

Koch Supply & Trading Company Limited

Report and Financial Statements

31 December 2019



Koch Supply & Trading Company Limited

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Koch Supply & Trading Company Limited

Directors

D Eld

M Prins

Secretary

Citco Management (UK) Limited (appointed 1 December 2019)

Abogado Nominees Limited (resigned 1 December 2019)

Auditors

Grant Thornton UK LLP

30 Finsbury Square

London EC2A 1AG

Bankers

JP Morgan Chase Bank, NA

Chaseside

Bournemouth BH7 7DA

Registered Office

20 Gresham Street

4th Floor

London EC2V 7JE

Company Number

01144618

Koch Supply & Trading Company Limited

Registered No. 01144618

Strategic report**Principal activity and review of the business**

The principal activity of the company is to act as agent for commodities market activity for and on behalf of other Koch companies and to charge an uplift on cost for providing this service.

The company's key financial and other performance indicators for the year were as follows:

	2019 \$000	2018 \$000
Turnover	23,820	31,743
Profit after tax	3,117	1,750
Shareholders' funds	12,312	9,195
Current assets as % of current liabilities	259%	187%

The directors consider the results for the year to be satisfactory.

Future developments

The directors expect a continuation of the company's activities.

In light of "Covid-19" the Directors' have taken steps to mitigate the spread of the virus by implementing social distancing and a working from home culture. As at the date of this report, the Company has not seen any significant decline in operations.

Principal risks and uncertainties

The company's principal activity is to incur the costs on behalf of group companies and recharge them at cost plus an uplift. Foreign exchange risk is managed at the parent company level.

On behalf of the Board



Daniel Eld

Date: 18 August 2020

Koch Supply & Trading Company Limited

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to \$3,117,000 (2018 – profit of \$1,750,000). The directors paid a final dividend of \$nil during the financial year (2018 – nil).

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 on the going concern basis.

Post Statement of financial position events

The outbreak of "Covid-19", a respiratory disease caused by a coronavirus that was first detected in China and which has now been spread worldwide has had a negative impact on the global economy and may prevent global growth. On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organisation declared this outbreak a public health emergency of international concern. It has since been characterised as a pandemic.

Government has reacted in order to slow down the spread of the outbreak with varying measures such as restricting travel, banning large social gatherings, closing schools, shops and other establishments with a general modus operandi of social distancing or isolation to prevent the spread of the virus.

The duration, social, economic and political consequences of the pandemic are unknown. Consequently, we are in uncharted territory with financial markets, supply chains, and businesses are being severely disrupted.

As at the date of this report, the Company has not seen any significant decline in operations, has assessed the operational reliance of the business and the ability of its people to operate from home during this period of lock down and furthermore there has been no significant financial effect.

Directors

The directors who served the company during the year were as follows:

D Eld
M Prins

Disclosure of information to the auditors

So far as each person who was a director at the date of approving 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 enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Koch Supply & Trading Company Limited

Directors' report

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Daniel Eld

Daniel Eld

Date: 18 August 2020

Koch Supply & Trading Company Limited

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with FRS 101 (Financial Reporting Standard 101). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements of FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and performance.

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Koch Supply & Trading Company Limited**Independent auditor's report to the members of Koch Supply and Trading Company Limited****Opinion**

We have audited the financial statements of Koch Supply and Trading Company Limited (the 'company') for the year ended 31 December 2019, which comprise Statement of profit or loss, *Statement of other comprehensive income*, *Statement of financial position*, *Statement of changes in equity* and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are *independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK*, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and 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.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties 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 associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is *not appropriate*; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt

Koch Supply & Trading Company Limited

the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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 strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Koch Supply & Trading Company Limited**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Grant Thornton UK LLP

William Pointon
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom
18 August 2020

Koch Supply & Trading Company Limited

Statement of profit and loss

for the year ended 31 December 2019

	Notes	2019 \$000	2018 \$000
Turnover	3	23,820	31,743
Cost of sales		<u>(21,646)</u>	<u>(29,252)</u>
Operating profit	4	2,174	2,491
Interest receivable		322	221
Interest payable		<u>(2)</u>	<u>-</u>
Profit before tax		2,494	2,712
Tax credit/(expense)	7	<u>623</u>	<u>(962)</u>
Profit for the financial year	14	<u>3,117</u>	<u>1,750</u>

All amounts relate to continuing activities.

Statement of other comprehensive income

for the year ended 31 December 2019

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of \$3,117,000 in the year ended 31 December 2019 (2018 – profit of \$1,750,000).

Koch Supply & Trading Company Limited

Statement of financial position

at 31 December 2019

	Notes	2019 \$000	2018 \$000
Fixed assets			
Property, plant & equipment	8	2,379	209
Intangible assets	9	164	294
Deferred tax	7	2,391	2,073
		<u>4,934</u>	<u>2,576</u>
Non current assets			
Trade and other receivables		9	-
Current assets			
Trade and other receivables	10	10,648	12,425
Cash at bank and in hand		<u>11,592</u>	<u>9,382</u>
		<u>22,240</u>	<u>21,807</u>
Current liabilities			
Trade and other payables	11(a)	(8,361)	(10,564)
Current tax liability	11(b)	(814)	(1,119)
		<u>(9,175)</u>	<u>(11,683)</u>
Net current assets		<u>13,065</u>	<u>10,124</u>
Total assets less current liabilities		<u>18,008</u>	<u>12,700</u>
Non current liabilities			
Trade and other payables	12	(5,696)	(3,505)
Net assets		<u>12,312</u>	<u>9,195</u>
Capital and reserves			
Called up share capital	13	192	192
Profit and loss account	14	<u>12,120</u>	<u>9,003</u>
Shareholders' funds	14	<u>12,312</u>	<u>9,195</u>

The financial statements were approved by the board of directors on 18 August 2020 and were signed on its behalf by



Daniel Eld
Director

Koch Supply & Trading Company Limited

Statement of changes in equity

for the year ended 31 December 2019

	Called up share capital \$000	Retained earnings \$000	Total Equity \$000
At 1 January 2018	192	7,253	7,445
Profit for the financial year	-	1,750	1,750
Dividends payable			
At 31 December 2018	192	9,003	9,195
Profit for the financial year	-	3,117	3,117
At 31 December 2019	192	12,120	12,312

The notes to the financial statements are shown on pages 13 to 24.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

1. Corporate information

Koch Supply & Trading Limited is incorporated and domiciled in England and Wales as a limited company. The financial statements of Koch Supply & Trading Company Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 18 August 2020.

The results of Koch Supply & Trading Company Limited are included in the consolidated financial statements of Koch Resources, LLC which are publicly available. The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 on the going concern basis.

Significant accounting policies

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) Preparing a statement of cash flows
- (b) Preparing capital management disclosures
- (c) Disclosing related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party of the transaction is wholly owned by such a member
- (d) All other applicable IFRS disclosures exemptions given the 'equivalent disclosures' in the consolidated accounts of Koch Industries International Limited in which the entity is consolidated

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Preparation of financial statements in US dollars

The Company's financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (\$000), except when otherwise indicated. It is considered that presenting the financial statements in US dollars, the functional currency of the company, gives a fairer reflection of the company's activities, since the US dollar is the main currency of the company's primary economic environment.

Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of services to other companies in the Koch group. Revenue is recognised on an accruals basis.

Property, plant & equipment

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets in instalments over the estimated useful economic lives as follows:

Fixtures, fittings, and office equipment – 25% straight-line

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

Short leasehold improvements – Written off over life of lease

The carrying values of property, plant & equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2. Accounting policies (continued)

Software development costs (intangible assets)

The company capitalises expenditure paid to third parties relating to the acquisition and development of software where it is expected that future economic benefits will flow into the company. The company depreciates capitalised software cost on a straight-line basis over the estimated useful life as follows:

Software development – 20% straight-line

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax at a future date.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. The exchange rate at the statement of financial position date for GBP to USD was 1.33 (2018 – 1.27).

Translation differences are taken to the profit and loss account.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operated a defined contribution pension scheme during the year. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

(i) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial instruments held for trading and financial instruments designated upon initial recognition as at fair value through profit and loss.

Held for trading – Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

When a fair value financial asset or liability is recognised initially, the company measures it at its fair value and transaction costs are taken directly to the profit and loss account.

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit.

Financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured subsequently at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are subsequently measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Derivatives

Derivative instruments are used for trading and risk management purposes. In accordance with IFRS 9, all derivatives are recognised initially and subsequently carried at fair value, derivatives with positive fair values carried as assets and derivatives with negative fair values carried as liabilities in the statement of financial position.

In the ordinary course of business, the resultant profits and losses from trading and risk management are included in trading profits. The company currently has no derivatives in respect of which hedge accounting is applied.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). The fair value of derivatives is determined using independent price sources and industry standard modelling techniques, as appropriate.

The fair values of quoted investments are determined by reference to quoted market prices or dealer price quotations (bid price for long positions and offer price for short positions) at the close of business on the statement of financial position date, without any deduction for transaction costs. However, if part of the consideration given or received is for something other than the financial instrument or where there is no active market, the fair value of the financial instrument is estimated, using a valuation technique.

Impairment

The adoption of IFRS 9 has not fundamentally changed the Company's loss impairment method. From 1 January 2018, the Company has been recording the allowance for expected credit losses ('ECL') for all debt financial assets not held at FVPL, referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

risk since origination (i.e. credit rating downgrade and overdue for more than 90 days), in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For loans and receivables the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Derecognition

Financial assets and liabilities are recognised and derecognised according to the substance of the transaction. A financial asset is derecognised where no significant benefits or risks are retained. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

New financial reporting standards issued

IFRS 16, the new lease standards is effective for the financial period beginning on or after 1 January 2019. IFRS requires the recognition of the use of the asset and the associated lease liability on statement of financial position. The amount recognised in the statement of financial position is \$2,229,000.

For periods ending on or before 31 December 2018 leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

IFRS 16 was applied from 1 January 2019 and introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

At the commencement date of the lease, the partnership recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the partnership exercising the option to terminate.

In calculating the present value of lease payments, the company uses its incremental borrowing rate with reference to intercompany finance which charge interest at a market rate, at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The impact of the adoption of IFRS 16 on the company's financial statements is described below.

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Notes to the financial statements

at 31 December 2019

The date of initial application of IFRS 16 for the company was 1 January 2019.

Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

(a) Impact of the new definition of a lease

The company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

Applying IFRS 16, for all leases (except as noted below), the company

- (a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the partnership has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The net impact on the profit and loss and statement of financial position is as follows:

Recognised asset of \$2,299,000

Recognised liability of \$2,391,000

Net profit/loss impact of \$433,000

3. Turnover

The turnover relates to the company's principal activity. All turnover is derived from the provision of services in the UK to other group companies.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

4. Operating profit

This is stated after charging:

	2019 \$000	2018 \$000
Auditors' remuneration – audit of financial statements	22	24
Depreciation on fixtures, fittings and office equipment	129	100
Depreciation on leasehold improvements	-	-
Amortisation of software costs	134	115
Operating lease rentals – land and buildings	1,027	1,199
– plant and machinery	40	59
Unrealised exchange loss	120	82
Realised exchange loss	66	93
Staff costs (note 6)	16,920	21,515

5. Directors' remuneration

No director of the company received remuneration in respect of their services to the company. As at 31 December 2019, two directors were employees of the company (2018 – three), and no directors were employees of a fellow group subsidiary company (2018 – nil).

As per 2019, no directors of the company are accruing retirement benefits for services provided to the company (2018 – nil).

6. Staff costs

	2019 \$000	2018 \$000
Wages and salaries	13,738	17,087
Social security costs	2,283	3,327
Pension contributions (note 15)	899	1,101
	16,920	21,515

The average number of persons employed by the company (including directors) during the year was 61 (2018 – 75).

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2019

7. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2019 \$000	2018 \$000
Current tax:		
UK corporation tax on the profit for the year	1,367	1,140
Group relief claimed in respect of prior year	(1,140)	(11)
Total current tax charge	227	1,129
Deferred tax:		
Deferred tax credit (note 7(c))	(784)	(624)
Deferred remeasurement	-	7
Adjustment in respect of prior year	(66)	450
Total deferred tax	(850)	(167)
Tax (credit)/charge on profit on ordinary activities	(623)	962

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Notes to the financial statements

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7. Tax (continued)

(b) Factors affecting the current tax credit for the year

The tax assessed for the year differs from the standard rate of UK corporation tax of 19% (2018 – 19%). The differences are explained below:

	2019 \$000	2018 \$000
Profit on ordinary activities before tax	2,494	2,711
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2018 – 19%)	474	516
<i>Effects of:</i>		
Expenses not deductible for tax purposes	109	-
Adjustment in respect of prior year	(1,206)	439
Effect of changes in tax rates	-	7
Tax (credit)/charge for the year (note 7(a))	(623)	962

(c) Deferred tax

Deferred tax assets recognised in the financial statements are as follows:

	2019 \$000	Recognised 2018 \$000
Accelerated capital allowances	1,347	1,291
Incentive compensation	1,044	782
	2,391	2,073

The movements in deferred tax assets during the year are as follows:

	Recognised \$000
At 1 January 2019	2,073
Arising during the year (note 7(b))	784
Understatement in respect of prior years	(466)
At 31 December 2019	2,391

Deferred tax assets are calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the statement of financial position date.

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Notes to the financial statements

at 31 December 2019

7. Tax (continued)

(d) Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the Statement of Financial Position date. The Finance (No.2) Act 2015 reduced the tax rate to 19% (effective from 1 April 2017) and the Finance Act 2016 further reduced the tax rate to 17% (effective from 1 April 2020).

8. Property, Plant & Equipment

	<i>Short leasehold improve- ments</i>	<i>Right of use asset</i>	<i>Fixtures, fittings and office equipment</i>	<i>Constructi on in progress</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Cost:					
At 1 January 2019	572	-	2,139	-	2,711
Additions	-	2,732	-	-	2,732
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2019	572	2,732	2,139	-	5,443
Depreciation:					
At 1 January 2019	572	-	1,930	-	2,502
Charge for the year	-	433	129	-	562
Disposals	-	-	-	-	-
At 31 December 2019	572	433	2,059	-	3,064
Net book value:					
At 31 December 2019	-	2,299	80	-	2,379
At 1 January 2019	-	-	209	-	209

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9. Intangible assets

	Software \$000	Construction in progress \$'000	Total \$000
Cost:			
At 1 January 2019	3,820	36	3,856
Additions	2	2	4
Transfers	38	(38)	-
Disposals	-	-	-
At 31 December 2019	3,860	-	3,860
Amortisation:			
At 1 January 2019	3,562	-	3,562
Charge for the year	134	-	134
Disposals	-	-	-
At 31 December 2019	3,696	-	3,696
Net book value:			
At 31 December 2019	164	-	164
At 1 January 2019	258	36	294

10. Current assets

(a) Trade and other receivables

	2019 \$000	2018 \$000
Amount receivable from group companies	10,549	12,312
Other receivables	75	65
Prepayments and accrued income	24	48
	10,648	12,425

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at 31 December 2019

11. Current liabilities

(a) Trade and other payables

	2019 \$000	2018 \$000
Derivatives held for trading – FX forward	-	33
Amounts payable to group companies	434	148
Other payables including taxation and social security costs	1,233	1,628
Accruals	6,095	8,755
VAT	26	-
Lease liabilities	573	-
	<u>8,361</u>	<u>10,564</u>

(b) Current tax liability

	2019 \$000	2018 \$000
Corporation tax	814	1,119
	<u>814</u>	<u>1,119</u>

12. Creditors: amounts falling due after more than one year

	2019 \$000	2018 \$000
Derivatives held for trading – FX forward	-	39
Lease liabilities	1,818	-
Accruals	3,878	3,466
	<u>5,696</u>	<u>3,505</u>

13. Issued share capital

		2019 \$000		2018 \$000
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	100,000	<u>192</u>	100,000	<u>192</u>

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Notes to the financial statements

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14. Reconciliation of shareholders' funds and movements on reserves

	<i>Total share- holders' funds \$000</i>
At 1 January 2018	7,445
Profit for the year	1,750
At 1 January 2019	<u>9,195</u>
Profit for the year	<u>2,683</u>
At 31 December 2019	<u>11,878</u>

15. Pensions

The company is a member of the Koch UK Pension Scheme. This is a Defined Contribution scheme with both the employers and employees contributions being a fixed percentage of gross salary. It is expected that this Scheme will continue in its existing state for the foreseeable future.

Total contributions for the year amounted to \$899,000 (2018 – \$1,101,000). The amount accrued at the end of the year was \$nil (2018 – \$nil).

16. Other financial commitments

At 31 December 2019 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2019</i>		<i>2018</i>	
	<i>Buildings</i>	<i>Other</i>	<i>Buildings</i>	<i>Other</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Operating leases to be paid:				
Within one year	573	13	766	41
In two to five years	1,818	8	3,064	156
Five years or more	-	-	287	-
	<u>2,391</u>	<u>21</u>	<u>4,117</u>	<u>197</u>

17. Related party transactions

As the company is part of the group owned by Koch Resources, LLC, the company has taken advantage of the exemption contained within FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group.

18. Ultimate parent company and controlling party

The company's ultimate parent company and controlling party is Koch Industries Inc., incorporated in the United States of America. The group financial statements of the group are not available to the public.

The company's immediate parent company is Koch Industries International Limited, a company registered in England and Wales. These financial statements are publicly available.

The largest group in which the results of the company are consolidated is that headed by Koch Industries Inc.

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19. Post Statement of financial position events

The outbreak of "Covid-19", a respiratory disease caused by a coronavirus that was first detected in China and which has now been spread worldwide has had a negative impact on the global economy and may prevent global growth. On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organisation declared this outbreak a public health emergency of international concern. It has since been characterised as a pandemic.

Government has reacted in order to slow down the spread of the outbreak with varying measures such as restricting travel, banning large social gatherings, closing schools, shops and other establishments with a general modus operandi of social distancing or isolation to present the spread of the virus.

The duration, social, economic and political consequences of the pandemic are unknown. Consequently, we are in uncharted territory with financial markets, supply chains, and businesses are being severely disrupted.

As at the date of this report, the Company has not seen any significant decline in operations, has assessed the operational reliance of the business and the ability of its people to operate from home during this period of lock down and furthermore there has been no significant financial effect.