

Koch Supply & Trading Company Limited

Report and Financial Statements

31 December 2022

TUESDAY



ACCU0HJ7

A14

26/09/2023

#33

COMPANIES HOUSE

Koch Supply & Trading Company Limited

Contents

Information about the company	2
Strategic Report	3
Directors Report	4
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Statement of Profit and Loss	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the financial statements	14

Koch Supply & Trading Company Limited

Directors

D Eld
M Prins

Secretary

Citco Management (UK) Limited

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 Koch Supply & Trading Company Limited ("the company") is to act as a services and employment company for and on behalf of other Koch companies, for which it charges an uplift on cost for providing this service.

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

	2022	2021
	\$000	\$000
Turnover	36,834	52,703
Profit after tax	4,735	2,738
Shareholders' funds	9,281	16,546
Current assets as % of current liabilities	168%	278%

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

Future developments

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

The Company will continue to act as a services and employment company for and on behalf of other group companies. Having considered the Company's operations and its financial resources, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Ukraine/Russia conflict has continued through 2022 and into 2023. Given the absence of exposure in the region, the Company has not seen any direct impact, but will continue to monitor the developments closely and take all necessary actions. There are no other material events between the reporting date and the date when the financial statements were authorised by the Company.

There are no other material events between the reporting date and the date when the financial statements were authorised by the Company.

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

Daniel Eld

Date: 03 July 2023

Koch Supply & Trading Company Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year after taxation amounted to \$4,735,000 (2021 – profit of \$2,738,000).

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.

Macroeconomic events

The Ukraine/Russia conflict has continued through 2022 and into 2023. Given the absence of exposure in the region, the Company has not seen any direct impact, but will continue to monitor the developments closely and take all necessary actions. There are no other material events between the reporting date and the date when the financial statements were authorised by the Company.

There are no other material events between the reporting date and the date when the financial statements were authorised by the Company.

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: 03 July 2023

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 FRS 101 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.

On behalf of the Board

Daniel Eld

Daniel Eld

Date: 03 July 2023

Koch Supply & Trading Company Limited

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

Opinion

We have audited the financial statements of Koch Supply & Trading Company Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and high cost of energy, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

Koch Supply & Trading Company Limited

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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.

Responsibilities of directors

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

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

Koch Supply & Trading Company Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were UK-adopted international accounting standards and the Companies Act 2006
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
 - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
 - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation; and
 - checking the completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed for financial statements preparation.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

Koch Supply & Trading Company Limited

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory frameworks applicable to the Company.

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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

Maverall Reynolds

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom
03 July 2023

Koch Supply & Trading Company Limited

Statement of profit and loss

for the year ended 31 December 2022

	Notes	2022 \$000	2021 \$000
Turnover	3	36,834	52,703
Cost of sales		<u>(34,576)</u>	<u>(50,679)</u>
Operating profit	4	2,258	2,024
Interest receivable		591	290
Interest payable		<u>(87)</u>	<u>(7)</u>
Profit before tax		2,762	2,307
Tax credit/(expense)	7	<u>1,973</u>	<u>431</u>
Profit for the financial year	14	<u><u>4,735</u></u>	<u><u>2,738</u></u>

All amounts relate to continuing activities.

Statement of other comprehensive income

for the year ended 31 December 2022

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of \$4,735,000 in the year ended 31 December 2022 (2021 – profit of \$2,738,000).

Koch Supply & Trading Company Limited

Statement of financial position

at 31 December 2022

	Notes	2022 \$000	2021 \$000
Fixed assets			
Property, plant & equipment	8	798	1,308
Intangible assets	9	901	703
Deferred tax	7	2,809	2,106
		<u>4,508</u>	<u>4,117</u>
Non current assets		-	47
Current assets			
Trade and other receivables	10	22,201	32,315
Current tax asset	10(a)	949	0
Cash at bank and in hand		<u>18,006</u>	<u>20,847</u>
		<u>41,156</u>	<u>53,162</u>
Current liabilities			
Trade and other payables	11(a)	(24,431)	(18,825)
Current tax liability	11(b)	-	(321)
		<u>(24,431)</u>	<u>(19,146)</u>
Net current assets		<u>16,725</u>	<u>34,016</u>
Total assets less current liabilities		21,233	38,180
Non current liabilities			
Trade and other payables	12	<u>(11,952)</u>	<u>(21,634)</u>
Net assets		<u>9,281</u>	<u>16,546</u>
Capital and reserves			
Called up share capital	13	192	192
Profit and loss account	14	<u>9,089</u>	<u>16,354</u>
Shareholders' funds	14	<u>9,281</u>	<u>16,546</u>

The financial statements were approved by the board of directors on 03 July 2023 and were signed on its behalf by

Daniel Eld

Daniel Eld
Director

Koch Supply & Trading Company Limited

Statement of changes in equity

for the year ended 31 December 2022

	Called up share capital	Retained earnings	Total equity
At 1 January 2021	192	13,616	13,808
Profit for the financial year	-	2,738	2,738
At 31 December 2021	192	16,354	16,546
Profit for the financial year	-	4,735	4,735
Dividend paid	-	(12,000)	(12,000)
At 31 December 2022	192	9,089	9,281

The notes to the financial statements are shown on pages 14 to 24.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

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 2022 were authorised for issue by the board of directors on 03rd July 2023.

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.

The Company is included in the consolidated accounts of Koch Solutions, LLC. The 2022 Koch Solutions, LLC consolidated financial statements are filed with the Companies House.

The Company is exempt from preparing or delivering group accounts, per Section s401 of the Companies Act.

The principal accounting policies adopted by the Company are set out in note 2.

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

2. Accounting policies (continued)

There are no critical accounting judgements or sources of estimation uncertainty significant enough to warrant disclosure under IAS 1 – presentation of financial statements.

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
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.

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 1.21 (2021 – 1.35).

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.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

2. Accounting policies (continued)

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.

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.

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 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 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.

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

2. Accounting policies (continued)

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.

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 company 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.

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.

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 company 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.

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 2022

4. Operating profit

This is stated after charging:

	2022 \$000	2021 \$000
Auditors' remuneration - audit of financial statements	<u>24</u>	<u>22</u>
Depreciation on fixtures, fittings and office equipment	8	14
Amortisation of software costs	<u>153</u>	<u>63</u>
Operating lease rentals		
- land and buildings	1,407	1,557
- plant and machinery	35	23
Unrealised exchange gain	(153)	(386)
Realised exchange loss/(gain)	<u>279</u>	<u>(330)</u>
Staff costs (note 6)	<u>27,447</u>	<u>44,513</u>

5. Directors' remuneration

No director of the company received remuneration in respect of their services to the company. As at 31 December 2022, two directors were employees of the company (2021 – two), and no directors were employees of a fellow group subsidiary company (2021 – nil).

No directors of the company are accruing retirement benefits for services provided to the company (2021 – nil).

6. Staff costs

	2022 \$000	2021 \$000
Wages and salaries	22,532	37,509
Social security costs	3,923	5,839
Pension contributions (note 15)	<u>992</u>	<u>1,165</u>
	<u>27,447</u>	<u>44,513</u>

The average number of persons employed by the company (including directors) during the year was 69 (2021 – 68).

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

7. Tax**(a) Tax on profit on ordinary activities**

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

	2022	2021
	\$000	\$000
Current tax:		
UK corporation tax on the profit for the year	(949)	320
Adjustment in respect of prior year	1,746	150
Group relief claimed in respect of prior year	(2,067)	(879)
Total current tax charge	<u>(1,270)</u>	<u>(409)</u>
Deferred tax:		
Deferred tax credit (note 7(c))	1,482	117
Adjustment in respect of prior year	(2,185)	(139)
Total deferred tax	<u>(703)</u>	<u>(22)</u>
Tax (credit)/charge on profit on ordinary activities	<u>(1,973)</u>	<u>(431)</u>

(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% (2021 – 19%). The differences are explained below:

	2022	2021
	\$000	\$000
Profit on ordinary activities before tax	<u>2,762</u>	<u>2,307</u>
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2021 – 19%)	525	438
Effects of:		
Expenses not deductible for tax purposes	5	(2)
Adjustment in respect of prior year	(2,506)	(867)
Bulgaria tax adjustment	5	-
Tax (credit)/charge for the year (note 7(a))	<u>(1,973)</u>	<u>(431)</u>

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

7. Tax (continued)

(c) Deferred tax

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

	2022	<i>Recognised</i> 2021
	\$000	\$000
Accelerated capital allowances	946	1,059
Incentive compensation	1,863	1,047
	<u>2,809</u>	<u>2,106</u>

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

	<i>Recognised</i> \$000
At 1 January 2022	2,106
Arising during the year (note 7(b))	(1,482)
Understatement in respect of prior years	2,185
At 31 December 2022	<u>2,809</u>

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. 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).

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

8. Property, Plant & Equipment

	<i>Short leasehold improve- ments \$000</i>	<i>Right of use asset \$000</i>	<i>Fixtures, fittings and office equipment \$000</i>	<i>Total \$000</i>
Cost:				
At 1 January 2022	572	2,732	2,158	5,462
Additions	-	-	-	-
At 31 December 2022	<u>572</u>	<u>2,732</u>	<u>2,158</u>	<u>5,462</u>
Depreciation:				
At 1 January 2022	572	1,437	2,145	4,154
Charge for the year	-	502	8	510
Disposals	-	-	-	-
At 31 December 2022	<u>572</u>	<u>1,939</u>	<u>2,153</u>	<u>4,664</u>
Net book value:				
At 31 December 2022	<u>-</u>	<u>793</u>	<u>5</u>	<u>798</u>
At 1 January 2022	<u>-</u>	<u>1,295</u>	<u>13</u>	<u>1,308</u>

9. Intangible assets

	<i>Software \$000</i>	<i>Construction in progress \$'000</i>	<i>Total \$000</i>
Cost:			
At 1 January 2022	4,403	136	4,539
Purchases	-	351	351
Transfers	446	(446)	-
At 31 December 2022	<u>4,849</u>	<u>41</u>	<u>4,890</u>
Amortisation:			
At 1 January 2022	3,836	-	3,836
Charge for the year	153	-	153
At 31 December 2022	<u>3,989</u>	<u>-</u>	<u>3,989</u>
Net book value:			
At 31 December 2022	<u>860</u>	<u>41</u>	<u>901</u>
At 1 January 2022	<u>567</u>	<u>136</u>	<u>703</u>

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

10. Current assets

(a) Trade and other receivables

	2022	2021
	\$000	\$000
Amount receivable from group companies	21,713	31,835
Other receivables	16	55
Prepayments and accrued income	472	425
	<u>22,201</u>	<u>32,315</u>
	2022	2021
	\$000	\$000
Corporation tax	949	-
	<u>949</u>	<u>-</u>

11. Current liabilities

(a) Trade and other payables

	2022	2021
	\$000	\$000
Amounts payable to group companies	687	109
Other payables including taxation and social security costs	3,385	2,662
Accruals	20,172	15,687
VAT	187	367
	<u>24,431</u>	<u>18,825</u>

(b) Current tax liability

	2022	2021
	\$000	\$000
Corporation tax	-	321
	<u>-</u>	<u>321</u>

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

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

	2022	2021
	\$000	\$000
Lease liabilities	751	1,376
Accruals	11,201	20,258
	<u>11,952</u>	<u>21,634</u>

13. Issued share capital

		2022		2021
	No.	\$000	No.	\$000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	100,000	<u>192</u>	100,000	<u>192</u>

14. Reconciliation of shareholders' funds and movements on reserves

	<i>Total share- holders' funds \$000</i>
At 1 January 2021	13,808
Profit for the year	2,738
At 1 January 2022	<u>16,546</u>
Profit for the year	4,735
Dividend paid	<u>(12,000)</u>
At 31 December 2022	<u>9,281</u>

15. Pensions

The company is a member of the Koch UK Pension Scheme. This is a Defined Contribution scheme with both the employer and employee 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 \$992,000 (2021 – \$1,165,000). The amount accrued at the end of the year was \$nil (2021 – \$nil).

Koch Supply & Trading Company Limited

Notes to the financial statements

at 31 December 2022

16. Other financial commitments

At 31 December 2022 the company had annual commitments under non-cancellable operating leases as set out below:

	2022		2021	
	<i>Buildings</i>	<i>Other</i>	<i>Buildings</i>	<i>Other</i>
	\$000	\$000	\$000	\$000
Operating leases to be paid:				
Within one year	542	13	542	13
In two to five years	251	2	753	2
	<u>793</u>	<u>15</u>	<u>1,295</u>	<u>15</u>

17. Related party transactions

As the company is part of the group owned by Koch Solutions, 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.

19. Post Balance Sheet Events

There are no post balance sheet events to disclose.