Petroineos Europe Limited

Annual report and financial statements

Registered number 05310655

31 December 2021

Contents

Strategic report for the year ended 31 December 2021

The directors present their strategic report on Petroineos Europe Limited for the year ended 31 December 2021.

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. During the year, the Company recovered all its operating costs from other Petroineos entities in the normal course of business. As in previous years, profit before tax was derived from interest income on its loan receivable with Petroineos Trading Limited. Both interest received and profit before tax for the year ended 31 December 2021 was $25.0m (2020: $29.2m. This was the main driver behind the improvement in Company net assets at 31 December 2021 to $999.8m (31 December 2020: $973.0m.)

Key performance indicators

The Company tracks profit before tax and improvement in its balance sheet net assets and indicators of its performance. These are disclosed in the review of business above. Further metrics used to analyse performance 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 that does not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company arise from the credit risk and interest rate risk arising from its loan receivable from its parent company, Petroineos Trading Limited and future of the wider refining industry in light of climate change. As the Company's transactions and outstanding balances are principally with other Petroineos organisations, the risks arising are managed at a group level. Risks associated with the UK Brexit transition period and uncertainties arising from the COVID-19 pandemic have lessened significantly in the post-balance sheet period. The current war in the Ukraine has not had a significant detrimental impact on operations, other than inflationary pressure on its costs.

Credit risk

At 31 December 2021, the Company is owed $999.9 million (2020: $976.9 million) from the Petroineos Trading Group. Although COVID-19 resulted in a curtailment in product trading in the last two years, there has been significant recovery during 2022, following emergence from the pandemic and the supply restrictions arising from the situation in the Ukraine. Throughout this period, Petroineos Trading Group has had sufficient credit facilities in place to continue trading and the directors expect this to continue for the foreseeable future. As a result, the directors are satisfied that the amount owed from group undertakings is recoverable.

Interest rate risk

The Company derives its profits principally from interest on its intra-group loan receivable. Interest is calculated on the loan balance at Libor, plus a fixed margin of 2.5%. The Company is therefore exposed to volatility in the movement on interest rates. In recent years, Libor has been relatively low and has therefore resulted in a relatively low interest credit in the profit and loss account. More recently interest rates have begun to increase and, consequently, the Company expects greater profitability due to this volatility.

Climate change

The directors acknowledge that hydrocarbon fuels are a significant source of greenhouse gases driving climate change. As a result, the wider Petroineos group of companies continues to devote significant resource to implementing efficiencies and targeting suitable alternative technologies to drive down the level of emissions. Progress in reducing emissions is expected to mitigate the risks arising from uncertainty in future environmental legislation and penalties designed to curtail the release of greenhouse gases.

Approved and signed on behalf of the board

Hongwei Li
Director
22 February 2023

Directors' report for the year ended 31 December 2021

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2021.

Principal activities

The Company provides commercial staff support to both Petroineos Trading Limited and Petroineos Fuels Limited. Costs are recovered fully with no mark-up charged to the recipient companies.

Results and dividends

The profit for the financial year before taxation was $25.0 million (2020: $29.2 million). The directors do not propose the payment of a dividend (2020: $nil).

Future developments

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

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	Resigned 4 February 2021
Hongwei Li	Appointed 31 December 2022
Yang Ling	Appointed 31 December 2022
D Kai	Resigned 31 December 2022
Y Luo	Resigned 16 August 2021
A J Pizzey	Appointed 4 February 2021
W Zhu	Resigned 31 December 2022
G Wang	Resigned 31 December 2022
Xiaoqiang Wang	Appointed 31 December 2022

Directors indemnities

The Company maintains liability insurance for its directors and officers. The Company also provides an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006, and was in force throughout the period and up until the date of this report.

Directors' report for the year ended 31 December 2021 (continued)

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.

Political and charitable contributions

The Company made no political or charitable contributions during the financial year (2020: $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.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 16 to the financial statements.

Disclosure of information to auditor

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 auditor is 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 auditor is 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.

Reappointment of auditor

Deloitte LLP were appointed to fill a casual vacancy. A resolution to reappoint Deloitte LLP will be proposed to the forthcoming AGM.

Approved and signed on behalf of the board

Hongwei Li
Director
22 February 2023
Registered number 05310655

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Petroineos Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

Other information (continued)

We have nothing to report in this regard.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gordon Whiley

Gordon Whiley, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 February 2023

Profit and Loss Account

for year ended 31 December 2021

	Note	**2021**	2020
		$m	$m
Turnover	*2*	**1.9**	1.9
Cost of sales		**(1.9)**	(1.9)
Operating profit		**-**	-
Interest receivable and similar income	*7*	**25.0**	29.2
Profit before taxation		**25.0**	29.2
Tax credit/(charge) on profit	*8*	**1.8**	(4.4)
Profit for the financial year		**26.8**	24.8

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

The accompanying notes form part of the financial statements.

Balance Sheet
At 31 December 2021

	Note	**2021**	2020
		$m	$m
Non-current assets			
Debtors	*9*	**999.9**	976.9
Deferred tax	*11*	**5.8**	2.9
		1,005.7	979.8
Current assets			
Debtors	*9*	**0.2**	0.1
Creditors: amounts falling due within one year	*10*	**(6.1)**	(6.9)
Net current liabilities		**(5.9)**	(6.8)
Total assets less current liabilities		**999.8**	973.0
Net assets		**999.8**	973.0
Capital and reserves			
Called up share capital	*13*	**0.1**	0.1
Share premium account		**714.2**	714.2
Profit and loss account		**285.5**	258.7
Total equity		**999.8**	973.0

These financial statements on pages 8 to 24 were approved by the board of directors on 22 February 2023 and were signed on its behalf by:

Hongwei Li
Director

Company registered number: 05310655

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 2020	0.1	714.2	233.9	948.2
Total comprehensive income for the year				
Profit for the financial year	-	-	24.8	24.8
Balance at 31 December 2020	**0.1**	**714.2**	**258.7**	**973.0**

	Called up Share capital $m	Share Premium account $m	Profit and loss account $m	Total equity $m
Balance at 1 January 2021	0.1	714.2	258.7	973.0
Total comprehensive income for the year				
Profit for the financial year	-	-	26.8	26.8
Balance at 31 December 2021	**0.1**	**714.2**	**285.5**	**999.8**

The accompanying notes form part of the financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

Petroineos Europe Limited (the "Company") is a private company limited by shares, incorporated in England and Wales and domiciled in the UK. The registered office address is The Adelphi, 1-11 John Adam Street, London, WC2N 6HT.

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

These financial statements are presented in US Dollars which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("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 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 polices 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 2021, 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 an assessment of the key uncertainties 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. However, at the signing date of these accounts, the UK and wider European economy has largely emerged from the pandemic and the associated risks have lessened significantly. Additional risk arising from the Russian invasion of the Ukraine and subsequent economic sanctions has had a minimal effect on the Company's operations, save for inflationary pressure on its costs and inherently greater uncertainty in predicting future prices. As a result, 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 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. As at 31 December 2021, the Petroineos Trading Group had access to uncommitted bank credit facilities of $7,112.5 million of which $613.8 million were utilised in the form of loans and $3,570.5 million utilised in the form of Letters of Credit. The uncommitted facilities are supported by letters of comfort from PetroChina Company Limited. 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 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.

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

1 Accounting policies *(continued)*

1.5 Government grants

Capital related government grants are shown in the balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project. Revenue grants are credited to the profit and loss account in the same period as the items to which they relate.

1.6 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1.7 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.

1.8 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).

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

1 Accounting policies *(continued)*

1.8 Post employee benefits (continued)

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.

Re-measurements 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.

1.9 Turnover

Turnover, which is stated net of value added tax and sales taxes represents the recovery of costs from Petroineos Trading Limited and Petroineos Fuels represents recharges for all employee related costs. These are charged on a monthly basis and are recognised on an accrual basis, as the service is delivered.

1.10 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.

Interest income 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.

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

1 Accounting policies *(continued)*

1.11 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.

1.12 Changes in accounting policy

There are no amendments or interpretations to accounting policies that apply for the first time in 2021. Consequently, there is no 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.

1.13 Critical accounting judgements and key sources of estimation uncertainty

The company prepares its financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The directors do not consider there to be any critical judgements or estimation uncertainties.

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

1 Accounting policies *(continued)*

1.13 Critical accounting judgements and key sources of estimation (continued)

Taxation

Management is required to estimate the tax payable in the jurisdiction in which the Company operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the balance sheet of the Company. Management has performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Company's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

Details of amounts recognised with regard to taxation are disclosed in note 8 and note 11.

1.14 Adoption of new and revised standards

In the preparation of these financial statements, the following amendments to IFRS, which became effective during the period, have been applied with no material impact on the Company:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Extension of the Temporary Exemption from Applying IFRS 9 to 1 January 2023 (amendments to IFRS 4); and
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).

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

2 Turnover

Turnover, all of which is generated in the UK, represents recharges for all employee related costs which are recovered directly from other group companies.

3 Operating profit

Included in profit are the following:

	2021	2020
	$m	$m
Foreign exchange loss	-	-
Government grants	-	-

During the year the Company received £508 (2020: £10,249) under the HMRC coronavirus furlough scheme.

4 Auditor's Remuneration

The fee for the audit of these financial statements is £22,144 (2020: £15,000).

5 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	
	2021	2020
Administration	20	21
	20	21

The aggregate payroll costs of these persons were as follows:

	2021	2020
	$m	$m
Wages and salaries	1.8	1.6
Social security costs	0.2	0.2
Pension costs - defined contribution plan (note 12)	0.1	0.1
	2.1	1.9

6 Directors' remuneration

No directors had benefits accruing under a defined benefit pension scheme (2020: none).
No directors received any fees or remuneration for services as a director of the Company during the financial year (2020: none).

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

7 Interest receivable and similar income

	2021	2020
	$m	$m
Interest income on financial assets at amortised cost	**25.0**	29.2
Total interest receivable and similar income	**25.0**	29.2

Interest receivable and similar income includes income from group undertakings of $25.0 million (2020: $29.2 million).

8 Tax on profit

Recognised in the profit and loss account

	2021	2020
	$m	$m
UK corporation tax		
UK Corporation Tax at 19% (2020:19%)	**1.1**	0.1
Group relief payable	-	4.3
Tax on profit	**1.1**	4.4
Deferred tax (see note 11)		
Recognition of deferred tax assets	**(2.9)**	-
Total deferred tax credit	(2.9)	-
Tax (credit)/charge on profit	**(1.8)**	4.4

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

8 Tax on profit *(continued)*

Reconciliation of effective tax rate

	2021	2020
	$m	$m
Profit before taxation	**25.0**	29.2
Profit multiplied by the standard rate of tax in the UK of 19% (2020:19%)	**4.7**	5.5
Deferred tax recognition	**(2.9)**	-
Utilisation of deferred tax assets previously not recognised	**(3.6)**	(1.2)
Foreign exchange on tax liabilities	**-**	0.1
Total tax charge	**(1.8)**	4.4

The standard rate of corporation tax in the UK remained at 19% for the entire duration of the year ended 31 December 2021.

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 $nil million (2020: $34.1 million) and capital losses of $0.3 million (2020: $0.3 million) on the basis that future economic benefits is uncertain given the unpredictability of future profit streams.

Finance Act 2021 increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax assets and deferred tax liabilities are recognised at either 19% or 25% depending upon whether they are expected to reverse before or after 1 April 2023 respectively.

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

9 Debtors

	2021	2020
	$m	$m
Amounts owed by group undertakings	**1,000.1**	977.0
Deferred tax (note 10)	**5.8**	2.9
	1,005.9	979.9
Due within one year	**0.2**	0.1
Due after more than one year	**1,005.7**	979.8

Amounts due after one year relates to a loan receivable balance of $999.9m (2020: $976.9m) from Petroineos Trading Limited which is payable on demand. Interest is calculated on a daily basis at USD Libor + 2.5% and is charged monthly. The directors do not anticipate making a repayment within the next twelve months. The balance also includes a deferred tax debtor of $5.8m (2020: $2.9m).

10 Creditors: amounts falling due within one year

	2021	2020
	$m	$m
Amounts owed to group undertakings	**6.0**	6.0
Corporation tax creditor (note 8)	**0.1**	0.9
	6.1	6.9

The amount due to group undertakings is in relation to intra-group tax balances with Petroineos Trading Limited (2020: $6m) and are repayable on demand.

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

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
	2021	**2021**	**2021**
	$m	**$m**	**$m**
Losses and other deductions	5.8	-	5.8
Net tax asset	**5.8**	**-**	**5.8**

	Assets	Liabilities	Net
	2020	**2020**	**2020**
	$m	**$m**	**$m**
Losses and other deductions	2.9	-	2.9
Net tax assets	2.9	-	2.9

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 unprovided.

Movement in deferred tax during the year

	1 January 2021	Recognised in income	31 December 2021
	$m	**$m**	**$m**
Losses and other deductions	**2.9**	**2.9**	**5.8**
	2.9	**2.9**	**5.8**

Movement in deferred tax during the prior year

	1 January 2020	Recognised in income	31 December 2020
	$m	**$m**	**$m**
Losses and other deductions	2.9	-	2.9
	2.9	-	2.9

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

12 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 and Petroineos Europe Limited made no contributions to the scheme in 2021 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 surplus of the scheme at 31 December 2021 was £40 million (2020: £13 million surplus).

The most recent actuarial valuation of the scheme was carried out at 31 December 2020.

	2021	2020
Actuarial assumptions (expressed as weighted average)		
Discount rate at 31 December	**1.9%**	1.6%
Rate of price inflation	**3.2%**	2.8%
Rate of pension increases (in-payment)	**3.0%**	2.7%
Rate of increase in deferred benefits	**3.2%**	2.8%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.318 years (male), 24.398 years (female).
- Future retiree upon reaching 65: 23.352 years (male), 25.547 years (female).

The mortality assumption adopts the SAPS S2 pensioner table with a 93%/91% male/female multiplier using the 2020 SAPS S2 pension table with a 93%/91% male/female multiplier and CMI 2020 with a long-term improvement rate of 1.25% (2020: using the 2020 SAPS S2 pension table with a 93%/91% male/female multiplier and CMI 2019 with a long-term improvement rate of 1.25%).

Defined Contribution plans

The Company participates in a defined contribution pension plan. The total expense relating to this plan in the current year was $148,829 (2020: $142,480).

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

13 Capital

Share capital		No. of shares
Ordinary shares of £0.0001		650,475,003
	2021	2020
	$m	$m
Authorised, allotted, called up and fully paid		
At 1 January	**0.1**	0.1
Issued during the year	**-**	-
At 31 December	**0.1**	0.1

Share premium		
At 1 January	**714.2**	714.2
At 31 December	**714.2**	714.2

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.

14 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 wholly owned 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	
	2021	2020
	$m	$m
Petroineos Refining Limited Group	**-**	0.1
	-	0.1

Balances with fellow wholly owned subsidiaries under comment ownership are on notes 9 and 10.

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

15 Controlling parties

The immediate parent undertaking of the Company is Petroineos Trading Limited, a company incorporated in Jersey and ultimate parent is China National Petroleum Company. The most senior parent entity producing publicly available financial statements is PetroChina Company Limited.

These financial statements are available upon request from No. 9 Dongzhimen North Street, Dongcheng District, Beijing.

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

16 Events after the balance sheet date

Other than the Ukraine crisis and inflationary pressure as described in the going concern section, there were no significant post balance sheet events to disclose. Other events after the end of the reporting period have been evaluated up to the date the financial statements were approved and authorised for issue by the Board of Directors and there were no material events requiring adjustment or disclosure in these financial statements.