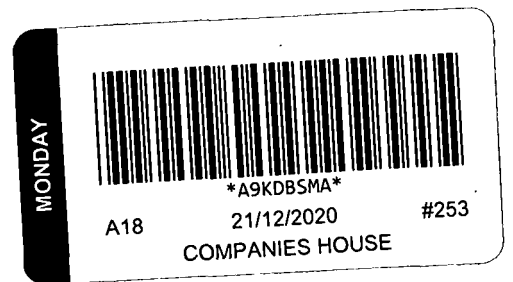


Hess Services UK Limited

**Annual report and financial statements
for the year ended 31 December 2019**



Hess Services UK Limited

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Hess Services UK Limited

Company information

Directors	M J Chadwick V W Cleveland M Grinfeld
Registered number	6409506
Registered office	One Fleet Place London EC4M 7WS
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

Hess Services UK Limited

Directors' report for the year ended 31 December 2019

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

Principal activity

The company's principal activity is the administration of the Hess UK Pension Plan. Previously, the company also provided services to affiliated companies whose principal activities were the exploration for and the production of oil and natural gas.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

The company is dependent upon the financial support of its ultimate parent undertaking, Hess Corporation. Hess Corporation has undertaken to provide the funds necessary for the company to continue as a going concern for a minimum of 12 months from the date of approval of the financial statements.

The directors have assessed the ability of Hess Corporation to provide financial support to the company.

In doing so they noted that as of 30 September 2020, Hess Corporation had US\$1.3 billion of cash and cash equivalents, excluding Midstream, and total liquidity, including available committed credit facilities, of approximately US\$4.8 billion. In addition, Hess Corporation has no near-term debt maturities.

On this basis, the directors satisfied themselves that Hess Corporation is able to provide financial support to the company, and the financial statements should be prepared on a going concern basis.

Results and dividends

The company's results for the financial year are set out in the profit and loss account on page 8.

The directors do not recommend the payment of a dividend (2018: £Nil).

Events after the balance sheet date

In early 2020, the outbreak of coronavirus (COVID-19) has affected business and economic activity around the world, including the United Kingdom. The company considers this outbreak to be a non-adjusting post balance sheet event as at 31 December 2019. Management continue to assess the impact of COVID-19 on the company. However, the COVID-19 pandemic is not likely to have an adverse effect on the company's business, financial condition and results of operations.

Future developments

The directors expect the company's principal activity to remain the administration of the Hess UK Pension Plan, and do not foresee any additional activities being undertaken.

In 2020, the company is continuing to assess its activities in light of COVID-19.

Directors

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

M J Chadwick
V W Cleveland
M Grinfeld

Hess Services UK Limited

Directors' report for the year ended 31 December 2019

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Hess Corporation group throughout the financial year.

Principal risks and uncertainties

The company's principal financial assets are amounts due from group undertakings. The credit risk associated with these assets, having regard to the counterparties involved is not believed to be significant. The company receives loans from a fellow group undertaking to maintain liquidity and ensure that there are sufficient funds available for ongoing operations.

The company monitors the impact of these risks as part of its regular reviews of the performance of its assets against agreed performance indicators both short and long term. Where appropriate, plans are implemented to manage risks having an impact on the business performance.

On 11 March 2020, the COVID-19 outbreak was declared by the World Health Organization (WHO) as a global pandemic, highlighting the health risks of the disease. In this context and following regulatory requirements published by the government in which the company operates, the company continues to assess conditions in order to adapt to the business and social environment in which it operates. The COVID-19 pandemic is not likely to have an adverse effect on the company's business, financial condition and results of operations.

Statement of directors' responsibilities

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Hess Services UK Limited

Directors' report for the year ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

Small companies exemption

The directors have taken advantage of the small companies exemption provided by Section 414B of the Companies Act 2006 and not prepared a strategic report.

By order of the Board


Michael Chadwick (Dec 16, 2020 12:00 CST)

M J Chadwick
Director

Date: 16 December 2020

Independent auditor's report to the members of Hess Services UK Limited

Opinion

We have audited the financial statements of Hess Services UK Limited for the year ended 31 December 2019, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the members of Hess Services UK Limited

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Hess Services UK Limited

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.

Ernst & Young LLP

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 17 December 2020

Hess Services UK Limited

Profit and loss account for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cost of sales		(1,604)	(2,818)
Gross loss		(1,604)	(2,818)
Other operating income / (expenses)		4,613	(6,643)
Profit / (loss) before interest and taxation	6	3,009	(9,461)
Interest receivable and similar income	7	706	529
Interest payable and similar charges	8	(314)	(327)
Profit / (loss) before taxation		3,401	(9,259)
Tax on profit / (loss)	9	(1,171)	(11)
Profit / (loss) for the financial year		2,230	(9,270)

The company's results are derived from continuing activities.

Hess Services UK Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit / (loss) for the financial year		<u>2,230</u>	<u>(9,270)</u>
Other comprehensive expense			
Actuarial loss on pension plan	16	(6,888)	(62)
Movement on deferred tax relating to pension asset	14	1,171	11
Other comprehensive expense for the financial year		<u>(5,717)</u>	<u>(51)</u>
Total comprehensive expense for the financial year		<u><u>(3,487)</u></u>	<u><u>(9,321)</u></u>

Hess Services UK Limited

Registered number: 6409506

Balance sheet as at 31 December 2019

	Note	2019 £000	2018 £000
Current assets			
Debtors	10	32,374	33,939
Cash at bank and in hand		25	29
		<u>32,399</u>	<u>33,968</u>
Creditors: amounts falling due within one year	11	(4,558)	(8,001)
Net current assets		27,841	25,967
Creditors: amounts falling due after more than one year	12	(148,179)	(147,445)
Provisions for liabilities			
Deferred tax	14	-	-
Net liabilities excluding pension asset		(120,338)	(121,478)
Pension asset	16	17,076	21,703
Net liabilities including pension asset		(103,262)	(99,775)
Capital and reserves			
Called up share capital	15	-	-
Capital contribution		5,277	5,277
Accumulated losses		(108,539)	(105,052)
Deficiency in equity		(103,262)	(99,775)

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were approved and authorised for issue by the board of directors on 16 December 2020 and were signed on its behalf by:

Michael Chadwick
Michael Chadwick (Dec 16, 2020 12:00 CST)

M J Chadwick
Director

Hess Services UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital (see note 15)	Capital contribution	Accumulated losses	Deficiency in equity
	£000	£000	£000	£000
At 1 January 2019	-	5,277	(105,052)	(99,775)
Profit for the financial year	-	-	2,230	2,230
Other comprehensive expense for the financial year	-	-	(5,717)	(5,717)
At 31 December 2019	-	5,277	(108,539)	(103,262)

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital (see note 15)	Capital contribution	Accumulated losses	Deficiency in equity
	£000	£000	£000	£000
At 1 January 2018	-	5,277	(95,731)	(90,454)
Loss for the financial year	-	-	(9,270)	(9,270)
Other comprehensive expense for the financial year	-	-	(51)	(51)
At 31 December 2018	-	5,277	(105,052)	(99,775)

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

The principal activity of Hess Services UK Limited ('the company') is the administration of the Hess UK Pension Plan.

The company is a private company limited by shares and is incorporated, registered and domiciled in England. The address of its registered office is One Fleet Place, London, EC4M 7WS.

2. Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

The company is dependent upon the financial support of its ultimate parent undertaking, Hess Corporation. Hess Corporation has undertaken to provide the funds necessary for the company to continue as a going concern for a minimum of 12 months from the date of approval of the financial statements.

The directors have assessed the ability of Hess Corporation to provide financial support to the company.

In doing so they noted that as of 30 September 2020, Hess Corporation had US\$1.3 billion of cash and cash equivalents, excluding Midstream, and total liquidity, including available committed credit facilities, of approximately US\$4.8 billion. In addition, Hess Corporation has no near-term debt maturities.

On this basis, the directors satisfied themselves that Hess Corporation is able to provide financial support to the company, and the financial statements should be prepared on a going concern basis.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- preparing a statement of cash flows;
- disclosure of key management personnel compensation;
- preparing certain financial instrument disclosures; and
- preparing certain share-based compensation disclosures.

The company has taken advantage of these exemptions on the basis that it meets the definition of a qualifying entity and its ultimate parent undertaking, Hess Corporation, includes the related disclosures in its own consolidated financial statements. Details of where those financial statements may be obtained can be found in note 17.

Other than the exemptions taken above, the company has applied the recognition, measurement and disclosure requirements of FRS 102.

3.4 Foreign currency

(i) Functional and presentational currency

The company's functional and presentational currency is UK pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.5 Interest receivable

Interest income is recognised using the effective interest rate method.

3.6 Interest payable

Interest payable is recognised in the profit and loss account in the year in which the interest expense is incurred.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.7 Pensions

The company operates The Hess UK Pension Plan ("the Plan"), a non-contributory, funded defined benefit pension plan for all permanent employees over the age of 18 years. The assets of the Plan are held in separately administered trust funds.

A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset or liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in UK pound sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in the profit and loss account comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of scheme introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in the tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

3.9 Cash and cash equivalents

Cash and cash equivalents include deposits held with banks and bank overdrafts.

Bank overdrafts are shown within current liabilities.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.10 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including amounts owed by group undertakings, other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade creditors, amounts owed to group undertakings, other taxes and social security and loans from group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Basic debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.11 Share capital

Ordinary shares are classified as equity.

3.12 Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

3.13 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the Hess Corporation group. It does not disclose transactions with members of the Hess Corporation group that are wholly owned.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

At 31 December 2019, the company did not make any critical judgements in applying its accounting policies.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pensions (see note 16)

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

5. Employees and directors

Employees

The company had no employees during the year ended 31 December 2019 or the previous financial year.

Directors

The directors received remuneration for the year of £2,948,000 (2018: £2,107,000) and pension contributions of £585,000 (2018: £482,000), all of which was paid by another group undertaking. The directors do not believe that it is practicable to apportion this amount between their services as a director of the company and their services as a director of other group undertakings.

During the year, remuneration of the highest paid director for services performed in respect of the UK (excluding pension contributions) was £1,282,000 (2018: £838,000).

During the year, the pension contributions paid in respect of the highest paid director were £246,000 (2018: £65,000).

No directors (2018: none) are accruing retirement benefits in respect of qualifying services under the company's non-contributory, funded defined benefit plan.

The UK executive directors are eligible to join the employee-wide Hess UK Share Incentive Plan.

Executive directors may join the Long-term Incentive Plan. During the year, two directors (2018: five) exercised options over shares in Hess Corporation.

6. Profit / (loss) before interest and taxation

Profit / (loss) before interest and taxation is stated after charging / (crediting):

	2019	2018
	£000	£000
Pension costs (see note 16)	866	163
(Gain) / loss on foreign currency	(4,613)	6,643
	<hr/>	<hr/>

Auditor's remuneration in respect of audit services (audit of the financial statements) amounting to £79,000 (2018: £49,000) will be borne by Hess Limited. There were no fees paid to the auditor in relation to non-audit services (2018: £Nil).

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

7. Interest receivable and similar income

	2019 £000	2018 £000
Net interest income in respect of defined benefit pension plan	665	473
Other interest receivable	41	56
	<u>706</u>	<u>529</u>

8. Interest payable and similar charges

	2019 £000	2018 £000
Loan from Hess UK Limited	305	301
Other interest payable	9	26
	<u>314</u>	<u>327</u>

9. Tax on profit / (loss)

	2019 £000	2018 £000
Profit and loss account:		
Current tax		
UK corporation tax on result for the year	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	1,309	12
Effect of changes in tax rates	(138)	(1)
Total deferred tax	<u>1,171</u>	<u>11</u>
	<u>1,171</u>	<u>11</u>
Tax on profit / (loss)	<u>1,171</u>	<u>11</u>

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

9. Tax on profit / (loss) (continued)

	2019 £000	2018 £000
Other comprehensive expense:		
Deferred tax	(1,171)	(11)

Factors affecting tax charge for the year

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit / (loss) before taxation	3,401	(9,259)
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	646	(1,759)
Effects of:		
Expenses not deductible	59	970
Effect of changes in tax rates	(138)	(1)
Effect of group relief	499	271
Stock option	(153)	(104)
Deferred tax not recognised	1,251	634
Income not taxable	(993)	-
Total tax charge for the year	1,171	11

Factors that may affect future tax charges

In the March 2020 Budget, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

10. Debtors

	2019 £000	2018 £000
Due within one year		
Amounts owed by group undertakings	32,357	33,789
Other debtors	17	150
	<u>32,374</u>	<u>33,939</u>

11. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank overdraft	235	2,849
Trade creditors	4	31
Amounts owed to group undertakings	4,305	4,836
Other taxes and social security	14	-
Accruals and deferred income	-	285
	<u>4,558</u>	<u>8,001</u>

12. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Loan from Hess UK Limited	148,179	147,445

The loan from Hess UK Limited, a fellow group undertaking, comprises a US\$250,000,000 long term credit facility. The loan is interest free and is repayable on 1 July 2023.

The loan was initially recognised at the present value of the future receipts discounted at a market rate of interest, being the US Federal Funds rate plus 1%. Subsequently, the loan is carried at amortised cost using the effective interest rate method. Interest has been calculated at an effective interest rate of 0.21% (2018: 0.21%).

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

13. Preference shares

The company has 5,000,000 authorised US\$1 preference shares of which none are allotted, called up or fully paid.

14. Deferred tax

	£000
At 1 January 2019	-
Charge to the profit and loss account	(1,171)
Credit to other comprehensive income	1,171
At 31 December 2019	-

The deferred tax included in the balance sheet is as follows:

	2019 £000	2018 £000
Losses	2,917	3,703
Pensions	(2,917)	(3,703)
	-	-

A potential deferred tax asset relating to gross timing differences of £8,973,000 has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable. The asset would be recoverable if there are sufficient and suitable taxable profits in the future.

The deferred tax balance expected to reverse in 2020 is £Nil.

15. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary share of US\$1	1	1

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

16. Pensions

The company operates The Hess UK Pension Plan ("the Plan"), a non-contributory, funded defined benefit plan for all its permanent employees over the age of 18 years. The assets of the Plan are held in separately administered trust funds.

The pension costs for the Plan are determined with the advice of an independent qualified actuary. The most recent formal valuation was undertaken at 1 January 2018 using the projected unit method and market related funding assumptions.

During the year, the company contributed £2,482,000 (2018: £5,098,000) including payment of the Plan's operational expenses and life assurance premiums. The company has agreed a Recovery Plan in respect of the 1 January 2018 actuarial valuation and additional contributions have been agreed to reduce funding deficits from 2020 onwards. During the year ended 31 December 2020, the company expects to pay contributions amounting to £1,596,000 under the Recovery Plan and £1,400,000 in respect of the Plan's operational expenses and regulatory levies, which will be paid by the Plan on behalf of the company.

Reconciliation of present value of Plan liabilities:

	2019 £000	2018 £000
Opening present value of Plan liabilities	418,613	440,303
Employer current service cost	886	101
Interest cost	11,846	10,774
Members' additional voluntary contributions	-	28
Actuarial loss / (gain)	57,206	(13,978)
Past service cost	-	62
Benefits and insurance premiums paid	(21,153)	(18,677)
Closing present value of Plan liabilities	467,398	418,613

Reconciliation of fair value of Plan assets:

	2019 £000	2018 £000
Opening fair value of Plan assets	440,316	456,660
Interest income	12,511	11,247
Return on plan assets excluding interest income	50,318	(14,040)
Employer contributions	2,482	5,098
Members' additional voluntary contributions	-	28
Benefits and insurance premiums paid	(21,153)	(18,677)
Closing fair value of Plan assets	484,474	440,316

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

16. Pensions (continued)

The fair value of Plan assets are:

	2019 £000	2018 £000
Equities	193,817	207,755
Bonds	199,942	125,295
Alternatives	80,212	99,974
Cash	10,503	7,292
Total plan assets	484,474	440,316

The amounts recognised in the balance sheet are as follows:

	2019 £000	2018 £000
Present value of Plan liabilities	(467,398)	(418,613)
Total market value of Plan assets	484,474	440,316
Net pension asset	17,076	21,703

The amounts recognised in the profit and loss account are as follows:

	2019 £000	2018 £000
Employer current service cost	886	101
Past service cost	-	62
Net interest income	(665)	(473)
Total amount recognised in the profit and loss account	221	(310)

Hess Services UK Limited

Notes to the financial statements for the year ended 31 December 2019

16. Pensions (continued)

The return on the Plan assets was:

	2019 £000	2018 £000
Interest income	12,511	11,247
Return on Plan assets excluding interest income	50,318	(14,040)
Total return on Plan assets	62,829	(2,793)

The major actuarial assumptions used by the actuary were as follows:

	2019 %	2018 %
Discount rate	2.00	2.90
Future pension increases	2.00	2.20
Price inflation	1.70	1.80

The valuation of the Plan's defined benefit obligations has been based on the S3PxA 'Light' (2018: S3PxA 'Light') mortality tables. Under these tables, the life expectancy at age 65 for a man currently aged 65 is 23.0 years (2018: 23.1 years), whereas the life expectancy at age 65 for a man currently aged 45 is 24.3 years (2018: 24.4 years). The life expectancy at age 65 for a woman currently aged 65 is 24.8 years (2018: 24.9 years), whereas the life expectancy at age 65 for a woman currently aged 45 is 26.2 years (2018: 26.3 years).

17. Immediate parent undertaking and ultimate parent undertaking

The immediate parent undertaking is Hess Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Hess Corporation, a company incorporated in the State of Delaware, United States of America. Hess Corporation is the parent undertaking of the smallest and largest group to consolidate these financial statements and copies of its consolidated financial statements can be obtained from the company at One Fleet Place, London, EC4M 7WS.

18. Events after the balance sheet date

In early 2020, the outbreak of coronavirus (COVID-19) has affected business and economic activity around the world, including the United Kingdom. The company considers this outbreak to be a non-adjusting post balance sheet event as at 31 December 2019. Management continue to assess the impact of COVID-19 on the company. However, the COVID-19 pandemic is not likely to have an adverse effect on the company's business, financial condition and results of operations.