,785	67,785
Equity at 31 December	**2,286**	**203,852**	**206,137**
2020			
Equity at 1 January	2,247	377,304	379,551
Exchange adjustments, foreign	229	-229	-
Profit for the year	-	-280,367	-280,367
Equity at 31 December	**2,476**	**96,708**	**99,184**

Notes

1 Going concern

The Company has considered its funding position and financial projection, including stress test sensitivities, and Management have a reasonable expectation that the Company has 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, Management have considered the principal risks and uncertainties and financial risks that the business is exposed to, discussed further in the Management review. As part of assuring the going concern basis of preparation for the Company, the ability of the Company's parent, INEOS UK E&P Holdings Limited (the "Group"), to support the Company has been taken into consideration.

The Group monitors its funding position and its liquidity risk throughout the year to ensure it has sufficient funds to meet its forecast cash requirement. Cash forecasts are produced based on a number of inputs, such as production and expenditure forecasts, oil and gas price assumptions, and investing and financing cash flow forecasts, which includes the impact of Danish acquisition and Norwegian disposal, as detailed in note 3 and 4 of the consolidated financial statements. These inputs have been reviewed and approved by the board and sensitivities are run for different scenarios, the most significant of which is a low commodity prices environment, resulting in an average gas price of 85 p/th for the remainder of 2022 and 2023, and an average oil price of $64 /bbl for the remainder of 2022 and $59 /bbl in 2023.

Oil and gas prices have risen significantly during the course of 2021. And with the loss, or potential loss, of Russian oil and gas supplies as a result of the war in Ukraine and the sanctions in place, prices have been elevated since the beginning of 2022, resulting in the commodity price assumptions included in management's base case being lower than the spot price at the time of signing of the financial statements. Although Management cannot predict the prolonged impact of the above events, Management have undertaken a rigorous assessment of the potential impact for 12 months from the date of signing of these financial statements. In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow has indicated that the Group would still have sufficient cash flow to meet its obligations as they fall due based on available cash and undrawn balance on the reserves based lending ("RBL") facilities at 31 December 2021.

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 covenants fully complied throughout the forecast period. As such, Management have a reasonable expectation that the Group and the Company has adequate resources to continue its operation in the foreseeable future. Therefore, Management consider that preparing the financial statements on the going concern basis continues to be appropriate.

2 Uncertainty relating to recognition and measurement

Asset impairment test

On March 18, 2021, it was announced that the Hess Corporation and INEOS had entered into an agreement to sell INEOS Energy (Syd Arne) ApS (former Hess Denmark ApS) to INEOS E&P AS for a total consideration of $150 million, effective January 1, 2021. The final consideration paid on closing was USD 138,520,956. The transaction was closed on August 30, 2021. The annual impairment has been updated based on the agreed consideration.

At year-end 2021 INEOS Energy (Syd Arne) ApS has performed an annual asset impairment test and various sensitivity analysis. Net assets related to the oil and gas activities are tested for impairment if there is any indication of impairment. For assets with a limited lifetime such as oil and gas fields, cash flows are calculated based on forecasts for the entire lifetime of the asset. The determination of the recoverable amount for assets is based on a number of assumptions where estimates are made that are material to the determination.

Notes

2 Uncertainty relating to recognition and measurement (continued)

Key assumptions are disclosed by Group (INEOS UK E&P Holdings Limited) in note 12 of the financial statements for INEOS UK E&P Holdings Limited. Based on these assumption and estimate we have recognised a reversal of impairment of USD 38 million for tangible assets cf. note 12.

Decommissioning obligation

The decommissioning obligation is recognised as the present value of the estimated expected obligation regarding to dismantling of the platforms and at the end of the license period in 2047.

Management have based the estimate on input from specialist, available market data and industry/historical knowledge including anticipated cost savings resulting from anticipated advances in technology in the future.

The measurement of the asset retirement obligation is subject to uncertainty due to a number of assumptions, including the scope of work required, timing, regulations, costs, and effect of cost savings resulting from anticipated advances in technology.

Management believes the assumptions applied are reasonable and realistic.

3 Subsequent events

On 1 April 2022, the operatorship of the oil license 7/89 Syd Arne was transfer to INEOS E&P A/S. The company continuces to hold a it's exsistings license share.

There are no other material events post balance sheet date.

	2021	2020
	USD'000	USD'000
4 Revenue		
Type of goods/services		
Oil	108,044	82,539
Gas	1,228	5,744
Total	109,272	88,283
Geographical information by location of customers		
Denmark	1,227	5,744
Rest of EU	16,373	-
Rest of world	91,672	82,539
Total	109,272	88,283
Timing of revenue recognition from customers		
At a point in time	108,045	82,539
Over time	1,227	5,744
	109,272	88,283
5 Other operating income		
Government Grant	3,372	3,578
Other	1,609	-
	4,981	3,578

Notes

		2021	2020
		USD'000	USD'000
6	**Cost of sales and exploration**		
	Production and exploration	56,129	81,575
	Depreciation	52,489	27,815
	Reversal of impairment	-41,400	-
	Impairment	-	245,796
		67,218	355,186
7	**Staff costs**		
	Wages and salaries	7,030	23,667
	Pensions	618	1,262
	Other social security expenses	90	104
		7,738	25,033
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Cost of sales and exploration	7,738	25,033
		7,738	25,033
	Average number of employees (FTE's)	47	95

According to section 98 B(3) of the Danish Financial Statements Act, Remuneration to the Executive Board has not been disclosed.

		2021	2020
		USD'000	USD'000
8	**Financial income**		
	Interest received from group companies	70	464
	Other financial income	83	715
		153	1,179
9	**Financial expenses**		
	Financial expenses to group companies	4,261	6,690
	Other financial expenses	-	3,662
	Exchange loss	2,823	2,768
	Lease interest	694	-
	Interest element, provision	2,687	-
		10,465	13,120

Notes

		2021	2020
		USD'000	USD'000
10	**Tax on profit for the year**		
	Deferred tax for the year	-30,000	-
	Adjustment of tax concerning previous years	-3,257	-163
		-33,257	-163
11	**Distribution of profit/(loss)**		
	Proposed distribution of (profit/loss)		
	Retained earnings	67,785	-280,367
		67,785	-280,367

12 Property, plant and equipment

	Plant and machinery	Plant and machinery under construction	Total
	USD'000	USD'000	USD'000
Cost at 1 January	2,306,477	17,045	2,323,522
Additions for the year	-	142	142
Change in decommissioning provision	205,022	-	205,022
Transfers for the year	1,827	-1,827	-
Cost at 31 December	2,513,326	15,360	2,528,686
Impairment losses and depreciaiton at 1 January	2,078,147	4,475	2,082,622
Depreciation for the year	48,669	-	48,669
Impairment	-	10,452	10,452
Reversal of impairment	-48,420	-	-48,420
Impairment losses and depreciaiton at 31 December	2,078,395	14,927	2,093,322
Carrying amount at 31 December	**434,931**	**433**	**435,364**
Interest expenses recognised as part of cost of assets	-	-	-

Notes

13 Lease assets

	Furniture and equipment	Total
	USD'000	USD'000
Cost at 1 January	27,846	27,846
Cost at 31 December	27,846	27,846
Depreciaiton at 1 January	-	-
Depreciation for the year	3,820	3,820
Depreciaiton at 31 December	3,820	3,820
Carrying amount at 31 December	**24,026**	**24,026**

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

Amount recognised in profit and loss

	2021
	USD'000
Expense relating to short-term leases for which recognition exemption is applied	124
Income from subleasing right-of-use assets	1,589

Interests on lease debt expensed in profit (loss) were USD 0.7 million in 2021.

	2021
	USD'000
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	
Within 1 year	4,149
Between 1 and 5 year	16,845
Over 5 years	5,511
Less: impact on discounting	-2,094
Balance at 31 December 2021	**24,411**
Current	3,548
Non-current	20,863
Total	**24,411**

14 Inventories

	2021	2020
	USD'000	USD'000
Finished goods and goods for resale	12,755	8,111
	12,755	**8,111**

Notes

		2021	2020
		USD'000	USD'000
15	**Deferred tax asset**		
	Deferred tax asset at 1 January	-	-
	Amounts recognised in the income statement for the year	30,000	-
	Deferred tax at 31 December	**30,000**	**-**

INEOS Energy (Syd Arne) ApS has recognized a deferred tax assets of USD 30 million (2020: USD 0 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 recognized deferred tax asset is due to the significant increase in oil prices in 2021. The recognised deferred tax asset is related to Hydrocarbon chapter 2 taxable income.

There is a non-recognized deferred tax assets of USD 897 million (2019: USD 1,022 million), which relates partly to unutilised losses USD 658 million (2019: USD 666 million) in hydrocarbon income and partly to timely differences USD 239 million (2019: USD 356 million). It is considered more likely than not, that these losses and timely differences can not be utilised in the future.

16 Prepayments

Prepayments consists of prepaid expenses concerning rent, insurance, subscriptions etc.

17 Equity

The share capital consists of 15,002 shares of a nominal value of DKK 1,000. No shares carry any special rights.

In 2021, the share capital was increased by DKK 1k. Besides this, there have been no changes to the share capital in the last five years.

		2021	2020
		USD'000	USD'000
18	**Provisions**		
	Balance at 1 January	86,208	78,593
	Provision used during the year	-188	-
	Provision made / (reversed)	1,994	-
	Change in estimated, interest and other factors	211,523	7,615
	Balance at 31 December	**299,537**	**86,208**
	Provsions by category:		
	Decommissioning obligations	297,732	86,208
	Onerous contracts	1,805	-
		299,537	**86,208**
	The expected due dates of other provsions are:		
	Within one year	1,805	-
	Between 1 and 5 years	-	-
	Over 5 years	297,732	86,208
		299,537	**86,208**

Notes

18 Provisions (continued)

Provisions comprises of decommissioning obligations relating to demolition and decommissioning of the Company's oil and gas fields, provision for onerous contracts. Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning and restoration as expected at the balance sheet date. The value of the decommissioning provision is recognised in property, plant and equipment and depreciated together with the associated asset. The values of the provision for onerous contracts is recognised in the Income Statement.

19 Payables to group enterprises

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021	2020
	USD'000	USD'000
Payables to group enterprises		
Between 1 and 5 years	-	127,463
Long-term part		127,463
Other short-term debt to group enterprises	-	7,785
	-	**135,248**

20 Contingent assets, liabilities and other financial obligations

Contingent assets

According to legislation, INEOS Energy (Syd Arne) ApS are liable to pay compensation for any environmental accidents or other types of damage caused by our oil and gas activities, even when there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

INEOS Energy (Syd Arne) ApS is taxed jointly with all Danish subsidiaries. As management company, the company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Guarantees

INEOS Holdings AG has furnished the Danish Ministry for Energy, Utilities and Climate with a guarantee for fulfilment of obligations and liabilities towards the Danish State and third parties incurred by INEOS Energy (Syd Arne) ApS in connection with the company's participation in the Syd Arne exploration and production licence, irrespective of whether the obligations and liabilities rest on INEOS Energy (Syd Arne) ApS alone or jointly and severally with others. The guarantees are not capped, but cannot exceed a sum corresponding to twice INEOS Energy (Syd Arne) ApS's share of each obligation or liability.

21 Related parties and group information

Transactions with related parties

According to the Danish Financial Statement Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

Group information

INEOS Energy (Syd Arne) ApS immediate parant company is INEOS E&P A/S, Denmark (100 percent ownership). The ultimate parent is INEOS Limited, a company incorporated in the Isle of Man.

Notes

21 Related parties and group information (continued)

INEOS Energy (Syd Arne) ApS is included in the consolidated financial statements prepared by INEOS UK E&P Holdings Limited, United Kingdom.

The consolidated financial statements of INEOS UK E&P Holdings Limited can be obtained by contacting INEOS E&P A/S or at:

https://beta.companieshouse.gov.uk/company/SC200459

Accounting policies

Basis of preparation
The annual report of INEOS Energy (Syd Arne) ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C as well as selected provisions of the International Financial Reporting Standards approved by EU.

The accounting policy applied remain unchanged from last year.

The annual report for 2021 is presented in USD '000.

In pursuance of Section 86(4) of the Danish Financial Statements Act, the company has omitted preparing a cash flow statement as the company is included in the cash flow statement of the INEOS UK E&P Holdings Limited.

In pursuance of Section 96(3) of the Danish Financial Statements Act, the company has omitted providing information on audit fees as the company is fully consolidated in INEOS UK E&P Holdings Limited's consolidated financial statements, in which the audit fees for the Group as a whole are disclosed.

Implementation of new or changed accounting standards and interpretations
The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

- IFRS 16

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all eases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Company has applied IFRS 16 on 1 January 2021 using the modified retrospective approach. Under this approach, the comparative figures and information have not been restated.

Impact of the new definition of a lease
The Company has decided not to take advantage of the practical expedient to grandfather the definition of a lease on transition. This means that all contracts currently identified as leases in accordance with IAS 17 and IFRIC 4 have been reassessed to determine whether they meet the definition of a lease under IFRS 16.
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRIC 4.

Accounting policies

Impact of the new definition of a lease (continued)
The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2021. In preparation for the first-time application of IFRS 16, the Group has carried out an implantation project. The project has identified a number of contracts relating to joint operations previously treated as operating expenses are now classified as leases under IFRS 16.

Impact on Lessee Accounting
Former operating lease
IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as note below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense in profit or loss on a straight-line basis as permitted by IFRS 16.

Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. The Company has no finance leases therefore this change did not have a material impact on the Group's consolidated financial statements.

Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosure required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). This change did not have a material impact on the Company's consolidated financial statements as the Company has no sub-lease agreements.

Accounting policies

Financial impact of the initial application of IFRS 16

The table below provides a reconciliation of the Company's operating lease commitments as at 31 December 2020 to the total lease liability recognised in accordance with IFRs 16 as at 1 January 2021.

	USD'000
Operating lease commitments disclosed as at 31 December 2020	62,346
Impact of discounting using the incremental borrowing rate (IBR) on transition	-2,789
(Less): short-term leases recognised on a straight-line basis as expense	-108
(Less): low-value leases recognised on a straight-line basis as expense	-3
(Less): contracts reassessed as service agreements	-29,502
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-1,001
Other	-1,096
Lease liability recognised as at 1 January 2021	**27,847**

Of which are:	
Current lease libilities	3,436
Non-current lease liabilities	24,411
	27,847

The right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2021 USD'000
Furniture and equipment	27,847
	27,847

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2021 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Accounting policies

Recognition and measurement (continued)
Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.
Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Segment information
Information is provided on business segments and geographical markets. The segment information is provided in consideration of the company's accounting policies, risks and management control.

Income statement

Revenue
The Company has chosen IFRS 15 as basis of recognition and measurement.

Revenue, which is stated net of value added tax, represents oil and gas products sold to third parties. 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 Company has an interest with partners in joint arrangements is recognised on the basis of the Company’s volumes lifted and sold. Lifting or offtake arrangements for oil and gas produced in certain of the Company’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 cost price and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales in the income statement.

Accounting policies

Revenue (continued)
Other income relating to gas production include technical service to third or related parties, and revenue arised from tariffs for third or related parties 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.

Cost of sales and exploration
Cost of sales and exploration comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

Exploration and development costs
Exploration and development costs are accounted for under the successful efforts method.

Costs of undeveloped oil and gas licenses, including lease bonuses are capitalised.

Exploration expenses, including geological and geophysical expenses and exploratory dry hol costs, are expensed as incurred.

Expenses for development of wells and costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalised.

The costs of exploratory wells that find oil and gas reserves are capitalised pending determination of whether proved reserves have been found. In an area requiring major capital expenditure before production can begin, an exploration well is carried as an asset if sufficient reserves are discovered to justify its completion as a production well, and sufficient progress is being made in assessing the reserves and the economic or operational viability of the project. Indicators of sufficient progress in assessing the reserves and the economic and operating viability of a project include commitment of project personnel, active negotiations for sales contracts with customers, negotiations with governments, operators and contractors, firm plans for additional drilling and other factors.

Exploration and development costs (continued)
The Company calculates depletion expenses for acquisition costs of proved properties using the units of production method over proved oil and gas reserves. Depreciation and depletion expenses for oil and gas production equipment and wells are calculated using the units of production method over proved developed oil and gas reserves.

Administrative expenses
Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including government compensation of fixed cost related to the Covid-19 pandemic.

Financial income and expenses
Financial income and expenses comprise interest as well as realised and unrealised exchange adjustments.

Accounting policies

Tax on profit for the year
Tax on profit/loss for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to profit/loss for the year and directly in equity to the extent that it relates to entries made directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the INEOS E&P A&S's Danish companies. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

INEOS E&P Energy (Syd Arne) ApS is comprised by the Danish Hydrocarbon taxation Act. Hydrocarbon taxes are recognised under tax on profit/loss for the year. INEOS E&P A/S is the management company responsible for the joint taxation (including carbon tax) and thus settles all payments (including hydrocarbon payments) with the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish companies in proportion to their taxable income. In this connection, Danish subsidiaries with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while companies that utilise tax losses in other Danish companies pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Property, plant and equipment
Property, plant and equipment (including plant and machinery under construction) are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the capitalized exploration and development costs including dismantlement costs as described above in the section "Exploration and development costs".

Depreciation based on cost using the successful efforts method. Accordingly, depreciations are recognised over production.

Impairment of fixed assets
The carrying amounts of plant and machinery are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the highest of fair value less cost to sell and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories
Inventories consist of petroleum. Inventories are valued at the lower of cost and net realisable value. Cost is determined using a weighted average of lifting cost.

Accounting policies

Receivables
Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value less provisions for bad debts.

Prepayments
Prepayments comprise expenses concerning rent, insurance premiums, subscriptions and interest incurred regarding subsequent financial years.

Provisions
Decommissioning obligations
The corporation recognises a liability for the fair value of legally required decommissioning obligations associated with long-lived assets in the period in which the decommissioning obligations are incurred. The Corporation capitalises the associated decommissioning costs as part of the carrying amount of the longlived assets.

Deferred tax assets and liabilities
Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities
Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. If a contract is, or contains a lease, the Company applies IFRS 16 when accounting for such contracts. For all other contracts, it applies other IFRSs as appropriate.

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 Company assesses whether:

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

Accounting policies

Leases (continued)
The Company, as lessee, has availed the exemption from lessee accounting for its short-term leases and leases of low-value items. 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 Company's benefit.

The Company recognizes the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the Company has the primary responsibility for making the lease payments.

For contracts in scope, the Company, 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 Company’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 Company 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. It 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.

Liabilities other than provisions
Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Accounting policies

Deferred income
Deferred income comprises payments received in respect of income in subsequent financial years.

Financial Highlights
Explanation of financial ratios

$$\text{Return on assets} = \frac{\text{Profit before financials x 100}}{\text{Total assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$