

Company Registration No. 07580823

PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements

For the year ended 31 December 2016



PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements For the year ended 31 December 2016

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PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements For the year ended 31 December 2016

Company information

Directors

P A M Mahony

Registered Office

1 Curzon Street
London
W1J 5HB

Auditors

Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street
London
EC1A 4AB

PetroSaudi Energy and Trading (UK) Limited

Directors' report For the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016. The financial statements have been prepared under, and comply with International Financial Reporting Standards ("IFRS"), as adopted by European Union.

Please refer to note 9 of the financial statements for future disclosure of the financial risks.

Directors

The directors who served throughout the period and as at the date of this report are set out below:

P A M Mahony

Business review and results

Financial performance has been impacted by the decision to cease trading activities in early 2015. In addition to this the intention now is to wind up the Company as soon as is practicable after the end of the current financial year. The financial statements are therefore prepared on a break-up basis.

The overall profit for the year after taxation amounted to \$11,159,000 (2015 loss: \$621,000). The profit in the current year is primarily attributable to a gain of \$10,800,000 that arose on the write off of some intercompany balances the company had with its affiliate Group entities. This in accordance with the intention to wind up the company.

Dividends

No dividends (2015: \$Nil) have been paid during the year or are recommended for the year.

Provision of information to auditors

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

Moore Stephens were reappointed as auditor of the Company post year end.

This report has been prepared in accordance with the small company regime of the Companies Act 2006.

This report was approved by the Board on 05 October 2017 and signed on its behalf by:



P A M Mahony

Director

PetroSaudi Energy and Trading (UK) Limited

Statement of directors' responsibilities For the year ended 31 December 2016

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

PetroSaudi Energy and Trading (UK) Limited

Independent auditors' report to the members of PetroSaudi Energy and Trading (UK) Limited

For the year ended 31 December 2016

We have audited the financial statements of PetroSaudi Energy and Trading (UK) Limited for the year ended 31 December 2016 which are set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Basis of preparation

As disclosed in note 1(a), the financial statements have been prepared on a break up basis as it is the intention of the directors to formally liquidate the company in the foreseeable future. Our opinion is not qualified in this respect.

Opinion on other matter prescribed by the Companies Act 2006

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

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

PetroSaudi Energy and Trading (UK) Limited

Independent auditors' report to the members of PetroSaudi Energy and Trading (UK) Limited For the year ended 31 December 2016

Matters on which we are required to report by exception

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

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

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

Laura Pingree

Laura Pingree, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 12 October 2017

PetroSaudi Energy and Trading (UK) Limited

Statement of comprehensive income For the year ended 31 December 2016

	Note	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Turnover:			
Loss on oil trading classified as financial instruments	2	-	(25)
Administrative costs		359	(593)
Intergroup balances written back		<u>10,800</u>	<u>-</u>
Operating profit/(loss)	3	11,159	(618)
Finance costs	5	<u>-</u>	<u>(3)</u>
Profit/(Loss) on ordinary activities before		11,159	(621)
Taxation	6	<u>-</u>	<u>-</u>
Profit/(Loss) for the financial year		<u>11,159</u>	<u>(621)</u>

The Company has no items of other comprehensive income.

The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Statement of financial position As at 31 December 2016

	Note	31 December 2016 \$'000	31 December 2015 \$'000
Current assets			
Trade and other receivables	7	-	958
Cash and cash equivalents		-	-
Total current assets		<u>-</u>	<u>958</u>
Current liabilities			
Trade and other payables	8	(5,201)	(17,318)
Total current liabilities		<u>(5,201)</u>	<u>(17,318)</u>
Net liabilities		<u>(5,201)</u>	<u>(16,360)</u>
Equity			
Share capital	10	-	-
Accumulated losses		(5,201)	(16,360)
Total shareholder deficit		<u>(5,201)</u>	<u>(16,360)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 05 October 2017.



P A M Mahony

Director

The notes on pages 10 to 18 form part of these financial statements.

Company Registration No: 07580823

PetroSaudi Energy and Trading (UK) Limited

Statement of changes in equity For the year ended 31 December 2016

	Share capital \$'000	Accumulated losses \$'000	Total equity \$'000
As at 1 January 2015	-	(15,739)	(15,739)
Loss for the financial year	-	(621)	(621)
As at 31 December 2015	<u>-</u>	<u>(16,360)</u>	<u>(16,360)</u>
Profit for the financial year	-	11,159	11,159
As at 31 December 2016	<u>-</u>	<u>(5,201)</u>	<u>(5,201)</u>

The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Statement of cash flows

For the year ended 31 December 2016

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Operating activities		
Profit/(loss) for the financial year	11,159	(621)
Items not affecting cash:		
- Gain on foreign exchange	(560)	(181)
Net changes in non-cash balances:		
- Decrease in trade and other receivables	958	69
- (Decrease)/increase in trade and other payables	(255)	471
- (Decrease) in intercompany loans	(11,862)	-
Cash applied to operating activities	<u>(560)</u>	<u>(262)</u>
Net decrease in cash and cash equivalents	(560)	(262)
Exchange gain on cash and cash equivalents	560	181
Cash and cash equivalents at beginning of year	-	81
Cash and cash equivalents at the end of year	<u>-</u>	<u>-</u>

The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

1. Summary of significant accounting policies

PetroSaudi Energy and Trading (UK) Limited is a limited liability Company incorporated in England and Wales. Its principal place of business is the same as its registered office.

The financial statements are prepared under historic cost basis in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial statements are presented in US Dollars (US\$), as this is the currency in which the majority of Company's transactions are denominated.

The following are the significant accounting policies adopted by the Company:

(a) Break-up basis

The financial statements are prepared on a break-up basis as the Director of the Company has intention to liquidate the Company within one year from the reporting date. Accordingly, all assets of the Company are measured at the lower of their carrying amounts and estimated realisable values and all liabilities are measured at their estimated settlement amounts as at 31st December 2016.

(b) Trading

The Company trades in physical cargoes, futures, swaps and contracts for difference, all of which are trading on recognised and liquid markets. Purchases and sales are recognised on the trade date. Open positions classified as financial instruments are stated at fair value, using the closing market price on the balance sheet date. The market value of open positions is shown in trade and other receivables if positive or trade and other payables if negative. Realised and unrealised profits on trading classified as financial instruments are recognised in the statement of comprehensive income.

Other purchases and sales are recognised in accordance with trade terms.

(c) Turnover

Turnover comprises the net value of energy trading classified as financial instruments plus the gross revenues of other sales of product.

(d) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

(e) Translation of foreign currencies

Monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items are translated at historical rates, unless such items are carried at fair value, in which case they are translated at the rate of exchange in effect at the reporting date. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Exchange gains and losses are included in profit or loss.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

1. Summary of significant accounting policies (continued)

(f) Financial instruments

Financial assets and liabilities are initially recognised at fair value when the Company has become party to the contractual provisions of the instrument.

All financial assets other than cash and derivatives are categorised as loans and receivables. Such assets are carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value.

Financial liabilities, other than derivatives, are subsequently measured using the effective interest method. Changes in the fair value of derivative financial instruments are recognised as income or expense in profit or loss as they arise.

(g) Taxation

Current tax is provided for based on results for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted by the reporting period date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(h) Critical accounting estimates and judgements

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

The Company was not exposed to any significant estimates and judgements at the balance sheet date.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

2. Turnover

All turnover relates to energy trading as a result of business conducted from the United Kingdom and is solely from continuing operations.

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Commissions and other costs	-	(25)
Loss on oil trading as financial instruments	-	(25)

3. Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Auditors – remuneration for audit	11	10
Foreign exchange gain	(560)	(181)
Staff costs (see note 4)	-	733

4. Staff costs

Employee costs (including bonuses and executive directors) during the year amounted to:

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Wages and salaries	-	623
Pension costs	-	39
Social security costs	-	71
	-	733

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

4. Staff costs (continued)

The average monthly number of persons employed by the Company during the year was as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Oil traders	-	1
Administration	-	1
	<u>-</u>	<u>2</u>

5. Finance costs

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Bank fees	<u>-</u>	<u>3</u>

6. Taxation on loss

(i) The tax charge is based on the loss for the year and comprises:

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Current tax for the year	<u>-</u>	<u>-</u>

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

6. Taxation on loss (continued)

(ii) The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK of 20% (2015: 20.25%) The differences are explained below:

	Year ended 31 December 2016 \$'000	Year ended 31 December 2015 \$'000
Profit/(Loss) on ordinary activities before taxation	11,159	(621)
Corporation tax at 20% thereon (2015: 20.25%)	2,232	(126)
Effects of		
Expenses not deductible for tax purposes	-	19
Non-taxable intercompany loan write off	(2,160)	-
Tax losses carried forward	-	107
Utilisation of tax losses carried forward	(72)	-
	<u>-</u>	<u>-</u>

(iii) As at 31 December 2016, the Company has un-provided trading losses carried forward of \$15,546,000 (2015: \$15,907,000). A deferred tax asset of \$2,953,000 (2015: \$3,181,000) has not been recognised, as recoverability is dependent upon there being sufficient future taxable trading profits against which to offset the losses.

7. Trade and other receivables

	2016 \$'000	2015 \$'000
Other receivables	-	958
	<u>-</u>	<u>958</u>

8. Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	-	3
Accruals and deferred income	297	126
Amounts due to group companies	4,904	6,639
Shareholder loan (see note 11)	-	10,550
	<u>5,201</u>	<u>17,318</u>

The shareholder loan and amounts due to group companies are interest free and repayable on demand.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

9. Risk and financial instruments

The Company's business activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the Company's financial performance. The Company's board of directors meet when necessary to monitor the Company's sensitivity to financial risk and key financial data is reviewed to consider measures to mitigate this risk.

The following information is presented in order to assist users of the financial statements in assessing the extent of risk related to financial instruments:

	2016 \$'000	2015 \$'000
<u>Financial assets</u>		
Loans and receivables (including cash and cash equivalents)	-	958
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	4,904	17,191

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

Currency risk management

The Company monitors its exposure to currency risk on a regular basis. During the year the value of monetary assets and liabilities relating to running the office, denominated in British Pound Sterling fluctuated due to changes in foreign exchange rates.

At 31 December 2016, had the exchange rate between the US Dollar and any other currencies fluctuated by 10%, the increase or decrease in the result and equity for the year would amount to \$30,000 (2015: \$110,000).

Interest rate risk management

Interest rate risk is the risk that the Company will be sensitive to fluctuations in interest rates. The Company is not exposed to interest rate risk on its financing, as there is no trade or shareholder financing.

Credit risk management

Credit risk is the risk that a counterparty will default on contractual obligations resulting in a loss to the Company. The Company was not exposed to credit risk in the current year as trading activities were ceased on an indefinite basis.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

11. Related party balances and transactions (continued)

The shareholder loan of \$10,550,000 provided by PetroSaudi Energy and Trading (Holdings) Limited and balances payable to other group companies amounting to \$251,000 were written back in the current year.

The payables to related parties are unsecured, interest free and repayable on demand.

12. Parent company and ultimate controlling company

The Company's immediate parent undertaking is PetroSaudi Energy and Trading (Holdings) Limited, a Company incorporated and registered in the Cayman Islands, by virtue of them holding the entire share capital of the Company.

The Company's ultimate parent undertaking is PetroSaudi Holdings (Caymans) Limited, a company incorporated and registered in the Cayman Islands. No group accounts are maintained by the company or the group as there is no requirement.

In the opinion of the directors the ultimate controlling party as at 31 December 2016 was T. Obaid.

13. Capital structure

The capital structure of the Company comprises share capital of \$2 and accumulated losses of \$5,201,000 (2015: \$16,360,000), aggregating to a net deficit of \$5,201,000 (2015: \$16,360,000). The Company's main objective when managing capital has been to safeguard its ability to continue as a going concern. However, as at the year end it is the intention of management to wind up the Company.

The Company is not subject to any externally imposed capital requirements.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2016

14. Recent accounting pronouncements

(a) New interpretations and revised standards effective for the year ended 31 December 2016

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2016. The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year.

(b) Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2016. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and derecognition of financial assets. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit or loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard is effective for accounting periods beginning on or after 1 January 2018.