Petroineos Fuels Assets Limited

Annual report and financial statements

Registered number 6981850

31 December 2018

Contents

Strategic report for the year ended 31 December 2018

The directors present their strategic report on Petroineos Fuels Assets Limited for the year ended 31 December 2018.

Review of the business and future developments
The business has performed well during 2018 with excellent supply availability and a continued good safety record. Petroineos Fuels Assets Limited invoices a related company, Petroineos Fuels Limited, the costs and a small margin for operating the terminal. Although the longer-term outlook remains challenging, the directors believe that through its partnership with Petroineos Fuels Limited, that there is every reason to believe that the Company will continue to operate for the foreseeable future. During 2018, we focused on updating the integrity of the assets, particularly our Gasoline storage, along with initiating a project to develop new, state of the art, distillate storage to come on-line in 2019.

Strategy
The Company's aim is to continue to run a safe, reliable asset whilst increasing our resilience through the installation of additional storage and flexibility. We continue to seek opportunities to develop the business within the geographic niche in North West England we occupy, through enhancement of our offering whilst driving down costs and improving logistics efficiencies.

Key performance indicators (KPIs)
Given the straight forward nature of the business, the Company tracks limited key performance indicators based on improvements to the asset and the underlying cost base (underlying cost base is calculated as operating costs less depreciation) to deliver that service. Capital expenditure to improve the asset increased in 2018 with spend of £3,903,952 (2017: £1,999,565). The underlying cost base increased to £1,004,788 (2017: £925,390).

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 Refining Limited, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

By order of the board

Daniel Brain

Daniel Brain
Director
10 October 2019

Directors' report for the year ended 31 December 2018

The directors present their report and audited financial statements of the Company for the year ended 31 December 2018.

Principal activities

The Company is engaged in the storage, supply and distribution of refined products to oil majors, large and small distributors, supermarkets and traders. Petroineos Fuels Assets Limited is responsible for the storage, supply and distribution of materials received by train from the Grangemouth refinery into and from the Dalston supply terminal.

Results and dividends

The loss before taxation was £38,972 (2017: loss £31,591). The directors do not propose the payment of a dividend (2017: nil).

Future developments

Future developments are discussed in the Strategic Report.

Financial risk management

The Company and its parent company, Petroineos Refining Limited are reliant on funding from Petroineos Trading Limited to meet the anticipated needs of the company. As at 31 December 2018, the Petroineos Trading Group had available bank credit facilities of $5,645 million of which $447 million were utilised in the form of loans and $727 million utilised in the form of Letters of Credit.

The parent company, Petroineos Refining Limited, will continue to financially support the Company and assist it in meeting the Company's liabilities as and when they fall due to the extent that funding is not otherwise available to the Company. The facilities are supported by a letter of comfort from PetroChina Company Limited and are uncommitted facilities due to a commercial arrangement between PetroChina and the banks.

Going Concern

Notwithstanding net current liabilities of £7.8 million as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its immediate company, Petroineos Refining Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Petroineos Refining Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £8,859,411 and providing additional financial support during that period. Petroineos Refining Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Directors' report for the year ended 31 December 2018 (continued)

Directors

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

D Brain
R Mann

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 a handicapped or disabled person.

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 (2017: nil).

Health & safety

Our 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. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including GHG emissions), noise emissions, human health and safety, process safety and risk management and the clean-up of contaminated sites. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

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.

Directors' report for the year ended 31 December 2018 (continued)

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, that there is no relevant audit information of which the Company's auditors are unaware.

(ii) each director has taken all the steps that he ought to have taken in his duty as director in order to make himself 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

Daniel Brain
Director
10 October 2019

Registered number 6981850

Statement of directors' responsibilities in respect of the strategic report, 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 Fuels Assets Limited

Opinion

We have audited the financial statements of Petroineos Fuels Assets Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes In Equity and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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 Fuels Assets 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 reports 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 the strategic report and the directors' report 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 6, 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 Fuels Assets 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

Juliette Lowes (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

10 October 2019

Profit and Loss Account
for year ended 31 December 2018

	Note	2018	2017
		£	£
Turnover	2	**1,553,992**	1,099,105
Cost of sales		**(1,280,169)**	(919,761)
Gross profit		**273,823**	179,344
Administrative expenses		**(132,315)**	(126,826)
Operating profit	3	**141,508**	52,518
Interest payable and similar charges	6	**(180,480)**	(84,109)
Loss before tax		**(38,972)**	(31,591)
Tax on loss	7	**6,625**	21,192
Loss for the financial year		**(32,347)**	(10,399)

All activities of the company relate to continuing operations.

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 2018

	Note	2018	2017
		£	£
Fixed Assets			
Tangible assets	*8*	**8,042,008**	4,545,752
Current assets			
Debtors	*9*	**1,114,446**	436,422
Cash at bank and in hand	*10*	**120,897**	123,312
Total current assets		**1,235,343**	559,734
Creditors: amounts falling due within one year	*11*	**(9,083,658)**	(4,872,821)
Net current liabilities		**(7,848,315)**	(4,313,087)
Total assets less current liabilities		**193,693**	232,665
Provisions for liabilities and charges	*13*	**(123,495)**	(130,120)
Net assets		**70,198**	102,545
Capital and reserves			
Called up share capital	*14*	**1**	1
Profit and loss account		**70,197**	102,544
Total equity		**70,198**	102,545

These financial statements on pages 10 to 27 were approved by the board of directors on 10 October 2019 and were signed on its behalf by:

Daniel Brain
Director

Company registered number: 6981850

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 January 2017	1	112,943	112,944
Total comprehensive expense for the year			
Loss for the financial year	-	(10,399)	(10,399)
Balance at 31 December 2017	**1**	**102,544**	**102,545**

	Called up Share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 January 2018	1	102,544	102,545
Total comprehensive expense for the year			
Loss for the financial year	-	(32,347)	(32,347)
Balance at 31 December 2018	**1**	**70,197**	**70,198**

Notes (forming part of the financial statements)

1 Accounting policies

Petroineos Fuels Assets 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 Refining Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Petroineos Refining 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 Refining 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.*

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

1 Accounting policies *(continued)*

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

1.1 Measurement convention

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

1.2 Going concern

Notwithstanding net current liabilities of £7.8 million as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its immediate company, Petroineos Refining Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Petroineos Refining Limited not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £8,859,411 and providing additional financial support during that period. Petroineos Refining Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

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

1 Accounting policies *(continued)*

1.4 Non-derivative financial instruments (continued)

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.

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 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 10 - 20 years

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

Assets under construction are not depreciated.

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

1 Accounting policies *(continued)*

1.8 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.

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

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

1.9 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.

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

1 Accounting policies *(continued)*

1.10 Provisions

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

1.11 Turnover

Turnover, which is stated net of value added tax and sales taxes represents the recovery of costs from Petroineos Fuels Limited under the terms of the service contract between the two companies. Under the service contract, Petroineos Fuels Assets Limited provides a storage and dispatch service, for which the company charges a service fee. These are charged on a monthly basis and are recognised on an accrual basis, as the service is delivered.

1.12 Expenses

Interest receivable and interest payable

Interest payable includes interest payable, finance charges on shares classified as liabilities and finance 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.

1.13 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.

1.14 Changes in accounting policy

Impact of new International Financial Reporting Standards

The Company has adopted two new accounting standards issued by the International Accounting Standards Board with effect from 1 January 2018, IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued in July 2014 and replaces IAS 39 'Financial Instruments: Recognition and Measurement.' The Company has adopted IFRS 9 with a date of application of 1 January 2018. The Company has applied the new standard in accordance with the transitional provisions of IFRS 9. However, the impact of the implementation of the new standard is not material to the Company as analysed below.

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

1 Accounting policies *(continued)*

1.14 Changes in accounting policy (continued)

IFRS 9 requires recognition of expected credit losses for debt financial assets. The Company has performed an assessment of the current IAS 39 incurred loss methodology for impairment against the IFRS 9 Expected Credit Loss ('ECL') methodology to understand the impact on impairment of intercompany and related party loans receivable.

Amounts due to group undertakings and related parties represent interest-bearing working capital loans advanced to other group and related party entities. Previously under IAS 39, these were classified as loans receivable at amortised cost. The Company considers that, due to the low credit risk of the amounts owed to group undertakings, no expected credit loss is required to be recognised.

Based on the analysis performed, due to the low credit risk and short-term nature of the trade and intergroup receivables/related loan portfolio, the Company does not believe that an ECL is required to be recognised to fairly reflect intergroup/related party loans receivable in accordance with the requirements of IFRS 9 as at the 1 January 2018 transition date.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and replaces IAS 18 'Revenue' and certain other standards and interpretations. IFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations The Company adopted IFRS 15 from 1 January 2018 and applied the 'modified retrospective' transition approach to implementation.

The principal activities of the storage, supply and distribution of refined products to oil majors, large and small distributors, supermarkets and traders. Petroineos Fuels Assets Limited is responsible for the storage, supply and distribution of materials received by train from the Grangemouth refinery into and from the Dalston supply terminal.

Revenue is recognised based on the contract in place between the Company and its customer, Petroineos Fuels Limited. Revenue is calculated by reference to the fixed and variable costs of the business and the depreciation charge incurred during the year. These costs, plus a mark-up, are then charged on to the customer in the period to which they relate.

The Company concluded that there is no material impact on the timing and amount of revenue recognised.

1.15 Accounting Estimates and Judgements

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 8 for the carrying amount of the property, plant and equipment, and Note 1.7 for the useful economic lives for each class of assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. As at 1 January 2018, IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model in assessing the recoverability of trade debtors. The Company will review the assumptions of the SCL model on a yearly basis.

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

2 Turnover

Turnover, all of which is generated in the UK, represents the revenue generated in the provision of storage and dispatch services provided under a service agreement to Petroineos Fuels Limited. In consideration for Petroineos Fuels Assets Limited obligations under a service agreement, Petroineos Fuels Limited pays the base cost and a service fee of 5%.

3 Operating profit

Included in profit are the following:

	2018	2017
	£	£
Depreciation of owned tangible fixed assets (note 8)	**407,696**	121,197
Exchange loss/(gain)	**4,782**	(9,994)

Auditor's remuneration:

	2018	2017
	£	£
Audit of these financial statements	9,750	8,000
	9,750	8,000

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

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	
	2018	2017
Operations	**2**	2

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£	£
Wages and salaries	**115,706**	109,760
Social security costs	**11,235**	11,863
Pension costs - defined contribution plan	**5,375**	5,203
	132,316	126,826

5 Directors' remuneration

No directors had benefits accruing under a defined benefit pension scheme (2017: none).

No directors received any fees or remuneration for services as a director of the Company during the financial year.

6 Interest payable and similar charges

	2018	2017
	£	£
Interest expense on financial liabilities measured at amortised cost	**180,480**	84,109
Total interest payable and similar charges	**180,480**	84,109

Interest payable and similar charges includes interest payable to group undertakings of £180,480 (2017: £84,109).

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

7 Tax on profit on ordinary on activities

Recognised in the profit and loss account

	2018	2017
	£	£
UK corporation tax		
Total current tax	-	(135,540)
Deferred tax (see note 13)		
Origination and reversal of temporary differences	(7,405)	114,348
Current year rate change	780	-
Total deferred charge	(6,625)	114,348
Tax on loss	(6,625)	(21,192)

Reconciliation of effective tax rate

	2018	2017
	£	£
Total tax credit	**(6,625)**	(21,192)
Loss	**(38,972)**	(31,591)
Loss multiplied by the standard rate of tax in the UK of 19% (2017:19.25%)	**(7,405)**	(6,080)
Current year rate change for deferred tax	**780**	(15,112)
Total tax credit	**(6,625)**	(21,192)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017.

A further reduction in the corporation tax rate to 17% with effect from 1 April 2020 was substantively enacted for accounting purposes on 6 September 2016.

Deferred tax assets on the balance sheet as at 31 December 2018 were re-measured based on the above tax rates.

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

8 Tangible fixed assets

	Land and Buildings £	Plant and Equipment £	Under Construction £	Total £
Cost				
Balance at 1 January 2017	163,988	1,669,107	1,305,632	3,138,727
Additions	-	-	1,999,565	1,999,565
Balance at 31 December 2017	163,988	1,669,107	3,305,197	5,138,292
Balance at 1 January 2018	163,988	1,669,107	3,305,197	5,138,292
Additions	-	-	3,903,952	3,903,952
Transfers	-	5,023,739	(5,023,739)	-
Balance at 31 December 2018	**163,988**	**6,692,846**	**2,185,410**	**9,042,244**
Accumulated depreciation and impairment				
Balance at 1 January 2017	-	(471,343)	-	(471,343)
Depreciation charge for the financial year	-	(121,197)	-	(121,197)
Balance at 31 December 2017	-	(592,540)	-	(592,540)
Balance at 1 January 2018	-	(592,540)	-	(592,540)
Depreciation charge for the financial year	-	(407,696)	-	(407,696)
Balance at 31 December 2018	**-**	**(1,000,236)**	**-**	**(1,000,236)**
Net book value				
At 31 December 2018	**163,988**	**5,692,610**	**2,185,410**	**8,042,008**
At 31 December 2017	163,988	1,076,567	3,305,197	4,545,752

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

9 Debtors

	2018	2017
	£	£
Amounts owed by related parties	**328,625**	82,435
Amounts owed by group undertakings	**768,279**	336,144
Prepayments and accrued income	**17,542**	17,843
	1,114,446	436,422
Due within one year	**1,114,446**	436,422

10 Cash at bank and in hand

	2018	2017
	£	£
Cash at bank and in hand	**120,897**	123,312
	120,897	123,312

11 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**53,362**	18,695
Amounts owed to group undertakings	**8,859,411**	4,638,701
Accruals and deferred income	**143,794**	190,017
Other taxes payable	**27,091**	25,408
	9,083,658	4,872,821

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

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018	2017
	£	£
Creditors falling due within less than one year		
Intercompany loan	**7,840,690**	3,352,820
	7,840,690	3,352,820

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2018 £	Carrying amount 2018 £	Face value 2017 £	Carrying amount 2017 £
Intercompany loan	£	2.5% + Libor	2019	7,840,690	7,840,690	3,352,820	3,352,820
				7,840,690	7,840,690	3,352,820	3,352,820

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

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
	2018	2018	2018
	£	£	£
Tax losses	(167,438)	-	(167,438)
Accelerated capital allowances	-	290,933	290,933
Net tax liabilities	**(167,438)**	**290,933**	**123,495**

	Assets	Liabilities	Net
	2017	2017	2017
	£	£	£
Accelerated capital allowances	-	130,120	130,120
Net tax liabilities	-	130,120	130,120

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.

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

13 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	1 January 2018	Recognised in income	31 December 2018
	£	£	£
Tax losses	-	(167,438)	(167,438)
Accelerated capital allowances	130,120	160,813	290,933
	130,120	(6,625)	123,495

Movement in deferred tax during the prior year

	1 January 2017	Recognised in income	31 December 2017
	£	£	£
Accelerated capital allowances	15,772	114,348	130,120
	15,772	114,348	130,120

14 Share Capital

		No. of shares
Ordinary shares of £1.00		1
	2018	2017
Allotted, called up and fully paid	**£**	£
At 1 January	**1**	1
Issued during the year	**-**	-
At 31 December	**1**	1

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

15 Operating leases and capital commitments

At 31 December 2018, the Company had no outstanding operating leases or capital commitments (2017: nil).

16 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

	Sales to related party		Expenses incurred from related party	
	2018	2017	**2018**	2017
	£	£	**£**	£
Petroineos Trading Limited Group	**1,483,109**	1,099,105	-	-
Ineos Group Holdings S.A Group	-	-	**6,000**	-
	1,483,109	1,099,105	**6,000**	-

	Receivables outstanding		Creditors outstanding	
	2018	2017	**2018**	2017
	£	£	**£**	£
Petroineos Trading Limited Group	**328,625**	82,435	-	-
	328,625	82,435	-	-

17 Controlling parties

Petroineos Refining Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. There is no ultimate parent company or ultimate controlling party since Petroineos Refining Limited is a joint venture between INEOS Investments (Jersey) Limited and PetroChina International (London) Company Limited.

Copies of the financial statements of Petroineos Refining Limited can be obtained from the Company Secretary:

The Secretary
Petroineos Refining Limited
The Adelphi
1-11 John Adam Street
London
WC2N 6HT