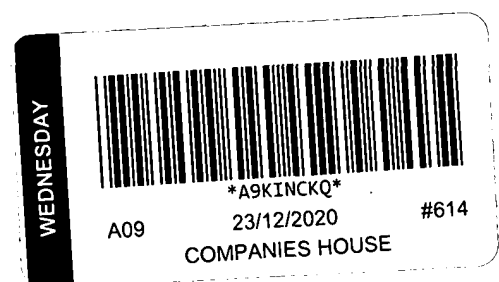


Petroineos Europe Limited

Annual report and financial statements

Registered number 5310655

31 December 2019



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Strategic report for the year ended 31 December 2019

The directors present their strategic report on Petroineos Europe Limited for the year ended 31 December 2019.

Review of business and future developments

Petroineos Europe Limited provides commercial staff support to both Petroineos Trading Limited and Petroineos Fuels Limited. There are no changes planned to the future activities of the Company.

Key performance indicators

Given the straight forward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators for the Company is not necessary for an understanding of the development, performance or position of the business. The financial results of Petroineos Europe Limited are included in the consolidated financial statements of its parent company, Petroineos Trading Limited. The development, performance and position of Petroineos Trading Limited is discussed in the group's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Petroineos Trading Limited which include those of the Company are discussed in the group's annual report which does not form part of this report.

Risks and uncertainties associated with the COVID-19 pandemic

The directors have separately assessed the risk and uncertainty arising from the COVID-19 pandemic. Pertinent to the continuing business, the Company considers the principle risks to arise from impairment of amounts owed by group undertakings and its ability to continue as a going concern.

At 31 December 2019, the Company is owed \$949.6m from the Petroineos Trading Group. Due to the coronavirus, the Group has seen a curtailment in physical product trading from weak demand for hydrocarbons. However, it expects this to be short term and has sufficient credit facilities in place to continue trading for the foreseeable future. As a result, the directors are satisfied that the amount owed from group undertakings is recoverable.

As the Company meets its day-to-day working capital requirements through its intra-group current account facility, the directors have a reasonable expectation that the Company has adequate resources to continue in administrative existence for the foreseeable future and to adopt the going concern basis in preparing its financial statements.

By order of the board

DocuSigned by:

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Dai Kai
Director
16 December 2020

Directors' report for the year ended 31 December 2019

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

Principal activities

The Company provides support services to other companies in the Petroineos Group.

Results and dividends

The profit for the financial year before taxation was \$41.2 million (2018: \$38.5 million). The directors do not propose the payment of a dividend (2018: \$nil).

Future developments

Future developments, including the uncertainties associated with the coronavirus pandemic, are discussed in the Strategic Report.

Financial risk management

The Company is funded internally by Petroineos Trading Limited and therefore has no direct exposure to price, credit, liquidity, interest rate or debt market risk.

Going concern

The directors have presented a full assessment of going concern and its application to the basis of preparation of these financial statements within the accounting policies note on page 11.

Directors

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

F Demay

G Hepburn

D Kai Appointed 18 January 2019

Y Luo

G Wang

X Zhang Resigned 18 January 2019

Employees

The Company has developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Company encourages this approach to provide information and consultation and believes that this promotes a better understanding of the issues facing the individual business in which the employee works. The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company by issuing communications on the intranet and holding employee information meetings hosted by the board.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by people with a disability. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

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

Political and charitable contributions

The Company made no political or charitable contributions during the financial year (2018: \$nil).

Health & safety

The Petroineos Group facilities and operations are subject to a wide range of health, safety, security and environmental ("HSSE") laws and regulations in all of the jurisdictions in which we operate.

Our operations are currently in material compliance with all HSSE laws, regulations and permits. We actively address compliance issues in connection with our operations and properties and we believe that we have systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on us.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

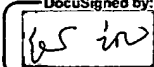
- (i) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- (ii) each director has taken all the steps that they ought to have taken in their duty as director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office. The auditors are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

By order of the board

DocuSigned by:

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Dai Kai

Director

16 December 2020

Registered number 5310655

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Petroineos Europe Limited

Opinion

We have audited the financial statements of Petroineos Europe Limited ("the Company") for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes In Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Petroineos Europe Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

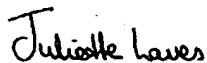
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Petroineos Europe Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Juliette Lowes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London, E14 5GL
16 December 2020

Profit and Loss Account
for year ended 31 December 2019

	<i>Note</i>	2019	2018
		\$m	\$m
Foreign exchange losses	2	(1.3)	-
Interest receivable and similar income	6	42.5	38.5
Profit before taxation		41.2	38.5
Tax on profit	7	(2.0)	(7.3)
Profit for the financial year		39.2	31.2

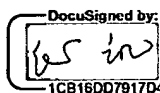
The Company has no recognised other comprehensive income and therefore no separate statement of other comprehensive income has been presented.

Balance Sheet

At 31 December 2019

	<i>Note</i>	2019	2018
		\$m	\$m
Current assets			
Debtors	8	953.8	912.1
Creditors: amounts falling due within one year	9	(5.6)	(3.1)
Net current assets		<u>948.2</u>	<u>909.0</u>
Total assets less current liabilities		<u>948.2</u>	<u>909.0</u>
Net assets		<u>948.2</u>	<u>909.0</u>
Capital and reserves			
Called up share capital	12	0.1	0.1
Share premium account		714.2	714.2
Profit and loss account		<u>233.9</u>	<u>194.7</u>
Total equity		<u>948.2</u>	<u>909.0</u>

These financial statements on pages 8 to 21 were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

DocuSigned by:

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Dai Kai
Director

Company registered number: 5310655

Statement of Changes in Equity

	Called up share capital \$m	Share Premium account \$m	Profit and loss account \$m	Total equity \$m
Balance at 1 January 2018	0.1	714.2	163.5	877.8
Total comprehensive income for the year				
Profit for the financial year	-	-	31.2	31.2
Balance at 31 December 2018	0.1	714.2	194.7	909.0

	Called up Share capital \$m	Share Premium account \$m	Profit and loss account \$m	Total equity \$m
Balance at 1 January 2019	0.1	714.2	194.7	909.0
Total comprehensive income for the year				
Profit for the financial year	-	-	39.2	39.2
Balance at 31 December 2019	0.1	714.2	233.9	948.2

Notes (forming part of the financial statements)

1 Accounting policies

Petroineos Europe Limited (the “Company”) is a limited company incorporated and domiciled in the UK. The registered office address is The Adelphi, 1-11 John Adam Street, London, WC2N 6HT. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

The Company’s parent undertaking, Petroineos Trading Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Petroineos Trading Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and can be obtained from the Company Secretary, The Adelphi, 1-11 John Adam Street, London, WC2N 6HT.

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

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs and;
- Disclosures in respect of the compensation of Key Management Personnel.

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

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

1.1 Measurement convention

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

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In determining the appropriate basis of preparation for the financial statements for the year ended 31 December 2019, the directors are required to consider whether the Company will be able to operate within the level of available funding and cash for the foreseeable future, being a period of at least twelve months following the approval of the financial statements. The directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of COVID-19 on the Company as set out below.

The Company provides commercial staff support to both Petroineos Trading Limited and Petroineos Fuels Limited. Although the longer term outlook remains challenging, the directors believe that the Company will continue to operate for the foreseeable future. The Company meets its day-to-day working capital requirements through its intra-group current account facility with Petroineos Trading Limited.

Notes (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

Since late March 2020, the Petroineos Group has faced challenges and uncertainties in the refining business and demand for fuel products and refining margins have been adversely affected by the pandemic. Nevertheless, the directors expect the long-term outlook to be resilient. Forecasts prepared, taking account of severe, but plausible downsides, demonstrate that the wider Group will be able to operate within the level of currently available uncommitted facilities for a period of at least twelve months following the approval of the financial statements. The high level of uncertainty as to how the COVID-19 pandemic might evolve over the remainder of 2020 and into 2021, including the second wave currently taking place across the UK and Europe, may have on the operation of the business, commodity pricing and the wider Energy market makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the directors financial forecasts.

The Going Concern assessment of the Company is reliant on uncommitted banking facilities continuing to be made available to Petroineos Trading Limited, to draw-down throughout the forecast period for the purpose of Trade Finance and general-purpose corporate borrowing in order to fund the Company's future working capital. The nature of uncommitted banking facilities means that the ongoing availability of the facilities, in their entirety, and the approvals to draw-down the facilities are outside the control of Petroineos Trading Limited. Should such uncommitted facilities not be made available to Petroineos Trading Limited to utilise in the next twelve months, PetroChina International (London) Co., Ltd has indicated its intention to make available banking facilities and cash to enable Petroineos Trading Limited to meet its financial liabilities and obligations as they fall due and continue to trade.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

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

1.4 Non-derivative financial instruments

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

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

Investments in debt and equity securities

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.5 Derivative financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.6 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Post employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan is recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yields at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from the defined benefit plan comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

We are unable to split the assets and liabilities of the scheme between the respective companies and therefore the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full in the financial statements of Petroineos Manufacturing Scotland Limited. The contributions paid by Petroineos Europe Limited have been recognised in these financial statements as defined contribution.

Notes (forming part of the financial statements) (continued)

1 Accounting policies (continued)

1.8 Expenses

Finance income and expense

Finance income comprises interest receivable on cash and cash equivalents and from amounts receivable from other group undertakings and related parties. Group and related party receivables are generally administered on an “in-house cash” basis with interest rates calculated at agreed margins over one-month LIBOR. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable includes interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1.9 Taxation

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

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

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

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

1.10 Changes in accounting policy

Several amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Notes (forming part of the financial statements) *(continued)*

2 Operating profit

Included in profit are the following:

	2019	2018
	\$m	\$m
Foreign exchange loss	1.3	-

3 Auditor's Remuneration

The fee for the audit of these financial statements is £12,000 (2018: £9,750) which is paid for by Petroineos Trading Limited.

4 Staff numbers and costs

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

	Number of employees	
	2019	2018
Administration	<u>21</u>	<u>20</u>
	<u>21</u>	<u>20</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	\$m	\$m
Wages and salaries	1.5	1.8
Social security costs	0.2	0.2
Pension costs - defined contribution plan (note 11)	<u>0.1</u>	<u>0.1</u>
	<u>1.8</u>	<u>2.1</u>

All employees and related costs are recovered directly from other Petroineos group companies. These recoveries are offset against expenditure when presented within Profit and Loss account, consistent with prior years.

5 Directors' remuneration

No directors had benefits accruing under a defined benefit pension scheme (2018: none).

No directors received any fees or remuneration for services as a director of the Company during the financial year (2018: none).

Notes (forming part of the financial statements) (continued)

6 Interest receivable and similar income

	2019	2018
	\$m	\$m
Interest income on financial assets at amortised cost	<u>42.5</u>	<u>38.5</u>
Total interest receivable and similar income	<u>42.5</u>	<u>38.5</u>

Interest receivable and similar income includes income from group undertakings of \$42.5 million (2018: \$38.5 million).

7 Tax on profit

Recognised in the profit and loss account

	2019	2018
	\$m	\$m
<i>UK corporation tax</i>		
UK Corporation Tax at 19% (2018:19%)	3.3	0.1
Group relief payable	-	7.3
Adjustments in respect of prior periods	<u>(1.3)</u>	<u>(0.1)</u>
Tax on profit	<u>2.0</u>	<u>7.3</u>

Notes (forming part of the financial statements) *(continued)*

7 Tax on profit *(continued)*

Reconciliation of effective tax rate

	2019	2018
	\$m	\$m
Total tax charge	2.0	7.3
Profit before taxation	41.2	38.5
Profit multiplied by the standard rate of tax in the UK of 19% (2018:19%)	7.8	7.3
Utilisation of deferred tax assets previously not recognised	(4.5)	-
Foreign exchange on tax liabilities	-	0.1
Adjustments in respect of prior periods	— (1.3)	— (0.1)
Total tax charge	— 2.0	— 7.3

Finance (No. 2) Act 2015 enacted legislation to reduce the main rate of UK corporation tax to 19% during the period from 1 April 2017 to 31 March 2020. As such the standard rate of corporation tax in the UK remained at 19% for the entire duration of the year ended 31 December 2019. Finance Act 2016 enacted legislation to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, the UK Government announced in the 11 March 2020 Budget an intention for the planned reduction to 17% to be postponed indefinitely. As legislation had not been enacted or substantively enacted as at 31 December 2019 UK deferred tax has been calculated based on a 17% rate.

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. Deferred tax assets are not recognised in respect of non-trade loan relationship deficit of \$38.7 million (2018: \$61.9 million) and capital losses of \$0.2 million (2018: \$0.2 million) on the basis that future economic benefits is uncertain given the unpredictability of future profit streams.

Notes (forming part of the financial statements) (continued)

8 Debtors

	2019	2018
	\$m	\$m
Amounts owed by group undertakings	950.9	907.6
Corporation tax debtor	-	1.6
Deferred tax (note 10)	<u>2.9</u>	<u>2.9</u>
	<u>953.8</u>	<u>912.1</u>
Due within one year	953.8	912.1

9 Creditors: amounts falling due within one year

	2019	2018
	\$m	\$m
Accruals and deferred income	0.2	0.2
Amounts owed to group undertakings	4.5	2.9
Corporation tax creditor (note 7)	<u>0.9</u>	-
	<u>5.6</u>	<u>3.1</u>

Notes (forming part of the financial statements) (continued)

10 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
	2019	2019	2019
	\$m	\$m	\$m
Losses and other deductions	<u>2.9</u>	<u>-</u>	<u>2.9</u>
Net tax asset	<u>2.9</u>	<u>-</u>	<u>2.9</u>

	Assets	Liabilities	Net
	2018	2018	2018
	\$m	\$m	\$m
Losses and other deductions	<u>2.9</u>	<u>-</u>	<u>2.9</u>
Net tax assets	<u>2.9</u>	<u>-</u>	<u>2.9</u>

The directors consider that it is probable that there will be sufficient taxable profits in the future such as to realise the recognised deferred tax asset on tax losses. Where there is uncertainty of the reversal of such differences, these amounts remain unproved.

Movement in deferred tax during the year

	1 January 2019	Recognised in income	31 December 2019
	\$m	\$m	\$m
Losses and other deductions	<u>2.9</u>	<u>-</u>	<u>2.9</u>
	<u>2.9</u>	<u>-</u>	<u>2.9</u>

Movement in deferred tax during the prior year

	1 January 2018	Recognised in income	31 December 2018
	\$m	\$m	\$m
Losses and other deductions	<u>2.9</u>	<u>-</u>	<u>2.9</u>
	<u>2.9</u>	<u>-</u>	<u>2.9</u>

Notes (forming part of the financial statements) (continued)

11 Post employment benefits

The Company operates both a defined contribution pension scheme and a defined benefits pension scheme.

The defined benefit scheme covers employees of Petroineos Europe Limited, Petroineos Trading Limited and Petroineos Manufacturing Scotland Limited. The fund is managed by Trustees, who are directors of Innovene Trustee Limited which has a trust deed in favour of Petroineos Europe Limited. The full scheme has been included in the financial statements of Petroineos Manufacturing Scotland Limited as we are unable to split the assets and liabilities of the scheme by company. The majority of the employees who are participants in the pension scheme are employees of Petroineos Manufacturing Scotland Limited. Therefore the Company's pension contributions have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further IAS 19 disclosures have been made in these financial statements with regards to the UK pension fund. On 31 December 2013 the defined pension plan was closed for future service accrual.

As the Innovene Pension Plan is administered and funded by the main employer within the scheme, Petroineos Manufacturing Scotland Limited, Petroineos Europe Limited made no contributions to the scheme in 2019 and there are no plans for them to contribute to the scheme in the future.

Under the terms of the scheme the employer companies are jointly and severally liable for the financial obligations to the scheme. Should one employer be unable to fulfil their financial obligations to the scheme the liabilities would fall to the other employers within the scheme. The total deficit of the scheme at 31 December 2019 was £7.3 million (2018: £2.8 million surplus).

The most recent actuarial valuation of the scheme was carried out at 31 December 2017.

The COVID-19 pandemic has had a significant impact on asset markets and corporate bonds yields, which are key to the IAS19 assessment of the net pension asset or liability. In particular, global equity markets have seen significant falls in 2020. AA corporate bond yields, used to set the IAS19 discount rate, have been highly volatile, with credit spreads increasing significantly over the year to date. Long term inflation expectations, used to project future benefit payments, have also fallen. Despite this volatility, the indications are that the scheme hedging has protected the fund from the majority of this volatility and the market value of assets has modestly increased in the post balance sheet period.

Defined Contribution plans

The Company participates in a defined contribution pension plan. The total expense relating to this plan in the current year was \$132,166 (2018: \$128,213).

12 Capital

Share capital	No. of shares	
Ordinary shares of £0.0001	550,475,003	
	2019	2018
	\$m	\$m
Allotted, called up and fully paid		
At 1 January	0.1	0.1
Issued during the year	-	-
At 31 December	0.1	0.1

As the reporting currency of the Company is US dollars the share capital has been converted to dollars at the effective rate of exchange ruling at the date of issuance.

Notes (forming part of the financial statements) (continued)

13 Related parties

Other related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow subsidiaries under common ownership. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

Other related party transactions

	Expenses incurred from related party	
	2019	2018
	\$m	\$m
Petroineos Refining Limited Group	<u>0.1</u>	<u>0.1</u>
	<u>0.1</u>	<u>0.1</u>

14 Controlling parties

The immediate parent undertaking of the Company is Petroineos Trading Limited, a company incorporated in Jersey and ultimate parent is PetroChina Company Limited, a company incorporated in the People's Republic of China.

Petroineos Trading Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. PetroChina Company Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements. The financial statements of the smallest and largest group consolidating the Company may be obtained from:

The Adelphi
 1-11 John Adam Street
 London
 WC2N 6HT

15 Post balance sheet event

Coronavirus

During 2020, the coronavirus pandemic and subsequent lock-down in the UK has led to an unprecedented reduction in demand for transport fuels. Coronavirus has had a significant effect on trading and on operations within the wider Petroineos organisation, but has had a very limited effect at Petroineos Europe Limited.