Registered no: 08251724

KCTG UK Financing II Limited

Directors' Report and Financial Statements
for the year ended 31 December 2016

KCTG UK Financing II Limited

Contents **Pages**

KCTG UK Financing II Limited

Company details

Directors

Robert Joel Gibson Jr.
Mark Allan Soucie

Registered office

Fleets Corner
Poole, Dorset
United Kingdom
BH17 OLA UK

Auditors

Ernst & Young LLP
The Paragon, Counterslip
Bristol
BS1 6BX

KCTG UK Financing II Limited Registered no: 08251724

Directors' report

for the year ended 31 December 2016

The directors present their report and the audited financial statements of KCTG UK Financing II Limited for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is to act as a finance company.

Directors

The directors who held office during the year and post year end were:

	Date of resignation	Date of appointment
Ross A. Goering	31-May-16	
David J. May	31-May-16	
Robert Joel Gibson Jr.	-	31-May-16
Mark Allan Soucie	1-Jan-17	31-May-16

Subsequent events

No subsequent events to be disclosed.

Directors' responsibilities statement

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 International Financial Reporting Standards and applicable law. 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 the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS Standards have been followed, subject to any ma departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inapprop presume that the Company will continue in business.

Directors' report
for the year ended 31 December 2016 (continued):

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.

Going Concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared

Disclosure of information to auditors

So far as each person who was a director at the date of approval of this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made inquiries of fellow directors and the Company's auditor, each director has taken all steps that they are obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information. There were multiple changes to the directors of KCTG UK Financing II Limited during 2016 due to the acquistion of KCTG and the retirement of one of the directors.

Auditors

The auditors are deemed to be re-appointed under Section 487(2) of the Companies Act
The report of the directors has been prepared taking advantage of the small companies exemption of section 415A of the Companies Act 2006.

This report was approved by the Board on October 27, 2017.

Robert Gibson

Director
Robert Joel Gibson Jr.

Independent auditor's report to the members of KCTG UK Financing II Limited

We have audited the financial statements of KCTG UK Financing II Limited ("the Company") formerly known as Koch Fertiliser UK Financing II Limited for the year ended 31 December 2016, which comprises of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash flows and the related notes 1 to 16. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report
to the members of KCTG UK Financing II Limited (continued):

Opinion on the 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
- have been properly prepared in accordance with IFRSs as adopted by the European Union; o
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.
- the directors were not entitled to take the advantage of the small companies' exemptions in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.

Ernst & Young LLP

John Howarth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date 31 October 2017

KCTG UK Financing II Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	2016 US$	2015 US$
Finance income	9	12,332,064	2,737
Other operating expenses		(51,677)	(62,326)
Profit/(loss) before tax	10	12,280,388	(59,589)
(Tax Expense)/Benefit from Tax	12	(2,458,680)	4,161
Profit/(loss) after taxation and total comprehensive income for the year attributable to owners of the parent		9,821,707	(55,428)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to owners of the parent		9,821,707	(55,428)

All the Company's activities are from continuing operations.

KCTG UK Financing II Limited

Statement of financial position as at 31 December 2016

	Notes	2016 US$	2015 US$
Assets			
Non current assets			
Investment	4	-	848,979
Current assets			
Financial assets			
Amounts owed by group companies	5	30,017	2,001,049
Total assets		**30,017**	**2,850,028**
Equity and liabilities			
Capital and reserves			
Share capital	6	1	2
Retained earnings	7	4,555	2,757,429
Total equity		**4,556**	**2,757,431**
Current liabilities			
Income tax payable	8	14,170	71,908
Accruals	8	11,290	20,689
Total current liabilities		25,460	92,597
Total liabilities		25,460	92,597
Total equity and liabilities		**30,017**	**2,850,028**

The financial statements on pages 8 to 12 were approved by the Board of Directors on October 27, 2107 and were signed on its behalf by:

Director
Robert Joel Gibson Jr.

Date

KCTG UK Financing II Limited

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

		Attributable to the equity holders of the parent		
		Issued Capital	Retained earnings	Total equity
	Notes	US$	US$	US$
Balance at 1 January 2016	7	2	2,757,429	2,757,431
Total comprehensive income		-	9,821,707	9,821,707
Issue of share capital		1,543,683,324	-	1,543,683,324
Capital Reduction		(1,543,683,325)	1,542,834,347	(848,979)
Distributions			(1,555,408,929)	(1,555,408,929)
Balance at 31 December 2016	7	1	**4,555**	**4,556**
Balance at 1 January 2015	7	2	2,812,857	2,812,859
Total comprehensive income	7	-	(55,428)	(55,428)
Balance at 31 December 2015		2	**2,757,429**	**2,757,431**

Statement of cash flows for the year ended 31 December 2016

	Notes	2016 US$	2015 US$
(Loss) /profit before tax		12,280,388	(59,589)
Working capital adjustments:			
Decrease in debtors		6,674,569	65,071
(Decrease)/ increase in creditors	8	11,290	(5,482)
		18,966,247	-
Income Tax paid		(2,516,418)	-
Net cashflow from operating activities		16,449,829	-
Net cashflow from investing activities		-	-
Distributions to Member	7	(16,449,829)	
Net cashflow from financing activities		(16,449,829)	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

Notes to Financial Statement

1. Corporate information

The financial statements of KCTG UK Financing II Limited for the year ended 31 December 2016 were authorised for issue by the board of directors on October 27, 2017 and the balance sheet was signed on the board's behalf by Robert Joel Gibson Jr. KCTG UK Financing II Limited is incorporated and domiciled in the United Kingdom.

The results of KCTG UK Financing II Limited are included in the consolidated financial statements of Koch Industries, Inc. The registered office of that company is located at 112 SW 7th Street, Suite 3C, Topeka, Kansas 66603, USA, and the consolidated accounts are not available to the public.

The principal activity of the Company is to act as a finance company. Information on other related party relationships of the Company is provided in note 14.

2. Significant accounting policies

2(a) Statement of compliance

The financial statements comply with International Financial Reporting Standards (IFRS).

2(b) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRS. The Company's financial statements are separate financial statements and do not include the results of the whole group.

The financial statements have been prepared on a historical cost basis.

The Company's financial statements are presented in US Dollars. It is considered that a fairer reflection of the company's activities is given by presenting the accounts in US dollars, the functional currency of the company, since the US dollar is the main currency of the company's primary economic environment.

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements provide comparative information in respect of the previous period.

2. Significant accounting policies (continued)

Critical accounting estimates and judgments
In preparing these financial statements management were not required to make any critical judgments, estimates and assumptions that affected the reported amounts of assets, liabilities, income and expenses. Estimates, judgments and assumptions are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised

2(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. The following criteria must also be met before revenue is recognised:

Interest income
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

2(d) Foreign currency translation

The Company's financial statements are presented in US dollars and the Company's functional currency is US dollars. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2(e) Current versus non current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading. Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current.

2. Significant accounting policies (continued)

2(f) Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

2(g) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right to offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2(h) Capital management

For the purpose of the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholders value.

3. Directors' remuneration

Directors of the Company during both the current and prior year received no remuneration from the Company. The directors of the Company are also directors of other UK and non-UK group companies and their total remuneration is paid by other group companies. The directors believe that the allocated remuneration for their qualifying services to the Company were negligible.

None (2015: none) of the Company's directors received any shares in any group company during the year in respect of qualifying services, nor exercised any share options over shares in the parent company. Also, no director was a member of a defined benefit or defined contribution scheme to which the Company contributed in either the current or prior year.

The average number of persons employed by the company (excluding directors) during the year was nil (2015: nil). The costs of the staff who provide their services to the company are incurred by their employer Koch Chemical Technology Group, LLC.

4. *Investment*

	2016	2015
	US$	US$
Cost at 1 January	848,979	848,979
Disposals	(848,979)	0
	0	848,979

The investment in KMCHK Holding, LLC was transferred to the Company's previous parent company, Koch Fiber Treasury Holding 2, L.P. via reduction of capital contribution (or distribution in specie) on 27 May, 2016.

The principal subsidiaries in which the Company had an effective interest in the prior year are as follows:

Name of subsidiary	Registered Address	Nature of business	Proportion of shares held	Class of shares
KMCHK Holding, LLC	1209 Orange Street, Wilmington, DE, United States 19801	Intermediary holding company	0% (2015-100%)	Unspecified

The subsidiary undertakings have been excluded from consolidation under Section 405(2) of the Companies Act 2006, on the grounds of materiality.

5. *Financial assets: amounts falling due within one year*

	2016	2015
	US$	US$
Amounts owed by other group undertakings	30,017	2,001,049

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties. The outstanding balance is due and repayable on demand.

6. *Share capital*

	2016	2015
	US$	US$
Authorised shares		
Ordinary shares of $1 each	1	2
Ordinary shares issued and fully paid		
Ordinary shares of $1 each	1	2

7. Capital and reserves

	Share Capital US$	Share premium US$	Retained earnings US$	Total Equity US$
At 31 December 2014	2	-	2,812,857	2,812,859
Loss for the financial year	-	-	(55,428)	(55,428)
At 31 December 2015	2	-	2,757,429	2,757,431
Issuance of Shares	1,543,683,324	-	-	1,543,683,324
Return of Capital	-	-	(848,979)	(848,979)
Capital Reduction	(1,543,683,325)	-	1,543,683,325	-
Dividends	-	-	(1,854,480)	(1,854,480)
Distributions of reserve	-	-	(1,553,554,449)	(1,553,554,449)
Profit for the financial yeai	-	-	9,821,707	9,821,707
At 31 December 2016	1	-	4,554	4,555

On May 27, 2016 the investment in KMCHK Holding, LLC was transferred to the Company's previous parent company, Koch Fiber Treasury Holding 2, L.P. via reduction of capital contribution (or distribution in specie) on 27 May, 2016 in the amount of $848,979 (refer to Note 4).

On May 27, 2016, a dividend of US $1,854,480 was declared and paid during the year to the sole shareholder as of that time, Koch Fiber Treasury Holding 2, L.P. On May 31, 2016, new 1,543,683,324 shares at a nominal value of $1 per share were issued to KCTG Acquisition Financing Luxembourg Sarl as the succeeding parent company.

On May 31, 2016 1,543,683,324 shares were transferred from KCTG Acquisition Financing Luxembourg Sarl to KCTG Financing, LP.

On November 30, 2016 1,543,683,325 shares were extinguished and transferred to distributable reserves of the company. On November 30, 2016 distributable reserves of US $1,553,554,449 were distributed to the sole shareholder, KCTG Financing LP in the form of payment of cash in the amount of $14,595,350 and settlement of loans.

On November 30, 2016 ownership of the Company was transferred from KCTG Financing LP to KCTG Financing, LLC.

In 2016, there was a gain for the financial year of US $9,821,707.

8. Creditors: amounts falling due within one year

	2016 US$	**2015 US$**
Taxation payable	14,170	71,908
Accruals	11,290	20,689
	25,460	92,597

9. Finance income

	2016 US$	2015 US$
Interest receivable from group companies:	12,332,064	2,737
	12,332,064	2,737

10. (Loss)/ profit before taxation

	2016	2015
	US$	US$
The (loss)/profit before taxation is stated after charging/(crediting):		
Auditors' remuneration:		
- audit services	9,000	17,241
Foreign exchange losses/(gains)	2,071	(2,042)

11. Cash and cash equivalents

For the purposes of the cash flows, cash and cash equivalents for 2016 are US $nil (2015: US $nil). The Company does not hold any bank accounts but it does have an inter company cash management agreement with Koch CTG Sarl.

12. Taxation

(a) Tax charged in the income statement

	2016	2015
	US$	US$
Current tax		
Current income tax (credit)/ charge	2,458,680	(12,067)
Group relief	-	12,067
Adjustments in respect of prior year	-	(4,161)
Income tax reported in the statement of profit or loss	2,458,680	(4,161)

The income tax for the year can be reconciled to the accounting profit/(loss) as follows:

	2016	2015
	US$	US$
(Loss)/ profit before taxation	12,280,388	(59,589)
Tax calculated at UK standard rate of corporation tax of 20.00% (2015: 20.25%)	2,456,078	(12,067)
Factors affecting the credit:		
Group relief	-	12,067
Adjustments in respect of prior year	2,602	(4,161)
Tax on (loss)/profit on ordinary activities	2,458,680	(4,161)

13. Risk management of financial instruments

The primary financial risks affecting the Company are: credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosure is given below:

In accordance with IAS 39 "Financial instruments: Recognition and measurement", financial assets are designated as held at amortised cost. The fair value of the financial instruments approximates their carrying value. The accounting policies in note 2 describe how different classes of financial instruments are measured and how income and expenses are recognised.

13. Risk management of financial instruments (continued):

Credit risk management
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum credit risk exposure of the Company is the event of other parties failing to perform their obligations. The maximum exposure to loss is considered to be the balance sheet carrying amount of 'amounts owed by group companies' as at 31 December.

For financial assets held at amortised cost, the fair value approximates to the carrying value.

At the balance sheet date the Company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or restructuring to reduce the financial burden on the counterparty.

Liquidity risk management
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company has a cash management agreement with Koch CTG Sarl. Liquidity risk is minimised as this entity has sufficient funds.

Interest rate risk and foreign currency risk
The interest on the cash management agreement is based on the market interest rate and is calculated on a daily basis. In 2016, the interest rate fluctuated between 0.46% to 0.76% (2015: 0.06% to 0.38%). The fluctuations in the interest rates have not had a material impact on the Company. The foreign currency risk is minimised as the cash management agreement is denominated in US dollars. The presentational and functional currency of the Company is also denominated in US dollars.

14. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Nature of transaction	Related party	Related party relationship	2016 US$	2015 US$
Finance income	KIG, L.P.	Group undertaking	1,221	2,737
	Koch Chemical Technology Group, LLC	Group undertaking	13,742	-
	Koch Resources, LLC	Group undertaking	12,275,831	-
	Koch CTG Sarl	Group undertaking	41,269	-
			12,332,064	2,737

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2016 & 2015: nil).

15. Ultimate Group undertaking

The Company's immediate parent undertaking is KCTG Financing, LLC. The Company's ultimate parent undertaking is Koch Industries, Inc. a company incorporated in the United States of America. The consolidated financial statements of the group are not available to the public.

16. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In November 2009, the publication of this standard covered the classification and measurement of financial assets. In October 2010 the requirements were mostly unchanged from IAS 39 but the classification and measurement of financial liabilities were added. These requirements relate to the Fair Value option for financial liabilities being changed to address the issue of own credit risk. In November 2013, the amendment included the new general hedge accounting model which allows for early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit and loss in other comprehensive income. In July 2014, the publication represents the final version of the standard and replaces the effective date of 1 January 2015 with 1 January 2018. The Company will adopt this IFRS for the period beginning on 1 January 2018, subject to endorsement by the 'EU'.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The above standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 16 Leases - IAS Plus

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. This new standard will be effective from 1 January 2019 with limited early application permitted, provided the new revenue standard, IFRS 15, is applied at the same date.

The Company has not taken the early application possibility for IFRS 9, IFRS 15 or IFRS 16. The directors are still assessing the impact of these new standards on the financial statements.