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Petroineos Trading Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022



Petroineos Trading Limited

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Petroineos Trading Limited

Group Information

Directors	Mr Andrew Christopher Currie Mr Franck Francois Demay Mr Olivier Chevallier Mr Xuyang Guo Mr Junli Wu Mr Guangping Geng Mr Jiang He (appointed 10 March 2024) Mr Tong Zhang (resigned on 25 February 2021) Mr Yong Zhao (resigned on 25 February 2021) Mr Jinsan Huo (resigned on 26 January 2022) Mr Kai Dai (resigned on 7 July 2022) Mr Hongwei Li (resigned on 6 February 2024) Mr Wenjin Zhu (resigned on 10 March 2024)
Company secretary	Tricor Corporate Secretaries Limited Ogier Global Company Secretary (Jersey) Ltd
Registered office	44 Esplanade St Helier Jersey, Channel Island JE4 9WG
Bankers	HSBC Bank Plc. Poultry & Princes Street PO BOX 648 8 Canada Square London E14 5HQ Bank of China (UK) Limited 90 Cannon Street London EC4N 6HA Standard Chartered Bank Basinghall Avenue London EC2V 5DD Bank of America N.A. 2 King Edward Street London EC1A 1HQ China Construction Bank 111 Old Broad Street London EC2N 1AP
Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report, directors' report and financial statements for the year ended 31 December 2022. The strategic report is applicable to Petroineos Trading Limited and its subsidiaries (the Group) and Petroineos Trading Limited (the Company).

Principal activity

The principal activity of the Group is an integrated energy and commodity trading group of companies. Operating globally, the Group markets and distributes physical commodities sourced from our own production and from third party producers to industrial consumers. The principal activities of the Group consist of Asset Trading (AT) and Entrepreneurial Trading (ET). The main activities for AT are to supply crude oil to two refineries (in Grangemouth, Scotland and Lavera, France) and the trading and marketing of their refined products. The main activities for ET are to source a diversified range of physical commodities from third party suppliers with value added services such as freight, insurance, financing and storage, to a broad range of consumers and industrial commodity end users. The Group also use derivative instruments such as futures and forwards to hedge the market risks or to speculate on price changes in the underlying asset. As the commodity markets in which the Group operates are fragmented or periodically volatile, we are able to monetise arbitrage opportunities from buying or selling commodities in different geographic locations or time periods.

Fair review of the business

While the start of 2022 involved managing the remaining aspects of the coronavirus pandemic, this quickly evolved into a period of high volatility and inflationary pressures brought on by the advent of the Ukraine war. This resulted in the continuing localised demand/supply shocks that had been present in prior years but for most product sets trending upwards. The Group's AT business particularly benefitted from enhanced margins for the greater portion of the year, fuelled by post pandemic demand, and sanctions imposed also impacted the supply side. Both of these elements caused inflationary pressures on prices and margins. The performance of the ET business was relatively weak this year, as it encountered challenges that were driven by unexpected price falls across a range of refined product markets, due to weaker than expected demand in the latter portion of the year.

Achievements in 2022:

- Significant arbitrage activity of diesel and jet fuel from the Far East into Atlantic Basin markets.
- Skilful management of refinery margin environment to deliver excellent refining financial performance.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Business environment

2022 was shaped by the energy markets response to the war in Ukraine. After initially rallying sharply the flat price of crude eventually settled throughout the year at a similar level to where it started. It became apparent that the inflationary pressure unleashed by the war was damaging demand and as the risk of an outright embargo of Russian crude exports was removed with the implementation of a Price Cap. Oil products prices and refining margins, however, spent much of the year at very elevated levels as Russian product exports initially dipped and then had to find more expensive logistical routes to market. Stocks of refined products in the main consumption centres were at record lows for much of the year creating nervous market conditions. We had numerous supply challenges due to refining maintenance and strikes in markets such as France whilst demand continued to improve back towards its pre Covid levels and in some case surpass them. Towards the end of the year refined product markets associated with industrial demand came under pressure as further derivative markets such as petrochemicals and activity such as house building weakened.

Future developments

The Group intends to continue to expand its activities across the region, grow its volume of operations and activity levels and add complexity to its product range. Continued expansion of the Group's activities in the Crude and Product market remains a focus for the organisation. Subsequent to the year end the group has taken steps to restructure its biofuels business to position it for success following certain operational challenges which adversely impacted the trading results in the period. The Group will continue invest in people, systems and processes and improve operational efficiency to contribute to the future success of the Group. The directors remain optimistic about the future growth and success of the trading business.

The business impact of global carbon reduction policies and zero carbon long term targets by government and industries continues to be reviewed. The Group sees the need to remain flexible and develop new capabilities to manage external pressures resulting from tightening climate change policies.

Strategy

The Group's strategy is to continue to build and maintain a wide range of trading capabilities, secure direct access to markets throughout its region of operations and to build a diversified portfolio of structured short to medium term trading positions and provide attractive returns for its shareholder. The Group's objective is to become a leading market participant in the energy markets in which it operates. The Group believes it is important to combine strong risk management processes with enthusiastic entrepreneurial commercial terms to identify and monetise market opportunities in order to maximise shareholder's value.

Ukraine War

The continuation of the Ukraine war throughout 2023 has impacted trading and the geopolitical outlook is unlikely to revert to historic norms. Market unpredictability has posed new challenges and uncertainties, along with the evolving sanctions environments that have to be adhered to. The sanctions impact has resulted in an additional layer of review and consultation to ensure sanctions are complied with. Management fully stand behind the trading teams, and is dedicated to growing our business whilst maintaining a solid market risk control capability whilst complying with this evolving scenario.

Interest Rates

The interest rate rises contributed to by inflationary pressures due to the war have been able to be managed well in a challenging environment. Management are committed to continuing to obtain the required financing to support the business growth and trading agenda in a high interest environment.

Energy/Cost of living crises

The consumer demand impact of these two interlinked areas of current demand is noted and monitored by the management team, but at this time the fluctuation to the core business lines is deemed to be within the bounds of normal operations and therefore contributes limited additional risk.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Key performance indicators

Overall, the development, performance and position of the Group is managed through an integrated suite of management reporting covering all key aspects of the business. The main KPI of the Group is earnings before interest, taxation, depreciation and amortisation ('EBITDA'). Management monitors both Historical Cost ('HC') EBITDA and Replacement Cost ('RC') EBITDA.

Reconciliation of operating profit to HC EBITDA and RC EBITDA is as follows:

	31 December 2022 \$ m	31 December 2021 \$ m
Operating profit	260	65
Depreciation and amortisation	<u>16</u>	<u>24</u>
Historical cost EBITDA	276	89
Gain on inventory holdings	<u>(39)</u>	<u>(301)</u>
Replacement cost EBITDA	<u><u>237</u></u>	<u><u>(212)</u></u>

EBITDA for the business includes all costs charged under the tolling agreement with Petroineos Refining Group, and accordingly includes the costs charged by that group in relation to the substantial depreciation costs of the two-refineries (2022: \$211.1m, 2021: \$181.9m).

HC EBITDA represents the consolidated operating gain and loss before depreciation, amortisation, impairment and taxation. In accordance with International Financial Reporting Standards ('IFRS'), the Group uses a historic cost method of accounting for the purposes of determining inventory cost in connection with the preparation of its audited annual consolidated financial information.

As supplementary information, the Group also reports its operating profit to management to reflect cost of sales using the replacement cost method of accounting for inventory. The RC EBITDA method of reporting values raw materials and consumables and finished goods at their replacement cost at the time the related finished goods are sold.

On a historical cost EBITDA basis, the Group has seen significant improvement in profitability from 2021. This has been driven mainly from the Group's Asset Trading division with the recovery of market demand for hydrocarbons, as Europe emerged from the pandemic, and from supply restrictions from economic sanctions imposed on Russia following the war in the Ukraine. The performance of the Group's Entrepreneurial Trading division was relatively weak this year, as it encountered challenges that were driven by unexpected price falls across a range of refined product markets, due to weaker than expected demand in the latter portion of the year.

Although EBITDA-based measures should not be considered a substitute measure for operating profit, profit for the year, or cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The EBITDA measure presented may not be comparable to similarly titled measures used by other companies.

The Group has net assets of \$500m (2021: \$406m) after goodwill impairment of \$182m, detail see note 10, and net current liabilities of \$533m (2021: \$763m).

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The Group's principal risks and uncertainties are the effect of commodity markets on both its cost of raw materials and sales revenues. These risks are managed through a policy of hedging a proportion of both its raw material purchases and its production margin.

Financial risk management

Risk management remains a priority for the Group. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The ultimate responsibility for risk management rests with the Board of Directors, which delegates the day-to-day responsibility to the Risk Oversight Committee. A robust risk management function is in place to respond to the growth in our business in entering into new products, sectors and geographies.

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group where appropriate. The Group is exposed to commodity price risk as a result of its operations. The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. The Group is funded through a number of external banking facilities and therefore has exposure to liquidity and debt market risk. Due to the commercial arrangement between PetroChina Company Limited (an indirect controlling party of PetroChina International (London) Limited "PCIL" which owns 50.1% of the Group) and the banks, the facilities are uncommitted but are supported by letters of comfort to the lenders from PetroChina Company Limited. The Group is supported by letters of support from its own controlling party PCIL too. Interest rate exposures are managed through a wide spread of loan facilities with short term maturity.

Currency risk

This is the risk that movements in foreign currency exchange rates will result in exchange gains and losses being taken to the Profit and Loss. Currency risk arises when commodity trading contracts or recognised assets or liabilities are denominated in a currency that is not the functional currency of the relevant Group entity. The Group manages its foreign exchange risk by entering into forward foreign currency contracts transacted with various financial institutions.

Market risk

This is the risk of the mark to market value portfolio, instrument or investment increasing or decreasing as a result of volatility and unpredicted movements in market valuations. The primary market risks within the Group are the exposures to energy prices, foreign exchange and interest rates. Value-at-risk is our primary mechanism for market risk measurement but is also complimented by other measurements such as stress tests. All positions are recorded, monitored and managed in trading books via various hedging instruments.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Credit risk

This is the risk that the financial benefits of the contracts with a specific counterparty will be lost if a counterparty defaults on their contractual obligations. The Group monitors credit risk on all customers, the large majority of which are group undertakings and well-known energy and financial institutions. Credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. The approved limits are adjusted regularly and dynamically, and additionally credit risks are further mitigated by insurance being secured where necessary.

Liquidity risk

This is the risk that the Group will not have sufficient funds to meet its liabilities. Short-term cash flow needs are regularly monitored by the directors and then funded by the group controlling party PCIL as needed. The directors forecast the long-term cash flows to ensure the company has sufficient funds available to undertake its principal activity.

Cash flow risk

This is the risk from fluctuating interest rates. The Group finances its operations through the share capital invested by shareholders and short-term borrowings from the group parent company and short term bank loans. Short-term borrowing from the group parent company bears fixed interest rates according to the intercompany loan agreements. The Group share banking facilities with PCIL and the cashflow risk is relatively low.

Legal and compliance risk

The Company is required to comply with a variety of legislation, including in relation to anti-money-laundering; sanctions and trade restrictions; anti-bribery and corruption; and financial market conduct. Ethical misconduct or breaches of applicable laws or regulations could damage the Company's reputation, result in litigation, regulatory action and penalties, adversely affect results and shareholder value, and potentially affect our licence to operate.

The Company's code of conduct is applicable to all employees and central to managing this risk. Additionally, there are various group requirements and training covering areas such as anti-bribery and corruption, anti-money laundering, competition/anti-trust law, data privacy and international trade regulations. The Compliance and legal departments oversee the Company's activities in partnership with front office functions to ensure that we operate appropriately and that our controls are relevant and robust. They focus on promoting a sound compliance culture across the Company in which everyone recognises their personal responsibility for meeting our compliance objectives. The team adopts a risk-based approach, allocating energy and resources to the issues that matter most to our core business and our stakeholders.

Trading non-compliance

In the normal course of business, the Company is subject to risks around trading activities which could arise from shortcomings or failures in systems, risk management methodology, internal control processes or employee conduct.

The Company has specific operating standards and control processes to manage these risks, including guidelines specific to trading, and seek to monitor compliance through our dedicated compliance teams. The Company seeks to maintain a positive and collaborative relationship with regulators and industry at large.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Operational and Environmental, Social and Corporate Governance (ESG) risk

Those nonfinancial risks arising from the environment and sustainability, reputation or brand, legal, technological, product or service quality, labour, ethical conduct, compliance, and strategic considerations. From the Group experience and research, ESG links to cash flow in five important ways:

- Facilitating top-line growth;
- Reducing costs;
- Minimizing regulatory and legal interventions;
- Increasing employee productivity, and;
- Optimizing investment and capital expenditures.

The directors set and oversee the strategic direction of the Company's sustainability strategy and its corporate policies and guidelines in line with the wider PetroChina policies. Our Health, Safety and Environmental (HSE) obligations are our top priority and at the heart of all our businesses. We are fully committed to continually improving our performance across all our operations. Refer to the Statement of Corporate Governance in the directors report for further detail on governance.

S172 (1) Statement

Notwithstanding that Petroineos Trading Limited, as a joint venture between PetroChina International (London) Co., Ltd and Ineos Investments (Jersey) Ltd., is Jersey incorporated, the directors choose to comply with the obligations imposed under them under the Companies Act 2006 when carrying out their duties. This includes a commitment to Section 172, pursuant to which the directors promote the success of the Company whilst having regard to the following matters:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the company.

S172(1)(a) - the likely consequences of any decision in the long term

The Directors, in executing their strategy of building and maintaining a wide range of trading capabilities, securing direct access to markets and building a diversified portfolio of structured trading positions, seek to increase the Company's long-term value for its shareholders. The Directors recognise that the long-term success of the Company is dependent on stakeholder engagement and the impact from the macro-environment.

The primary challenges faced by the Board in 2022 arose as a result of the geopolitical tensions associated with Russia, which caused a series of significant market adjustments and required the Directors to balance the needs of various stakeholder groups. In order to support decision making around the Company's market position the Directors relied heavily on enhanced analysis on the effect of governmental intervention, including sanctions on Russian commodities, companies and individuals. The Company established a committee to review new and existing business with a Russian nexus. The impact of such decisions and oversight was to successfully manage the Company's risks, whilst also helping to ensure continued energy supply for our Group and external partners.

S172(1)(b) - the interests of the company's employees

The directors recognize that the Company's success is aligned with the interests and well-being of its employees and in 2022 the Directors sought to preserve this approach, providing competitive remunerations, a stable work environment and development opportunities whilst also continuing to reinforce new workplace initiatives.

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Strategic Report for the Year Ended 31 December 2022 (continued)

S172(1)(c) - the need to foster the company's business relationships with suppliers, customers and others One of Petroineos' core values (see p10) is "Integrity", and the Company strives to reflect this in its dealings with its suppliers, customers and trading counterparties. The directors recognize the importance of maintaining strong mutually beneficial relationships, which is primarily managed through the establishment of multiple engagement channels which enable difficulties, issues or opportunities to be quickly identified and appropriately actioned. More information about the Company's engagement with stakeholders can be found in the "Stakeholder Engagement Report".

S172(1)(d) the impact of the company's operations on the community and the environment
As well as continuing to ensure continued energy supply into the market, in 2022 the Directors established a new Green Investments Committee to assist the Company in delivering its strategic objectives to decarbonize its business activities through new investments in low-carbon and "green" projects.

S172(1)(e) - the desirability of the company maintaining a reputation for high standards of business conduct
Against the backdrop of geopolitical tensions highlighted under s172(1)(a), the Company continued to strive to achieve high standards of business conduct by adopting a number of enhanced compliance measures, such as the creation of a specific internal functional assurance group whereby any new business that related to Russia would be initially assessed by key stakeholders in order to manage any potential sanctions risk/reputational risk. Enhanced KYC were undertaken on current and prospective counterparties to identify any links to Russia and formal updates were circulated across the business in order to ensure that all staff were fully advised on the potential impact of sanctions packages on Russia.

S172(1)(f) - the need to act fairly between members of the company
The Company has a sole two members, PetroChina International (London) Co., Ltd. and INEOS Investments (Jersey) Limited. The composition of the Board of the Company represents a balance of the shareholders' interests.

Further information on how the directors comply with their Section 172 obligations is available in the Directors' Report (pages 10 to 18).

Approved by the Board on 4 April 2024 and signed on its behalf by:

DocuSigned by:

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Mr Guangping Geng
Director

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022

This directors' report is presented by the directors on the affairs of the Group and the Company, together with the audited consolidated financial statements and auditor's report, for the year ended 31 December 2022. Details of the business, the development of the Group and likely future developments are set out in the strategic report.

Corporate structure

Petroineos Trading Limited (the 'Company') is incorporated and domiciled in Jersey under Jersey Law 1991 at the following address: 44 Esplanade, St Helier, Jersey, Channel Island, JE4 9WG.

Petroineos Trading Limited has fully paid share capital of \$1,000 held 50.1% by PetroChina International (London) Company Limited and 49.9% by INEOS Investments (Jersey) Limited.

Dividends

No interim dividend was declared during the year (2021: Nil). The directors do not recommend the payment of a final dividend (2021: Nil).

Political donations

Neither the Group nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Research and development

During the year, the Group incurred \$nil research and development expenditure (2021: \$nil).

Directors' conflicts of interest

Under Jersey law and the Company's Articles of Association (which mirror section 175 of the UK Companies Act 2006), directors must avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. The duty is not infringed if the matter has been authorised by the Directors. Under the Articles, the Board has the power to authorise potential or actual conflict situations. The Board maintains effective procedures to enable the directors to notify the company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board. Directors' conflict situations are reviewed annually.

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Directors' Report for the Year Ended 31 December 2022 (continued)

Statement of Corporate Governance

The Group has adopted the Wates Corporate Governance Principles for Large Private Companies as its governance code.

The Wates Principles contain six principles relating to purpose and leadership, Board composition, director responsibilities, opportunity and risk, remuneration and stakeholder relationships and engagement.

The Board has reviewed its policies and practices and considers that, save for where set out below, it complies with all six principles.

Purpose and Leadership

The Group's purpose and values (Integrity, Aspiration, Safety and Harmony) are an extension of that of its holding company, PetroChina International (London) Co., Limited, with an added emphasis of adapting such values in line with the Group's local market. These values are supported and constantly reinforced by its operational policies (see Opportunity and Risk below).

The Group's strategy is developed as part of its shareholder group's global strategy and is further developed using a combination of a "top down" and "bottom up" approach, under which senior management adopt an open dialogue with front office staff.

Board Composition

In 2022 an additional UK-based director was appointed to the Board to support the strategic and decision-making functions of the Group whilst also offering an additional communication channel between board and operational level. The current Board of the Group is comprised of seven directors, of which two are executive directors and five are non-executive directors.

Directors Responsibilities

The Shareholders' Agreement provides a clear basis for the structure of the Group's leadership and Board decision making procedures. The executives have further established management roles, committees and meetings to exercise delegated authority and to provide forums to assist with the effective operation of the Group and the deployment of specialist skills and expertise. The advice of these individuals and use of such forums help to mitigate the risk of the CEO having too much unfettered power by providing a means of independent challenge and by ensuring his decision making is appropriately guided and informed.

Formal and robust internal reporting is undertaken from a range of internal and external information sources to enable executive management to comprehensively monitor the performance of the Group across all functions (including regarding financial reporting, trade strategy, hedging performance and workforce data). The Board participates in an ongoing training programme in respect of various duties relating to legal and compliance issues, such as statutory duties, anti-trust compliance, HSE and ethics to ensure that they have a clear understanding of their responsibilities and accountabilities.

The Company has adopted a corporate governance framework designed to implement the Wates Principles which sets out its policies and practices relating to matters such as:

- authority
- reporting frameworks
- the role of the board and CEO
- the role of the shareholder and group policies
- regard for stakeholder interests

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Opportunity and Risk

The Group creates and preserves value through business development and by enhancing the Group's competitive advantages whilst maintaining its commitment to regulatory compliance and ethical business practices. Business development initiatives and strategic planning engage the active involvement of the front office, thereby encouraging innovation and entrepreneurship.

The management of risk is primarily through a risk control committee, which operates across the organisation to identify, manage and escalate a broad spectrum of risk matters affecting the Group, from markets and daily profit and loss to assessing political and regulatory risks. This is supported by the use of internal and external communication channels to identify present and emerging risk factors (such as market data and piracy reports as well as external advisory services from its P&I club, IT security alert services and law firms). This risk management regime is implemented throughout the organisation through the use and enforcement of an extensive set of risk controls and policies.

Remuneration

Senior Manager and workforce remuneration structures and philosophies are aligned with practices in the energy trading sector. The Group benchmarks its pay and bonus against other energy trading companies using an external benchmarking company.

Stakeholder Relationships and Engagement

The directors have regard to interests and views of its key stakeholders when taking decisions (see Stakeholder Engagement Report and Section 172(1) Statement for further details). This is particularly the case for matters affecting other Petroineos companies with whom the Group has an interdependent relationship under the joint venture, and its shareholder groups, whose financial strength and expertise is leveraged in support of the joint venture. The Group also recognises the importance of its workforce who are critical to its success as it grows its operations and develops its internal knowledge and expertise. Practices are in place for employee engagement across the various functions (including through an employee-led "lunch and learn" programme) as well as between the workforce and executive management. The Group's commitment to its employees is further enhanced through grievance and whistleblowing policies.

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Directors' Report for the Year Ended 31 December 2022 (continued)

Stakeholder Engagement Report

The Board acknowledges the importance of our stakeholders and the vital role that they play in meeting the Group's strategic objectives. The Board further recognises the mutuality of these relationships and that our growth and economic performance are crucial to many of our stakeholders and the business communities in which we operate.

To allow the Board to gain a closer understanding of our key stakeholder relationships and provide a better focus for the consideration of stakeholder interests in its decision making processes, the Board has adopted the following measures:

- it maintains a 'Stakeholder Map' to identify and measure its engagement with internal and external stakeholders; and
- changes have been implemented to its standardised board papers to ensure that the Board adequately assess and considers the impact of its decisions on our stakeholders.

The Group has a wide range of stakeholders which include the following categories:

- Internal and affiliated stakeholders: its workforce, shareholders, other entities within the Petroineos joint venture
- External stakeholders: governments and regulatory bodies, providers of finance, trading counterparties, industry groups and forum

The means of engagement with each stakeholder varies according to the nature of the relationship and the available means.

Employees are considered to be a critical stakeholder for the Group as it has ambitions to significantly increase its trading volumes and profitability in the next few years: recruiting, nurturing and retaining a talented workforce therefore underpins the Group's strategic plans. The Board have proactively sought to develop employee initiatives and enhance workplace experience (including employee support and monitoring, educating and training programmes, competitive remuneration and benefit package).

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Directors' Report for the Year Ended 31 December 2022 (continued)

Stakeholder Engagement Report (continued)

We engage with our workforce throughout their career with the Group and on an ongoing basis, providing support and development opportunities. As a joint venture between companies of different cultures, we provide a diverse and inclusive cultural outlook for our employees and customers. We value and respect individuals and encourage innovation.

In 2022 the Company implemented a number of measures designed to re-engage its workforce and enhance office culture following an increase in physical attendance at the Company's offices. This included the establishment of a social committee and a number of in-office cultural events and company lunches.

The Company also continued to hold 'lunch and learn' sessions which have been a successful in promoting cross-departmental discussion and informing the workforce of new challenges and initiatives.

The other entities within the Petroineos joint venture group are also acknowledged to be important stakeholders of the Group, and in particular Petroineos Manufacturing Scotland Limited and Petroineos Manufacturing France SAS which own and operate the Grangemouth and Lavera refineries, respectively. The different entities within the Petroineos joint venture operate under a combined business plan and strategy, which is implemented across all levels of the business through joint decision making and risk management practices. Common directorship across the trading and refining arms of the joint venture ensures effective flow of information, effective governance and consistency in making and implementing strategy.

The Group maintains a close relationship with its majority owner, PetroChina International (London) Limited (PCIL), who extends certain strategic strengths to it. For example, it plays an important role in supporting its trading operations through the provision of credit support and its international reputation and profile increases the Group's business development opportunities.

By leveraging our shareholders' strategic strengths, the Group has built a robust operation in European oil and gas markets and we maintain a strong focus on quality and safety, demonstrating our commitment to creating a successful joint venture.

The Group engages with a diverse range of trading counterparties and suppliers of goods and services, which are fundamental to its profit making ability.

In its trading activities, the Group plays an active role in the industry through its membership of various industry groups and forums. This engagement allows the Group to influence both internal and external changes:

- Internally, it allows us to become aware of industry proposals and to plan accordingly. It also informs us of industry best practices so that we can comply with expected industry behaviours.
- Externally, it allows us to participate in industry discussions and to use our experience to propose changes for the benefit of the wider sector.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Stakeholder Engagement Report (continued)

Our third party business relationships enable the Group to operate from trading, business development and credit management to ship-owners or infrastructure owners which enables the flow of acquired raw materials into a processed product. Our engagement with these parties is direct and through industry related forums ensuring the Group is aware of industry concerns and factors impacting the sector from a local to global level.

The Group has robust compliance policies and measures in place to comply with laws including those on health and safety, REACH, anti-bribery, data protection and anti-money laundering as well as rules of the trading exchanges which our traders must comply with and which our Compliance function enforces. The Group participates in Substance Information Exchange Forums and consortia for all relevant substances.

Engagement with financial institutions and finance suppliers ensure better liquidity for the Group, offering wider payment risk coverage opportunities, with a strong reputation in the market generating more business and investment opportunities for the Group.

Streamlined Energy and Carbon Reporting

Global emissions and energy usage data for period 1 January 2022 to 31 December 2022

	2022	2021 (Restated)
Energy consumption used to calculate emissions: /kWh	586,914	631,587
Energy consumption breakdown:		
Electricity	230,705	216,277
Gas	353,581	413,604
Consumption of fuel for transport purposes	2,629	1,705
Emissions in metric tonnes CO ₂ e		
Gas combustion	64.54	75.76
Emissions in metric tonnes CO ₂ e		
Purchased electricity for own use	44.61	45.92
Emissions in metric tonnes CO ₂ e		
Consumption of fuel for transport purposes	0.63	0.42
Total gross emissions in metric tonnes CO ₂ e	109.79	122.10
Intensity ratio: tCO ₂ e per 1,000 sqm	4.21	4.47

During the preparation of the 2022 disclosures, an error was detected in the calculation of the 2021 gas consumption. The table above reflects the adjustment required and the restated 2021 values as the following detail: Energy consumption used to calculate emissions: restated to 631,587 kWh (previously reported 891,909 kWh); Energy consumption breakdown Gas: restated to 413,604 kWh (previously reported 675,631 kWh); Consumption of fuel for transport purposes Gas combustion: restated to 75.76 (previously reported 123.75); Total gross emissions in metric tonnes CO₂e: restated to 122.10 (previously reported 170.10); and Intensity ratio: tCO₂e per 1000 sqm: restated 4.47 (previously reported 6.19).

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Methodology:

The Group's electricity and gas consumption data primarily relates to the energy consumption at the Company's leased commercial premises which it shares with its parent company, PetroChina International (London) Co., Ltd. Such data has been derived from meter readings and allocated on a pro rata basis in proportion to headcount under recharge provisions in a Shared Services Agreement.

The Company's subsidiaries have limited commercial operations at Grangemouth refinery and they have therefore not reported any emissions.

The Company engages two refineries to process crude oil and other feedstock into saleable products. This processing involves significant energy consumption and subsequent carbon dioxide emissions, which have been reported by other group undertakings: Petroineos Manufacturing Scotland Limited and Petroineos France SAS., to avoid duplicated disclosure, the Company does not include it here.

Emissions from the Group's UK shipping activities have not been included in these figures as the Group is not responsible for the purchase of fuel, and such transport therefore falls outside the scope of the required emissions reporting.

An Intensity Ratio based on tCO₂e/1,000 sqm has been used as energy consumption relating to the Group's leased floor space is the primary source of its emissions.

Energy efficiency measures taken:

The Company's leased commercial space in London benefits from an energy-efficient tenant fit-out. No further energy efficiency measures were taken in 2022.

Results for the year

The results of the Group are set out in the Consolidated Income Statement on page 24 which shows a profit for the year of \$95m (2021: profit of \$47m) as a result within management's expectation due to the challenging market condition for refineries' business and strong result from entrepreneurial trading, which made substantial contribution towards the refineries' commercial performance (see Fair review of the business page 2).

Objectives and policies

Descriptions of the use of financial instruments and financial risk management objectives and policies, including hedging activities and exposure to price risk, credit risk, liquidity risk and cash flow risk are included in the notes to the financial statements.

Review of business and future developments

A review of the business and the future developments of the Group is presented in the strategic report, and particulars of significant events which have occurred since the end of the financial year in Note 27.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Directors of the Group

The directors, who held office during the year, were as follows:

Mr Andrew Christopher Currie

Mr Jinsan Huo (resigned 26 January 2022)

Mr Franck Francois Demay

Mr Olivier Chevallier

Mr Wenjin Zhu (resigned 10 March 2024)

Mr Xinxiang Xie (resigned 31 December 2022)

Mr Yizhou Luo (appointed 26 January 2022 and resigned 31 December 2022)

Mr Hongwei Li (appointed 7 July 2022 and resigned 6 February 2024)

Mr Kai Dai (resigned 7 July 2022)

Mr Xuyang Guo (appointed 31 December 2022)

Mr Junli Wu (appointed 31 December 2022)

The following directors were appointed after the year end:

Mr Guangping Geng (appointed 6 February 2024)

Mr Jiang He (appointed 10 March 2024)

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Appointment of auditors

Deloitte LLP were appointed to fill a casual vacancy. Pursuant to section 113 of the Companies (Jersey) Law 1991, a resolution to reappoint Deloitte LLP will be proposed to the forthcoming AGM.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Facilities – parental support

All uncommitted bank credit facilities are supported by letters of comfort to the lenders from PetroChina Company Limited. Refer to Note Going concern (page 33) on the details of the guarantees and other financial commitments related to these facilities. The Group also is supported by letter of support from PCIL.

The Group is committed to providing financial and other support to Petroineos Refining Limited to enable that Company to operate as a Going Concern for a period of at least twelve months from the date of approval of its financial statements. A signed letter of support demonstrating this intent has been issued to Petroineos Refining Limited shortly before that Company's financial statements were approved.

Approved by the Board on 4 April 2024 and signed on its behalf by:

DocuSigned by:

.....DS4AA5:14072491.....
Mr Guangping Geng
Director
44 Esplanade
St Helier
Jersey, Channel Island
JE4 9WG

Petroineos Trading Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the financial statements in accordance with applicable law and UK accounting standards.

Company law requires the directors to prepare Group financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Petroineos Trading Limited

Independent Auditor's Report to the Members of Petroineos Trading Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Petroineos Trading Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the Notes to the Consolidated Financial Statements 1 to 27;
- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity; and
- the Notes to the Company Financial Statements 1 to 20.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Petroineos Trading Limited

Independent Auditor's Report to the Members of Petroineos Trading Limited (continued)

Conclusions relating to going concern

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 group's and parent 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.

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 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 course of 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 this gives rise to 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Petroineos Trading Limited

Independent Auditor's Report to the Members of Petroineos Trading Limited (continued)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management (including in-house legal counsel, risk and compliance departments) and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Companies (Jersey) Law 1991, and taxation legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form.

We discussed among the audit engagement team (including relevant internal specialists such as valuations, IT, forensic and industry specialists) regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Petroineos Trading Limited

Independent Auditor's Report to the Members of Petroineos Trading Limited (continued)

As a result of performing the above, we identified the greatest potential for fraud and/or non-compliance with laws and regulations in the following areas:

- **Valuation of and completeness of unrealised forward physical positions** - The group's trading activities depend on the reliability of the trade capture systems and their IT infrastructure environment. As the group's trades and inventories are measured at fair value through profit or loss (through cost of goods sold), a complete and accurate trade capture process that includes all specific and bespoke terms within the commodity contracts is critical for accurate financial reporting and monitoring of trade book exposures and performance. Commodity markets remained volatile during the year on the back of continuing demand uncertainty as a result of the global energy transition, macro-economic factors and disruptions in global supply due to Russian-Ukraine war. This significant volatility impacted the overall results during the period, and management describe on page 2 certain reasons why the performance in the ET business was relatively weak. In response to the volatility observed, we focused our audit efforts on the valuation and completeness of commodity derivatives and designed procedures specifically to test for management bias and fraud, with a particular focus on the completeness of trades in product groups with the most significant volatility or which we considered to be particularly affected.

In response to the valuation risk;

- We focused our testing on price inputs where the Company has substantial exposure to illiquid curves, valuation outliers or long dated positions.
- We compared management's input assumptions against expected assumptions of other market participants and observable market data.
- Our audit approach for testing the valuation of unrealised trades was largely substantive in nature and included performing independent valuations of the forward physical and paper trades on a sample basis.

In response to the trade book completeness risk;

- We obtained an understanding of the Company's compliance policies, procedures and controls, including the Company's procedures to mitigate the risk of and response to allegations of fraud, bribery and corruption.
- We obtained an understanding of relevant controls surrounding the completeness and accuracy of trade capture and revenue. We tested general IT controls surrounding major technology applications and critical interfaces involving revenue recognition and the completeness and accuracy of trade capture.
- Our audit approach was largely substantive in nature and included agreeing key terms on unrealised trades back to contracts and other supporting evidence on a sample basis.
- We focused on trade types that are not recorded and cleared through electronic platforms.
- We tested the accuracy of the reconciliation of the inventory recorded in the trading systems to physical inventory positions confirmed by storage operators and held on vessels at year end.
- We tested the accuracy and completeness of unrealised positions with a particular focus on the completeness of trades in product groups with the most significant volatility, through review of management's counterparty reconciliations, review of signed agreements and audit of subsequent settlement of outstanding amounts, with the degree of audit effort depending on the complexity of these reconciliations.
- We tested the accuracy and completeness of unrealised trades as of the reporting date by tracing and agreeing a sample of trades entered into around the year-end from source documents, including original contracts, broker statements, bills of lading and/or inventory storage reports to the trade book system.
- We reviewed movements in the period subsequent to year end, and confirmed with and in-house legal counsel, risk and compliance departments that there were no trades identified or recorded subsequent to year end that related to the year-end position.
- This work was led by senior audit team members with significant experience in commodity trading, supported in appropriate areas as required, including by IT and forensic specialists.

Petroineos Trading Limited

Independent Auditor's Report to the Members of Petroineos Trading Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel, risk and compliance departments concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

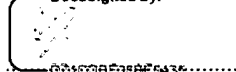
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

DocuSigned by:



Christopher Jones MA FCA
For and on behalf of Deloitte LLP
1 New Street Square
London
United Kingdom

4 April 2024

Petroineos Trading Limited

Consolidated Income Statement for the Year Ended 31 December 2022

	Note	2022 \$ m	2021 \$ m
Revenue	4	44,913	31,409
Cost of sales		<u>(44,406)</u>	<u>(31,284)</u>
Gross profit		507	125
Administrative expenses		(65)	(60)
Impairment of goodwill		<u>(182)</u>	<u>-</u>
Operating profit	5	<u>260</u>	<u>65</u>
Finance income		55	34
Finance costs		<u>(181)</u>	<u>(61)</u>
Net finance cost	6	<u>(126)</u>	<u>(27)</u>
Profit before tax		134	38
Income tax (expense)/credit	7	<u>(39)</u>	<u>9</u>
Profit for the year		<u><u>95</u></u>	<u><u>47</u></u>

The above results were derived from continuing operations. All results are attributable to owners of the company.

Petroineos Trading Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022	2021
	\$ m	\$ m
Profit for the year	95	47
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation losses	(1)	(1)
Total comprehensive income for the year	94	46
Total comprehensive income attributable to:		
Owners of the company	94	46

The accompanying notes form part of these financial statements

Petroineos Trading Limited

(Registration number: 107836)

Consolidated Statement of Financial Position as at 31 December 2022

		31 December 2022 \$ m	31 December 2021 \$ m
	Note		
Assets			
Non-current assets			
Property, plant and equipment	8	290	304
Right-of-use assets	9	14	26
Intangible assets	10	392	574
Deferred tax assets	11	164	182
Trade and other receivables	14	204	205
		<u>1,064</u>	<u>1,291</u>
Current assets			
Derivative assets held for trading	12	490	528
Inventories	13	2,150	1,387
Trade and other receivables	14	2,777	2,707
Cash and cash equivalents	15	16	26
		<u>5,433</u>	<u>4,648</u>
Total assets		<u><u>6,497</u></u>	<u><u>5,939</u></u>
Equity and liabilities			
Current liabilities			
Derivative liabilities held for trading	16	255	268
Loans and borrowings	17	1,181	1,335
Trade and other payables	18	4,528	3,794
Current lease liabilities	23	2	14
		<u>5,966</u>	<u>5,411</u>
Non-current liabilities			
Long term lease liabilities	23	16	17
Deferred tax liabilities	11	15	21
Trade and other payables	18	-	84
		<u>31</u>	<u>122</u>
Total liabilities		<u><u>5,997</u></u>	<u><u>5,533</u></u>

The accompanying notes form part of these financial statements

Petroineos Trading Limited

(Registration number: 107836)

Consolidated Statement of Financial Position as at 31 December 2022 (continued)

	Note	31 December 2022 \$ m	31 December 2021 \$ m
Equity			
Share premium		854	854
Foreign currency translation		(8)	(7)
Accumulated losses		<u>(346)</u>	<u>(441)</u>
Equity attributable to owners of the company		<u>500</u>	<u>406</u>
Total equity and liabilities		<u><u>6,497</u></u>	<u><u>5,939</u></u>

Approved by the Board on 4 April 2024 and signed on its behalf by:

DocuSigned by:

 5F8C8830E40E.....
 Mr Franck Francois Demay
 Director

DocuSigned by:

 84A9114D7291.....
 Mr Guangping Geng
 Director

The accompanying notes form part of these financial statements

Petroineos Trading Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share premium \$ m	Foreign currency translation \$ m	Accumulated losses \$ m	Total equity \$ m
At 1 January 2022	854	(7)	(441)	406
Profit for the year	-	-	95	95
Other comprehensive income	-	(1)	-	(1)
Total comprehensive income	-	(1)	95	94
At 31 December 2022	854	(8)	(346)	500

	Share premium \$ m	Foreign currency translation \$ m	Accumulated losses \$ m	Total equity \$ m
At 1 January 2021	854	(6)	(488)	360
Profit for the year	-	-	47	47
Other comprehensive income	-	(1)	-	(1)
Total comprehensive loss	-	(1)	47	46
At 31 December 2021	854	(7)	(441)	406

All results have been derived from continuing operations.

The accompanying notes form part of these financial statements

Petroineos Trading Limited
Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

		2022	2021
	Note	\$ m	\$ m
Cash flows (used in)/ from operating activities			
Profit for the year		95	47
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	2	3
Depreciation on right-of-use asset	9	14	24
Loss on disposal of right-of-use asset	9	-	(2)
Addition/modification of right-of-use asset		(5)	-
Loss / (Gains) from changes in fair value of derivative contracts		25	(318)
Impairment of Goodwill		182	-
Finance income	6	(55)	(34)
Finance costs	6	181	61
Other gains/losses		7	(5)
Income tax expense / (credit)	7	39	(9)
Impairment of inventories		(7)	7
		478	(226)
Working capital adjustments			
Increase in inventories		(756)	(443)
Increase in trade and other receivables		(64)	(528)
Increase in trade and other payables		650	806
Cash from / (used in) operations		308	(391)
Income taxes paid		(32)	(5)
Net cash flow from / (used in) operating activities		276	(396)
Cash flows from investing activities			
Interest received	6	55	34
Proceeds from sale of property plant and equipment		13	-
Acquisition of intangible assets	10	(1)	-
Net cash flows from investing activities		67	34
Cash flows from financing activities			
Interest paid	6	(183)	(62)
Net (repayment of) / proceeds from banking facilities	17	(154)	394
Payments to lease creditors	23	(16)	(16)
Net cash flows from financing activities		(353)	316
Net decrease in cash and cash equivalents		(10)	(46)
Cash and cash equivalents at 1 January		26	72
Cash and cash equivalents at 31 December		16	26

The accompanying notes form part of these financial statements

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

1 General information

The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 6.

The company is a private company limited by share capital, incorporated and domiciled in Jersey.

The address of its registered office is:

44 Esplanade
St Helier
Jersey, Channel Island
JE4 9WG

The principal place of business is:

The Adelphi
1-11 John Adam Street
London
WC2N 6HT
United Kingdom

New and amended IFRS Accounting Standards that are effective for the current year.

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment-Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IAS 21 Lack of Foreign Currency Exchangeability

No significant changes to presentation or disclosures within these financial statements are expected following the adoption of these amendments.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies

Basis of preparation

Petroineos Trading Limited (the 'Company') is incorporated and domiciled in Jersey under Jersey Law 1991.

The Group financial statements consolidate the results of the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991 ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"); these are presented on pages 75 to 102.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these Group financial statements.

Measurement convention

The Group financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, inventories except those exempt under own-use purpose, and financial instruments classified as fair value through the profit or loss.

Going concern

The Group has net assets of \$500m (2021: \$406m) and net current liabilities of \$533m (2021: \$763m). Bank borrowings of \$1,181m (2021: \$1,335m) are due within one year. Furthermore, the Group and the Company is jointly and severally liable for credit facilities utilised by its shareholder PetroChina International (London) Co., Ltd amounting to \$nil (2021: \$170m) due within one year (see note 23).

In determining the appropriate basis of preparation for the financial statements for the year ended 31 December 2022, the Directors are required to consider whether the Group and the Company will be able to operate within the level of available facilities and cash for the foreseeable future, being a period of at least 12 months following the approval of the financial statements. Given the joint and several liability for facilities utilised by PetroChina International (London) Co., Ltd, including any further draw-downs from the total uncommitted facilities currently available of \$6.9bn, of which \$3.8bn is drawn-down at the date of approval of these financial statements, it is also fundamentally important to consider whether that Company will be able to operate, and meet its obligations, within the level of facilities, jointly available to the Group and the Company and PetroChina International (London) Co., Ltd, and cash for the same period.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of the Ukraine conflict. The forecasts prepared, taking account of severe, but plausible downsides, demonstrate that the Group and the Company will be able to operate within the level of currently available uncommitted facilities for the forecast period. The continued uncertainty as to how the ongoing Ukraine conflict might evolve over the short-term, including what impact this may have on the operation of the business, commodity pricing and the wider energy market makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Directors financial forecasts. The volatility and heightened gas prices in the year has had consequential impact on margin requirements and management have ensured adequate funds were available to cover this throughout the year.

Since COVID outbreak, the Group and the Company have faced challenges and uncertainties in the refining business and demand for fuel products and refining margins have been adversely affected by the pandemic. Nevertheless, the Directors expect the long-term outlook to be resilient. Forecasts prepared, taking account of severe, but plausible downsides, demonstrate that the Group and Company, and PetroChina International (London) Co., Ltd, will be able to operate within the level of currently available uncommitted facilities for a period of at least 12 months following the approval of the financial statements. The advent of the Ukraine war in 2022 has also impacted trading and the geopolitical outlook is unlikely to revert to historic norms. Market unpredictability has posed new challenges and uncertainties, along with the evolving sanctions environments that have to be adhered to. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Directors financial forecasts. At the signing date of these accounts, the UK and wider European economy has emerged from the COVID-19 pandemic and the associated risks have lessened significantly. Additional risk arising from the Russian invasion of the Ukraine and subsequent economic sanctions has had a minimal effect on the Group's operations.

The assessment is reliant on uncommitted banking facilities continuing to be available to the Group and the Company to draw-down throughout the forecast period for the purpose of Trade Finance and general-purpose corporate borrowing. The total uncommitted facilities are provided by 16 individual banks who, in accordance with the standard terms of such facilities, reserve the right to cancel the facilities or decline any request for draw down. These facilities are made available for the permitted purpose only as specified in each facility letter. The total banking facilities are \$6.9bn (\$3.8bn drawn down), of which \$3.8bn are working capital facilities at the date of approval of these financial statements. The nature of uncommitted banking facilities means that the ongoing availability of the facilities, in their entirety, and approvals to draw-down on the facilities are outside the control of the Group and the Company.

Should such uncommitted facilities not be made available to the Group and the Company, and PetroChina International (London) Co., Ltd to utilise in the next twelve months, PetroChina International Co. Ltd, parent company of PetroChina International (London) Co., Ltd, has indicated its intention to make available its own banking facilities and cash to enable PetroChina International (London) Co., Ltd to meet its financial liabilities and obligations as they fall due and continue to trade. Further to this, PetroChina International (London) Co., Ltd has indicated its intention to make available banking facilities and cash to enable the Group and the Company to meet its financial liabilities and obligations as they fall due and continue to trade. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

The directors are confident that based on experience to date in obtaining approvals for draw-downs, for the permitted purpose, and the breadth of banks providing such facilities that sufficient facilities will be available to the Group and the Company, and PetroChina International (London) Co., Ltd to be able to realise its assets and discharge its liabilities as they fall due for the forecast period. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2022.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances, and unrealised foreign exchange differences on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the goodwill is negative, a bargain purchase gain is recognised immediately in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, US Dollars, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. This category comprises in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in Profit and Loss (FVTPL) and falls into "hold to collect and sell" derivative definition.

The Group applies invoice factoring facilities to its significant trade receivables and fully derecognised these amount at inception according to the non-recourse factoring terms.

Trade and other payables

Trade and other payables are recognised initially at fair value. This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in Profit and Loss (FVTPL).

The Group applies invoice factoring facilities to its significant trade payable and fully derecognised these amount at inception according to the non-recourse factoring terms.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Group routinely enters into sale and purchase transactions for physical delivery of power, crude oil and oil products. Such contracts are accounted for as derivatives under the recognition and measurement principles of IFRS 9 *Financial Instruments* (IFRS 9) in the Group's statement of financial position at fair value through profit and loss until control of the commodity passes to the Counterparty (e.g. physical shipment or delivery).

Contracts that the Group enters into and continue to be held for the receipt or delivery for the Group's usage requirements are designated as 'own use'. These contracts are not accounted for as derivatives under IFRS 9.

The Group uses a range of derivatives for both trading and to hedge exposures to financial risks, such as commodity price and foreign exchange risk arising in the normal course of business. All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Embedded derivatives: derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement. The closely-related nature of embedded derivatives is reassessed when there is a change in the terms of the contract which significantly modifies the future cash flows under the contract. Where a contract contains one or more embedded derivatives, and providing that the embedded derivative significantly modifies the cash flows under the contract, the option to fair value the entire contract may be taken and the contract will be recognised at fair value with changes in fair value recognised in the income statement.

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Such costs include costs directly attributable to making the assets capable of operating as intended. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs, less any estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life as follows:

Asset class	Depreciation method and rate
Leasehold improvements	10% per annum
Furniture and fittings	25% per annum

Inaccessible inventory

As a consequence of crude and product tank design, a proportion of inventory held in each tank is unable to be accessed while these tanks are being used in the normal day to day operations of the business. In addition there is a proportion of inventory which represents a minimum operating level for each tank below which the normal tank operations are adversely affected and as a consequence the company does not operate below this level. This inventory is classified as inaccessible inventory, and is capitalised in property, plant and equipment.

All inaccessible inventories are valued as per the inventory valuation process as at the date of capitalisation.

As part of a maintenance programme it is necessary for tanks to be temporarily taken out of operational use and at this time all inventory, including the inaccessible inventory, from these tanks would be released and refilled when returning to operational use. Additions and disposals will only be recognised when maintenance occurs. Should a tank be permanently decommissioned the company would amend the valuation to reflect the reduction in inaccessible volumes at the time of the decommissioning.

Inaccessible inventory is not depreciated but is tested annually for impairment.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

In a business combination, goodwill is the residual amount after the sum of the fair values of the identified assets acquired and liabilities assumed has been subtracted from the fair value of the consideration. Goodwill is allocated to cash-generating units ("CGUs") and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

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

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

Other Intangible assets

Intangible assets, other than goodwill, include computer software are stated initially at cost less accumulated amortization and accumulated impairment losses. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the intangible asset. All intangible assets useful lives are finite.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Research and development

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Amortisation

Intangible assets with a definite life are amortized on a straight-line basis over their expected useful lives. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Asset class	Amortisation method and rate
Software	5 years
Internally developed intangible assets	5 years

Inventories

Inventories, other than inventories held for trading purposes are stated at the lower of cost and net realisable value. Cost is based on the moving average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Inventories held for trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the income statement.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in "lease liabilities" in the Statement of Financial Position.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The exemption for low value assets is available on a lease by lease basis, whereas the exemption for short term leases must be applied consistently to each separate class of underlying asset.

Revenue

Recognition

Revenue represents the invoiced value of products sold or services provided to third and related parties net of sales discounts, value added tax and duties. Revenue is recognised when control is passed to the customer.

The principal activities of the Group are the wholesale trading of physical energy products and trading of energy related derivatives in-order to monetise and add value to the trading position of the Trading Desks.

Revenue is derived principally from the sale of goods (sale of commodities) and in some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which the Group has lost control of the goods. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods and/or services has transferred from the Group to the buyer.

Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption. Revenue related to the sale of goods is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset.

Where the sale of goods is connected with an agreement to repurchase goods at a later date, revenue is recognised when the repurchase terms are at prevailing market prices, the goods repurchased are readily available in the market, and the buyer gained control of the goods originally sold to them. Should it be determined that control has not transferred or the buyer does not have the ability to benefit substantially from ownership of the asset, revenue is not recognised and any proceeds received are accounted for as a financing arrangement.

The pricing for products sold is determined by market prices (market contract) or is linked by formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either despatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer, when the prices are determinable and when collectability is considered probable.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

The Group primarily enters into the following types of financial instruments:

- (a) Non-financially settled contracts including physical Over the Counter "OTC" forward contracts;
- (b) Financially-settled contracts including futures, options and swaps ("Paper transactions")

a) Non-financially settled contracts

Derivative contracts resulting in physical delivery to the customer.

Sale contracts that are settled by physical delivery are accounted for under IFRS 9 until control of the commodity passes to the Counterparty (e.g. physical shipment or delivery). Upon delivery of the commodity, and once control passes to the Counterparty, the Company has elected to recognise revenue in relation to this contract with the customer. Revenue is measured at the contractual transaction price plus the fair value of the derivative on settlement date.

b) Financially settled contracts

Financially-settled contracts do not result in physical delivery of commodities. These contracts are settled on a net basis, either in cash or with another financial instrument, when a netting agreement exists with the Counterparty.

Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative.

Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

These contracts are accounted for as financial instruments within the scope of IFRS 9.

Cost of sale

Cost of sales of trading activity includes the cost of emission allowance, crude, products, renewable energy certificates and power purchased during the period and related storage, capacity, distribution and brokerage costs.

The Company enters into forward sale and purchase agreements via commodity exchanges and individual counter party (over the counter - "OTC"). These contracts are accounted for under IFRS 9. Derivative gains and losses that arise from these sale and purchase contracts are included within Cost of Sales. Derivative gains and losses from "Exchange" traded futures and options are also included within Cost of Sales.

Expenses

Finance income and expenses

Financing expenses comprise interest payable, and the finance cost of leases recognised in profit or loss using the effective interest method, and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it

further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current tax and deferred tax for the year Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common industry standard modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group has identified the following areas as being critical to understanding the Company's financial position as they require management to make complex and/or subjective judgements, estimates and assumptions about matters that are inherently uncertain:

Critical accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements based on the relevant facts and circumstances including macro-economic circumstances and, where applicable, interpretation of underlying agreements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Accounting policy choice to recognise gross revenue in relation to physically settled derivative forward sale contracts rather than present net trading income.

In the absence of clear guidance regarding the presentation of profit or loss on settlement of non-financial contracts in scope of IFRS 9, two approaches are considered to be acceptable. There is a variety of practice between industry participants and some recognise only net trading income as revenue, whilst others recognised gross revenue based on the fair value of product sold. Note 4 provides an analysis of the Company's revenue, all Entrepreneurial Trading revenue is from physically settled derivative forward sale contracts.

Assessment of tolling arrangements as variable leases

This is a key judgement (namely that no in substance fixed payments) - and results in a "smaller" balance sheet. The Group has toll manufacturing contracts with the Lavera and Grangemouth refineries. During the year \$708m (2021: \$516m) was recognised as an expense in the income statement. No lease liability has been recognised for these contracts as the processing fee is variable; calculated based on volumes, variances in the margin environment and the operational efficiency of the refineries with no fixed price per unit of output. The arrangements were accounted for as operating leases of plant and machinery under the previous accounting standard IAS 17 Leases. Upon adoption of IFRS 16 Leases in 2019, the Group took advantage of the practical expedient in IFRS 16.C3 and chose to grandfather their lease classification given the variable lease payments.

There is uncertainty on the remaining lease period given the global energy transition. Since 2017, these contracts are on a rolling 12 month notice period. These are described further in note 22.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Classification of transactions which contain a financing element (note 18)

Transactions for the purchase of commodities may contain a financing element such as extended payment terms. Under such an arrangement, a financial institution may issue a letter of credit on behalf of the Group and act as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with the financial institution, generally from 30 up to 90 days after physical supply. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statements of cash flows and financial position. In determining the appropriate classification, management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Typically, the economic substance of the transaction is determined to be operating in nature as the financing element is insignificant and the time frame in which the original arrangement is extended by, is consistent and within supply terms commonly provided in the market. As a result, the entire cash flow is presented as operating in the statement of cash flows with a corresponding trade payable in the statement of financial position. As at 31 December 2022, trade payables include \$240 million (2021: \$569 million) of such liabilities arising from supplier financing arrangements, the weighted average of which extended settlement of the original payable to 33 days (2021: 96 days), see note 18 for detail. There was no significant exposure to any individual financial institution under these arrangements. These payables are not included within net debt as defined in note 21.

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made key estimates and assumptions concerning the future and other key sources of estimation uncertainty. The key assumptions and estimates at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Impairments of Goodwill - estimate of future cash flows and determination of the discount rate

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results as indicated in note 9.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Following management's impairment review of goodwill an impairment of \$182 million was recognised, reducing the carrying value from \$573 million to \$391 million. Further details on the impairment review performed on the goodwill and intangible assets are provided in note 10, including sensitivity analysis in relation to key assumptions.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

4 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2022 \$ m	2021 \$ m
Sale of goods	<u>44,913</u>	<u>31,409</u>
Disaggregation of revenue by primary geographical markets	2022 \$ m	2021 \$ m
Total EEA & EU	38,419	16,130
Rest of world	6,494	15,279
	<u>44,913</u>	<u>31,409</u>

The European Union (EU) is an economic and political union of 27 countries. It operates an internal (or single) market which allows free movement of goods, capital, services and people between member states.

The European Economic Area (EEA), the EEA includes EU countries and also Iceland, Liechtenstein and Norway. It allows them to be part of the EU's single market.

Disaggregation of revenue by product service	2022 \$ m	2021 \$ m
Asset trading - Grangemouth	6,326	3,172
Asset trading - Lavera	8,751	5,953
Entrepreneurial trading - Oil	29,032	21,956
Entrepreneurial trading - Power	<u>804</u>	<u>328</u>
	<u>44,913</u>	<u>31,409</u>

Contract balances:

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2022 \$ m	2021 \$ m
Receivables	1,255	1,071
Contract assets, which are included in Trade and other receivables	40	57
Contract liabilities, which are included in Trade and other payables	<u>319</u>	<u>120</u>
	<u>1,614</u>	<u>1,248</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

4 Revenue (continued)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on crude oil, refined products, and power trading products. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for various products.

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was \$319m (2021: \$120m).

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	2022 \$m	2021 \$m
Contract assets		
Transfers from contract assets recognised at the beginning of the period to receivables	-	-
Contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the period	319	120

Revenue from contracts with customers amounts to \$44,913m (2021: \$31,409m).

Revenue from price movements related to contracts with post-delivery price terms measured at fair value was assessed as immaterial.

The Group enters into derivative contracts including forward sales contracts of Power, Crude Oil, Oil products and Derivatives. These forward contracts are required to be fair valued under IFRS 9 Financial Instruments. Realised gains and losses on these derivative contracts are included within Revenue in the Income Statement. The total amount relating to all these items was a net gain of \$1,009m (2021: net loss of \$426m).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

5 Operating profit

Operating profit/ (loss) has been arrived at after charging/(crediting):

	Note	2022 \$ m	2021 \$ m
Cost of purchases from physical trading activities and derivatives		43,331	30,551
Tolling expenses	22	1,050	709
Inventory impairment (reversal)/loss	13	(7)	7
Depreciation and amortisation expense	8, 9, 10	16	24
Administrative expenses		65	60
Unrealised loss / (gain) on open derivatives at year-end		25	(318)
Goodwill impairment	10	<u>182</u>	<u>-</u>

The cost of purchase and revenue (note 5) are all adjusted from contract value to the fair value at the date control of the product is transferred to/from the Group in accordance with IFRS 9 and 15. Fair value adjustments are disclosed separately in note 5.

Within the administrative expenses including audit fee \$1.0m (2021: \$0.7m). There is non audit service expenses included. Including in the administrative expenses, the staff cost are \$45.7m (2021: \$45.4m). During the year, the average number of employees is 238 (2021: 206).

6 Finance incomes and costs

	2022 \$ m	2021 \$ m
Finance income		
Interest income on related party borrowing	55	34
Finance costs		
Interest expense on bank overdrafts and borrowings	(151)	(58)
Foreign exchange losses	<u>(30)</u>	<u>(3)</u>
Total finance costs	<u>(181)</u>	<u>(61)</u>
Net finance costs	<u>(126)</u>	<u>(27)</u>

During 2022, the Bank of England base rate increased sharply, along with increased commodity prices and the Group turnover, which required additional working capital, resulting in an interest expense increase in 2022. Interest income is mainly received from related parties, see detail in note 24.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

7 Income tax credit

Tax charged/(credited) in the income statement

	2022 \$ m	2021 \$ m
Current taxation		
UK corporation tax	32	9
Overseas current tax on profits for the year	(2)	1
UK corporation tax adjustment to prior periods	(3)	1
	<u>27</u>	<u>11</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	27	(1)
Arising from changes in tax rates and laws	(10)	(25)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(5)	6
	<u>12</u>	<u>(20)</u>
Total deferred taxation	<u>39</u>	<u>(9)</u>
Tax expense/(credit) in the income statement	<u>39</u>	<u>(9)</u>

The differences between the accounting profit multiplied by the UK corporation tax rate and the tax expense are explained below:

	2022 \$ m	2021 \$ m
Profit before tax	<u>134</u>	<u>38</u>
Corporation tax at standard rate	25	7
Decrease in tax from adjustments for prior periods	(8)	7
Increase / (decrease) arising from effect of expenses not deductible / income not taxable	(19)	8
Tax decrease from utilisation of unrecognised tax losses	-	(6)
Goodwill impairment	53	-
Increase / (decrease) from effect of foreign exchange on tax settled in foreign currencies	(2)	-
Tax credit arising from changes in tax rates	(10)	(25)
Total tax charge/(credit)	<u>39</u>	<u>(9)</u>

The standard rate of corporation tax in the UK remained at 19% for the entire duration of the year ended 31 December 2022.

Finance Act 2021 increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax assets and deferred tax liabilities are recognised as either 19% or 25% depending upon whether they are expected to reverse before or after 1 April 2023 respectively.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

8 Property, plant and equipment

	Furniture, fittings and equipment \$ m	Inaccessible inventory \$ m	Total \$ m
Cost or valuation			
At 1 January 2021	14	299	313
At 31 December 2021	14	299	313
At 1 January 2022	14	299	313
Disposals	-	(13)	(13)
At 31 December 2022	14	286	300
Depreciation			
At 1 January 2021	7	-	7
Charge for year	2	-	2
At 31 December 2021	9	-	9
At 1 January 2022	9	-	9
Charge for the year	2	-	2
Eliminated on disposal	(1)	-	(1)
At 31 December 2022	10	-	10
Carrying amount			
At 31 December 2022	4	286	290
At 31 December 2021	5	299	304
At 1 January 2021	7	299	306

A proportion of inventory held in tanks is unable to be accessed and is classified as inaccessible inventory. This is capitalised to property, plant and equipment in accordance with the inaccessible inventory policy (Refer to Accounting Policy: Inaccessible inventory).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

9 Right-of-use assets

	Machinery \$ m	Property \$ m	Other \$ m	Total \$ m
Cost or valuation				
At 1 January 2021	-	18	22	40
Additions	-	-	24	24
Disposals or expired	-	-	(22)	(22)
At 31 December 2021	-	18	24	42
At 1 January 2022	-	18	24	42
Disposals or expired	-	-	(24)	(24)
At 31 December 2022	-	18	-	18
Depreciation				
At 1 January 2021	-	4	12	16
Charge for the year	-	2	22	24
Eliminated on disposals or expired	-	(2)	(22)	(24)
At 31 December 2021	-	4	12	16
At 1 January 2022	(2)	4	12	14
Charge for the year	-	2	12	14
Eliminated on disposals or expired	-	-	(24)	(24)
At 31 December 2022	(2)	6	-	4
Carrying amount				
At 31 December 2022	2	12	-	14
At 31 December 2021	-	14	12	26

Other category mainly relates to oil tanks leased by the Group to store various crude and products during its ordinary business activities.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

10 Intangible assets

	Goodwill \$ m	Customer order book \$ m	Internally generated software development costs \$ m	Total \$ m
Cost or valuation				
At 1 January 2021	573	13	9	595
At 31 December 2021	573	13	9	595
At 1 January 2022	573	13	9	595
Additions	-	-	1	1
At 31 December 2022	573	13	10	596
Amortisation				
At 1 January 2021	-	13	7	20
Amortisation charge	-	-	1	1
At 31 December 2021	-	13	8	21
At 1 January 2022	-	13	8	21
Amortisation charge	-	-	1	1
Impairment charge	182	-	-	182
At 31 December 2022	182	13	9	204
Carrying amount				
At 31 December 2022	391	-	1	392
At 31 December 2021	573	-	1	574

Goodwill arose on the acquisition of Petroineos Europe Limited, a 100%-owned subsidiary, on 1 July 2011. The balance is not amortised but is tested annually for impairment.

The amortisation charge is recognised within administration expenses in the Consolidated Income Statement.

Impairment USD 182m

During the year, the Group has reassessed its cash generating units ("CGUs"), namely Grangemouth refining and asset trading; Lavera refining and asset trading and the separate trading activities described as "Entrepreneurial Trading" (ET). The assumption is that cash generation from asset trading is directly linked to the physical refining assets and controlled by the Company's related party, Petroineos Refining Limited. Therefore, cash flows associated with asset trading and any associated assets are removed from the impairment assessment, leaving ET as the single CGU upon which to assess the carrying value of related Group assets.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

10 Intangible assets (continued)

Under International Financial Reporting Standards (IAS 36) a Company is required to perform an annual impairment test to ensure the carrying value of the intangible assets are no greater than the recoverable amount, either through sale or use of the assets. Where there are no plans to sell the assets, or readily available market data on asset values, the recoverable amount is evidenced by the future Discounted Cash Flows (DCF) of the business over the expected life of the business or into perpetuity where the Company is a going concern with no recognised end point.

Management has used a forecast period of five years as the basis for the value-in-use (VIU) calculation. The forecasts include explicit forecasts for the next five years and then are based on a perpetuity with a 2% long-term growth rate to account for the impact of inflation which is estimated to be 2% in the long term for the UK.

For its 2023 forecast of the Entrepreneurial Trading CGU, although remaining profitable, management have revised down forecast cash flows for this business, particularly in light of uncertain and volatile trading markets in the complex international political and economic environment. Management have also increased the discount rate applied to cash flows, principally from an increase in the risk-free rate and from benchmarking itself against similar trading organisations. Based on these assumptions, management believe that an appropriately prudent valuation of the CGU is \$709 million. As this value is lower than the carrying value of related assets, an impairment charge of \$182 million has been recognised and allocated against goodwill in accordance with IAS 36.

The key assumptions related to this calculation are shown below:

	Rate currently applied	
	2022	2021
Number of years over which management approved forecasts are based	5	5
Growth rate applied beyond approved forecast period	2.00%	2.00%
Pre-tax discount rate	13.8%	10%

Sensitivities of recoverable amounts

In 2021 the forecast discount rate required for the recoverable amount to equal the carrying value was 16.6% based on forecast cash flows. During 2022, following a reduction in the outlook for commodities trading activities, management's forecast cash flows reduced, and an impairment of \$182m was recognised based on a 13.8% discount rate.

The key assumptions relevant to the impairment test for the year ended 31 December 2022 were the discount rate and long term growth rate. Sensitivities have been applied to provide an indication of the risk of changes in the carrying value within the next financial year, the degree of estimation uncertainty and the range of valuation of the goodwill impairment recognised.

In accordance with IAS 36, the goodwill impairment of \$182m can not be reversed in future periods. If the key assumptions change, assuming no other changes, further goodwill impairments could arise as follows:

	2022 \$m
Increase in the discount rate by 1%	68
Long term growth rate reduced by 2%	78

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

11 Deferred tax

	Asset \$ m	Liability \$ m	Net deferred tax \$ m
2022			
Tax losses carry-forwards	164	-	164
Fair value movements on financial instruments	-	(15)	(15)
	<u>164</u>	<u>(15)</u>	<u>149</u>

	Asset \$ m	Liability \$ m	Net deferred tax \$ m
2021			
Tax losses carry-forwards	182	-	182
Fair value movements on financial instruments	-	(21)	(21)
	<u>182</u>	<u>(21)</u>	<u>161</u>

Deferred tax movement during the year:

	At 1 January 2022 \$ m	Recognised in income \$ m	At 31 December 2022 \$ m
Tax losses carry-forwards	182	(18)	164
Fair value movements on financial instruments	(21)	6	(15)
Net tax assets	<u>161</u>	<u>(12)</u>	<u>149</u>

Deferred tax movement during the prior year:

	At 1 January 2021 \$ m	Recognised in income \$ m	At 31 December 2021 \$ m
Tax losses carry-forwards	165	17	182
Fair value movements on financial instruments	(23)	2	(21)
Net tax assets/(liabilities)	<u>142</u>	<u>19</u>	<u>161</u>

The directors consider that it is probable that there will be sufficient taxable profits in the future such as to realise the recognised deferred tax asset on tax losses.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

12 Derivative assets held for trading

	31 December 2022 \$ m	31 December 2021 \$ m
Derivatives assets measured at FVTPL (refer to note 20 Fair value measurement)	<u>490</u>	<u>528</u>

13 Inventories

Inventories are expected to be recovered within 12 months. Purchases of raw materials, crude oil and refining consumables and changes in finished goods are recognised within cost of sales amounting to \$43,375 million (2021: \$30,659 million for the year).

Inventory on hand at year end is as follows:

	31 December 2022 \$ m	31 December 2021 \$ m
Raw materials - Crude oil	712	465
Raw materials - Refining consumables	192	165
Finished goods - Refined products	1,190	715
Emission allowances	<u>56</u>	<u>42</u>
	<u>2,150</u>	<u>1,387</u>

The amount of write-down of group inventories recognised as an expense in the year is \$Nil (2021: \$7 million) and reversal of previous year inventory impairment is \$7 million (2021: \$Nil). This is included within cost of sales.

Included in the above inventory figure, AT inventory for own use in the refineries the Group has tolling contracts to supply is valued at historical cost at \$751 million (2021: \$661 million) and ET inventory is valued at FVLCS at \$1,399 million (2021: \$733 m).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

14 Trade and other receivables

		31 December 2022 \$ m	31 December 2021 \$ m
Trade receivables		1,558	1,085
Trade receivables due from related parties	24	56	163
Non-trade receivables due from related parties		1,083	1,319
Other receivables		27	88
Prepayments		<u>53</u>	<u>52</u>
		<u>2,777</u>	<u>2,707</u>

Details of non-current trade and other receivables

The non-current trade and other receivables comprises the related party loan receivable of \$88m (2021: \$84m) and other long term prepayment of \$123m (2021: \$120m) due from Petroineos Refining Limited.

The trade and other receivables classified as financial instruments are disclosed below in note 20. The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 21 "Financial risk review".

15 Cash and cash equivalents

	Group 31 December 2022 \$ m	31 December 2021 \$ m
Cash on hand	<u>16</u>	<u>26</u>

16 Derivative liabilities held for trading

	31 December 2022 \$ m	31 December 2021 \$ m
Derivative liabilities measured at FVTPL (refer to Note 20 Fair value measurement)	<u>255</u>	<u>268</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

17 Loans and borrowings

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting year are as follows:

	Carrying value		Fair value	
	31 December 2022 \$ m	31 December 2021 \$ m	31 December 2022 \$ m	31 December 2021 \$ m
US dollar	1,181	1,335	1,181	1,335

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The nominal interest rate on the outstanding bank loans ranges from 4.65% to 4.81%. (2021: 0.0% to 0.55%), also included in the above figure, there are bank overdrafts of \$355m (2021: \$nil).

All loans were trade related and due within 1 year.

	31 December 2022 \$ m	31 December 2021 \$ m
Current loans and borrowings		
Bank borrowings	<u>1,181</u>	<u>1,335</u>

The Group has access to \$6.9 billion of uncommitted facilities from 16 separate banks as described in note 1 going concern section. The majority of these facilities are used for specific transactions to fund commodity purchases and working capital requirements throughout the year. As the receipts and payments for the above bank borrowings in which the turnover is quick, the amounts are large and the maturities are short, the cash inflows and outflows from financing are reported on a net basis in the cash flow statement.

Short-term loans are sufficient for the Group to manage the on-going business.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

18 Trade and other payables

	Group	
	31 December 2022	31 December 2021
	\$ m	\$ m
Trade payables	2,924	2,048
Trade payables due to related parties	1,256	1,673
Accrued expenses	53	49
Interest payable	1	-
Other payables	294	24
	24	
	4,528	3,794

Details of non-current trade and other payables

The non-current trade and other payables comprises the related party loan payable of \$Nil (2021: \$84 million) due to PetroChina International (London) Limited. The loan is denominated in GBP and bears interest at 7% per annum, the loan was settled during 2022.

Included in Trade Payables are \$240 million (2021: \$569 million) of balances owed whose payment terms have effectively been extended through a discounting arrangement with the bank that supplied the letter of credit. These payables had their payment terms extended by an average of 33 days, and all amounts were settled around one month after year end.

19 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	\$	No.	\$
Ordinary shares of \$1 each	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000

Petroineos Trading Limited has issued fully paid share capital of \$1,000 held 50.1% by PetroChina International (London) Company Limited and 49.9% by INEOS Investments (Jersey) Limited. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

20 Fair value measurement

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

The carrying amount of the Group's bank loans approximate to the fair value due to their short maturities.

Derivative financial instruments

The fair value of derivative commodity contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values at the year end

With the exception of derivative commodity contracts where the carrying amount is measured at the fair value, the carrying amounts of all other financial assets and financial liabilities are approximates of their fair value due to their short maturities.

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

20 Fair value measurement (continued)

Assets measured at fair value

2022

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper commodity swaps	16	-	16
Derivative commodity contracts - Forward physical	-	474	474
	<u>16</u>	<u>474</u>	<u>490</u>

Liabilities measured at fair value

2022

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper exchange	(40)	-	(40)
Derivative commodity contracts - Paper commodity swaps	(54)	-	(54)
Derivative commodity contracts - Forward physical	-	(161)	(161)
	<u>(94)</u>	<u>(161)</u>	<u>(255)</u>

Assets measured at fair value

2021

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper exchange	142	-	142
Derivative commodity contracts - Paper commodity swaps	128	-	128
Derivative commodity contracts - Forward physical	-	258	258
	<u>270</u>	<u>258</u>	<u>528</u>

Liabilities measured at fair value

2021

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper exchange	(20)	-	(20)
Derivative commodity contracts - Paper commodity swaps	(54)	-	(54)
Derivative commodity contracts - Forward physical	-	(194)	(194)
	<u>(74)</u>	<u>(194)</u>	<u>(268)</u>

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review

Credit risk

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Management considers that the geographical concentration of credit risk is principally in the UK and France.

The Group considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Group, or unlikely to be able to fulfil contractual obligations that would result in a market value loss, without taking into account any collateral held by the Group or if the financial asset is more than 90 days past due. This is unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investments, cash and cash equivalents

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Due to the diversified customer structure of the Group, there is no significant concentration of credit risk.

Under IFRS 9, management has assessed the trade receivables in existence and the results appear reasonable in light of the 25 - 30 average days sales outstanding ('DSO') noted. Taking into account forward looking data and the short-term nature of the trade receivables, Management assessed that the current provision is in line with the Expected Credited Loss (ECL) approach under IFRS 9. As such, management have assessed there is no further ECL. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

The ageing of trade and other receivables at the end of the reporting period was:

	<u>Trade receivables</u>		<u>Trade receivables from related parties</u>		<u>Other receivables</u>	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
2022	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m
Not yet due	1,376	-	56	-	27	-
Between 0-30 days	85	-	-	-	-	-
Between 31-90 days	14	-	-	-	-	-
More than 90 days	<u>83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,558</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>27</u>	<u>-</u>

	<u>Trade receivables</u>		<u>Trade receivables from related parties</u>		<u>Other receivables</u>	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
2021	\$ m	\$ m	\$ m	\$ m	\$ m	\$ m
Not yet due	42	-	163	-	88	-
Between 0-30 days	778	-	-	-	-	-
Between 31-90 days	189	-	-	-	-	-
More than 90 days	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,085</u>	<u>-</u>	<u>163</u>	<u>-</u>	<u>88</u>	<u>-</u>

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it has access to significant cash resources.

The Group is reliant on funding from 18 banks to meet the anticipated needs of the Group for the year and has facility agreements totalling \$7,395m from these banks at 31 December 2022 (2021: \$7,095m). The facilities are uncommitted but are supported by letters of comfort to the lenders.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

Maturity analysis for financial liabilities and financial assets

The following table sets out the remaining contractual maturities of the Group's current non derivative financial liabilities by type.

2022	Carrying amount	Gross nominal inflow/-outflow	3 months - 1 year
Non-derivative liabilities	\$ m	\$ m	\$ m
Current financial liabilities	<u>1,181</u>	<u>1,181</u>	<u>1,181</u>

2021	Carrying amount	Gross nominal inflow/-outflow	3 months - 1 year
Non-derivative liabilities	\$ m	\$ m	\$ m
Current financial liabilities	<u>1,335</u>	<u>1,335</u>	<u>1,335</u>

For other non derivative financial asset maturity please refer to the note (the ageing of trade and other receivables). For trade payable maturity please refer to note 18.

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, crude oil, and feedstock will affect the value of the Group's assets, liabilities or expected future cash flows. The Group is exposed to changes in the price of crude oil and holds commodity contracts in order to manage this and other commodity market risks. The use of derivative instruments is confined to a specialist team that have the appropriate skills, experience, supervision, control and operating systems. Hedge accounting is not applied in respect of these derivatives.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros, Sterling and US Dollars. The prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the administrative costs are largely denominated in Sterling and Euros.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows. Foreign exchange difference on retranslation of these assets and liabilities are taken to the income statement of the Group.

In millions of	31 December 2022			
	EUR	GBP	USD	Total
Cash and cash equivalent	5	(2)	13	16
Other current financial assets	-	77	413	490
Trade and other receivables	400	282	2,095	2,777
Long-term receivable	-	88	116	204
Loan and borrowings	-	-	(1,181)	(1,181)
Derivative liabilities	(6)	-	(249)	(255)
Trade and other payables	(133)	(97)	(4,298)	(4,528)
Lease liabilities	-	6	(24)	(18)
	<u>266</u>	<u>354</u>	<u>(3,115)</u>	<u>(2,495)</u>

In millions of	31 December 2021			
	EUR	GBP	USD	Total
Cash and cash equivalent	5	(2)	23	26
Other current financial assets	-	37	491	528
Trade and other receivables	392	368	1,947	2,707
Long-term loan receivables	-	84	121	205
Loan and borrowings	-	-	(1,335)	(1,335)
Other current financial liabilities	(23)	-	(245)	(268)
Trade and other payables	(67)	(67)	(3,659)	(3,794)
Long-term loan payables	-	(84)	-	(84)
Lease liabilities	-	6	(37)	(31)
	<u>307</u>	<u>342</u>	<u>(2,694)</u>	<u>(2,046)</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

Sensitivity analysis

A 10% percent weakening of the following currencies against the functional currency of the Group at 31 December 2022 would have increased / (decreased) equity and profit or loss by the amounts shown below.

This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity 2022 \$ m	Profit or loss 2022 \$ m	Equity 2021 \$ m	Profit or loss 2021 \$ m
Euros	(26)	(26)	(30)	(30)
Sterling	<u>(36)</u>	<u>(36)</u>	<u>(34)</u>	<u>(34)</u>

A 10% percent strengthening of the above currencies against the functional currency of the Group at 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital risk management

Capital components

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of \$1,665m (2021: \$1,715m) as shareholders' equity of \$500m (2021: \$406m) and net debt (net of issue costs) of \$1,165m (2021: \$1,309m).

The principal sources of debt available to the Group are interest-bearing bank loans. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, and all other effects on profit or loss of financial instruments.

	Cash and cash equivalents \$ m	Loans and receivables \$ m	Assets / (liabilities) measured at amortised cost \$ m	Financial instruments at fair value through profit and loss \$ m
2022				
Foreign exchange gains / (losses)	(1)	(26)	(2)	(1)
Interest income / (expense)	-	55	(151)	-
Net fair value gains on derivatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
Net result	<u>(1)</u>	<u>29</u>	<u>(153)</u>	<u>24</u>

	Cash and cash equivalents \$ m	Loans and receivables \$ m	Assets / (liabilities) measured at amortised cost \$ m	Financial instruments at fair value through profit and loss \$ m
2021				
Foreign exchange gains / (losses)	(1)	(2)	-	-
Interest income / (expense)	-	34	(58)	-
Net fair value gains on derivatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>(318)</u>
Net result	<u>(1)</u>	<u>32</u>	<u>(58)</u>	<u>(318)</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

21 Financial risk review (continued)

Offsetting of financial assets and liabilities

With accordance to IAS 32, the Group reports financial assets and financial liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 31 December 2022 and 2021 were as follows:

	Gross amount \$ m	Amount offset \$ m	Net amount \$ m	Amount not subject to offsetting arrangements \$ m	Total as presented in the consolidated statement of financial position \$ m
2022					
Derivative assets held for trading	45	(29)	16	474	490
Derivative liabilities held for trading	(122)	29	(94)	(161)	(255)
2021					
Derivative assets held for trading	297	(170)	127	401	528
Derivative liabilities held for trading	(224)	170	(54)	(214)	(268)

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

22 Obligations under tolling arrangements

Operating leases

During the year \$1,050m was recognised as an expense in the income statement in respect of tolling expenses (2021: \$708m).

The Group has toll processing agreements with Petroineos Manufacturing Scotland and Petroineos Manufacturing France, who own the refining sites at Grangemouth, Scotland and Lavera, France respectively. The Toll processing agreements specify that the Grangemouth and Lavera sites will provide toll processing services to Petroineos Trading Limited, and that the production schedules at Grangemouth and Lavera will be based on orders from Petroineos Trading Limited.

In consideration for the refining obligations under the tolling agreements, Petroineos Trading Limited pays a processing fee. This processing fee is calculated based on the fixed, variable and depreciation actual costs incurred by the sites referable to the agreements, plus a fixed processing margin which is reviewed periodically. The base cost-plus tolling fee is adjusted to reflect variances in the margin environment and the operational efficiency of the refineries. The pricing structures are not fixed per unit of output. The agreements came into force on 1 June 2011 and had a fixed term until 31 December 2017, at which point they automatically continue in force until terminated “unilaterally by either party giving the other not less than 12 months’ prior written notice”.

The arrangements were accounted for as operating leases of plant and machinery previously under IAS 17 Leases. The Group has taken advantage of the practical expedient in IFRS 16.C3 and chosen to grandfather lease classification.

The term of the leases is assessed as 12 months. The Group have elected not to apply the lessee accounting model to the arrangements as these are short-term leases (leases with a lease term of 12 months or less that do not contain a purchase option). The lease payments are recognised in the income statement as incurred, which is an appropriate systematic basis that is representative of the pattern of the Group’s benefit.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

23 Lease liabilities

	Lease Liabilities \$m	Total \$m
1 January 2022	<u>31</u>	<u>31</u>
Changes from financing cash flows		
Payment of lease liabilities	(16)	(16)
Payment of interest	<u>(2)</u>	<u>(2)</u>
Total changes from financing cash flows	<u>(18)</u>	<u>(18)</u>
The effects of changes in foreign exchange rates	<u>2</u>	<u>2</u>
Other changes		
Interest on lease liabilities	2	2
New and modification of leases	<u>2</u>	<u>2</u>
Total of other changes	<u>4</u>	<u>4</u>
31 December 2022	<u>19</u>	<u>19</u>
	\$m	\$m
1 January 2021	<u>28</u>	<u>28</u>
Changes from financing cash flows		
Payment of lease liabilities	(16)	(16)
Payment of interest	<u>(1)</u>	<u>(1)</u>
Total changes from financing cash flows	<u>(17)</u>	<u>(17)</u>
The effects of changes in foreign exchange rates	<u>1</u>	<u>1</u>
Other changes		
Interest on lease liabilities	1	1
New and modification of leases	<u>18</u>	<u>18</u>
Total of other changes	<u>19</u>	<u>19</u>
31 December 2021	<u>31</u>	<u>31</u>
	2022 \$m	2021 \$m
Non-current lease liabilities		
Lease liabilities	<u>17</u>	<u>17</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

23 Lease liabilities (continued)

			2022 \$m	2021 \$m	
Current lease liabilities					
Current portion of lease liabilities			<u>2</u>	<u>14</u>	
	Carrying amount \$m	Total \$m	Within one year \$m	Between 1 and 5 years \$m	More than 5 years \$m
31 December 2022					
Lease liabilities	<u>19</u>	<u>19</u>	<u>2</u>	<u>7</u>	<u>10</u>
	Carrying amount \$m	Total \$m	Within one year \$m	Between 1 and 5 years \$m	More than 5 years \$m
31 December 2021					
Lease liabilities	<u>31</u>	<u>31</u>	<u>14</u>	<u>8</u>	<u>9</u>

The Group leases office buildings, oil tanks, land used for the trading and production of our products. Depending on the type of lease and the location, the lease durations vary from 1 to 15 years. As the Group is rapidly expanding, leases for office buildings and land typically run for a period of under 15 years and oil tanks usually run for a period of under 2 years. This provides our Group with the flexibility needed.

Where practical, the Group seeks to have an option to extend and/or to renew the lease. This option is exercisable only by the Group. The Group assess at the lease commencement date whether it is reasonably certain to exercise the extension option. For the leases that it is estimated that the option will be exercised, the extended lease maturity date has been factored-in when discounting the lease liability. The lease commitments shown in the above table also include the amounts that the Group will have to pay if these options are exercised.

The lease liabilities of the Group are discounted at an average rate of 2.90%.

	2022 \$m	2021 \$m
Amounts recognised in consolidated statement of profit or loss and other comprehensive income		
Interest on lease liabilities	2	1
Expense relating to short-term leases and low value leases	<u>39</u>	<u>34</u>
	<u>41</u>	<u>35</u>
Amount recognised in the statement of cash flows		
Total cash outflow for lease liabilities	<u>41</u>	<u>35</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

24 Related party transactions

The Group has transactions with the following related party entities (split by Group):

China National Petroleum Corporation ('CNPC') Group:

- Chinaoil (Hong Kong) Corporation Limited
- Chinaoil (Singapore) Int'l Pte Limited
- Chinaoil Shanghai International Trading Co Limited
- QingDao Chinaoil Co Limited
- China National United Oil Corporation Limited

The nature of the transactions with the CNPC Group is the sale and purchase of crude oil and oil related products.

PetroChina Company Limited Group:

- PetroChina International (Singapore) Pte Limited
- PetroChina International (Hong Kong) Co Limited
- PetroChina International (America) Inc
- PetroChina International (London) Co Ltd
- PetroChina International (EastChina) Co Ltd

The nature of the transactions with the PetroChina Company Limited Group is the sale and purchase of crude oil and oil related products.

INEOS Group Holdings SA Group:

- INEOS Europe AG
- INEOS Enterprises Limited
- INEOS Comm. Services UK Limited
- INEOS SALES (UK) Limited
- INEOS Olefins SA
- INOVYN Chlor Vinlys Limited

The nature of the transactions with the INEOS Group Holdings SA Group is the sale and purchase of crude oil and oil related products.

Petroineos Refining Limited Group:

- Petroineos Refining Limited
- Petroineos Manufacturing France SAS
- Petroineos Manufacturing Scotland Limited
- Petroineos Fuels Assets Limited

The transactions with the Petroineos Refining Limited Group relate to the tolling agreement (as described in note 21).

Other related parties

- INEOS Infrastructure (Grangemouth) Limited

The nature of the transactions with other related parties is the procurement of power and jetty services.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

24 Related party transactions (continued)

	Sales	Expenses	Interest	Interest	Receivables	Payables
	\$ m	\$ m	income	expense	outstanding	outstanding
2022			\$ m	\$ m	\$ m	\$ m
CNPC Group	-	1,176	-	-	2	1
PetroChina Company Limited						
Group	1,852	7,813	-	6	48	1,061
INEOS Group Holdings SA						
Group	923	206	-	-	27	19
Petroineos Refining Limited						
Group	<u>8</u>	<u>1,009</u>	<u>55</u>	<u>-</u>	<u>1,062</u>	<u>175</u>
	<u>2,783</u>	<u>10,204</u>	<u>55</u>	<u>6</u>	<u>1,139</u>	<u>1,256</u>
2021	Sales	Expenses	Interest	Interest	Receivables	Payables
	\$ m	\$ m	income	expense	outstanding	outstanding
			\$ m	\$ m	\$ m	\$ m
CNPC Group (restated expenses)	-	834	-	-	2	70
PetroChina Company Limited						
Group	2,305	3,918	-	20	120	1,528
INEOS Group Holdings SA						
Group	925	186	-	-	39	22
Petroineos Refining Limited						
Group	<u>2</u>	<u>712</u>	<u>34</u>	<u>-</u>	<u>1,321</u>	<u>53</u>
	<u>3,232</u>	<u>5,650</u>	<u>34</u>	<u>20</u>	<u>1,482</u>	<u>1,673</u>

Included in the above related party transactions, there are long term loan receivable from Petroineos Refining Limited (PIRL) of \$88m (2021: \$84m) at 7% annual interest rate, and short term loan receivable from PIRL of \$974m (2021: \$1,237m) at Libor plus 2.5% annual interest rate. Also included, there are short term loan payable to PetroChina International (London) Co., Limited of \$828m (2021: \$1,335m) at Libor plus 1.6% annual interest rate, and other PetroChina group entities of \$231m (2021: \$181m) at the same interest rate.

In 2021 table disclosure above, an rounding error noted for expense with CNPC Group, the restated figure is \$834m, previously reported \$388,218m.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

24 Related party transactions (continued)

Key management personnel

Directors of the company and their immediate relatives do not control any of the voting shares of the company.

The compensation of key management personnel (including the directors) is as follows:

	31 December 2022 \$ m	31 December 2021 \$ m
Salaries and other short-term employee benefits	<u>3</u>	<u>4</u>

There were no other transactions with key management personnel other than those described above.

25 Commitments

The Company has bank credit facilities that are jointly available to the company and its immediate parent.

The Company has bank credit facilities that are jointly available to the company and its immediate parent. Both the company and its immediate parent are jointly and severally liable for these joint facilities. At 31 December 2022, the Company's immediate parent, PetroChina International (London) Co., Limited, had \$Nil (2021: \$170m) bank borrowings drawn for which the Company was jointly liable for.

26 Parent and ultimate parent undertaking

The company's immediate parent is PetroChina International (London) Co., Limited.

PetroChina International Company Limited with registered office at No. 27 Chengfang Street, Xicheng District, 100033, Beijing, China is the smallest parent company preparing group financial Statements. These financial statements are available upon request from above address.

The ultimate parent is China National Petroleum Company. These financial statements are available upon request from 9 Dongzhimen North Street, Dongcheng District, Beijing.

The ultimate controlling party is China National Petroleum Company.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2022

27 Subsequent events after the financial period

The advent of the Ukraine war in 2022 has impacted trading and the geopolitical outlook is unlikely to revert to historic norms. Market unpredictability has posed new challenges and uncertainties, along with the evolving sanctions environments that have to be adhered to. The sanctions impact has resulted in an additional layer of review and consultation to ensure sanctions are complied with. Management fully stands behind the trading teams, and is dedicated to growing our business whilst maintaining a solid market risk control capability whilst complying with this evolving scenario.

Continuing high interest rates compared to recent history contribute to inflationary pressures and impacts of the ongoing Ukraine war and the recent Gaza conflict have been able to be managed well in a challenging environment. The consumer demand impact of these two interlinked areas of current demand is noted and monitored by the management team, but at this time the fluctuation to the core business lines is deemed to be within the bounds of normal operations and therefore contributes limited additional risk. The refined products business has encountered challenging aspects driven by significantly weaker demand and therefore lower prices than encountered in recent years.

During 2023 Petroineos Trading Limited received a dividend of \$820m from Petroineos Fuels Limited.

Preparatory study work will soon start at the Grangemouth Refinery to enable its future transformation to a fuels import terminal. The timescale for any operational change has not yet been determined however it is currently anticipated that this will not take place before Spring 2025.

(Registration number: 107836)

Statement of Financial Position as at 31 December 2022

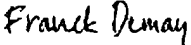
	Note	31 December 2022 \$ m	31 December 2021 \$ m
Non-current assets			
Tangible assets	3	290	304
Intangible assets	5	405	682
Right-of-use assets	4	12	26
Investments	6	737	737
Deferred tax assets	7	162	176
Trade and other receivables	10	204	205
		<u>1,810</u>	<u>2,130</u>
Current assets			
Derivative assets held for trading	8	490	528
Inventories	9	2,124	1,370
Trade and other receivables	10	2,797	2,702
Cash and cash equivalents	11	16	26
		<u>5,427</u>	<u>4,626</u>
Current liabilities			
Derivative liabilities held for trading	12	255	254
Loans and borrowings	14	1,181	1,335
Trade and other payables	13	6,328	5,380
Current lease liabilities	16	2	14
		<u>7,766</u>	<u>6,983</u>
Net current liabilities		<u>(2,339)</u>	<u>(2,357)</u>
Total assets less current liabilities		<u>(529)</u>	<u>(227)</u>
Non-current liabilities			
Trade and other payables	13	-	84
Long term lease liabilities	16	16	17
Deferred tax liabilities	7	15	21
		<u>31</u>	<u>122</u>
Net liabilities		<u>(560)</u>	<u>(349)</u>
Capital and reserves			
Share premium reserve		854	854
Accumulated losses		<u>(1,414)</u>	<u>(1,203)</u>
Shareholders' deficit		<u>(560)</u>	<u>(349)</u>

(Registration number: 107836)

Statement of Financial Position as at 31 December 2022 (continued)

The parent company reported a loss for the financial year ended 31 December 2022 of \$211m (2021: \$133m).

The financial statements of Group (registered number 107836) were approved by the Board on 4 April 2024 and signed on its behalf by:

DocuSigned by:


Mr Franck Francois Demay
Director

DocuSigned by:


Mr Guangping Geng
Director

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share premium \$ m	Accumulated losses \$ m	Total \$ m
At 1 January 2022	854	(1,203)	(349)
Loss for the year	-	(211)	(211)
Total comprehensive loss	-	(211)	(211)
At 31 December 2022	<u>854</u>	<u>(1,414)</u>	<u>(560)</u>

	Share premium \$ m	Accumulated losses \$ m	Total \$ m
At 1 January 2021	854	(1,070)	(216)
Loss for the year	-	(133)	(133)
Total comprehensive income	-	(133)	(133)
At 31 December 2021	<u>854</u>	<u>(1,203)</u>	<u>(349)</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in Jersey.

The address of its registered office is:

44 Esplanade
St Helier
Jersey, Channel Island
JE4 9WG

The principal place of business is:

The Adelphi
1-11 John Adam Street
London
WC2N 6HT
United Kingdom

The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 13.

2 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under Companies (Jersey) Law 1991, there is no requirement for the Company to present its individual financial statements if it has prepared consolidated financial statements. The Company has followed standard UK practice by applying the exemption under section s408 of the UK Companies Act 2006 and not presented its own profit and loss account.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies (Jersey) Law 1991, ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies (Jersey) Law 1991. The Company meets the definition of a qualifying entity under FRS 101 Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Going concern

The Company has net liabilities of \$560m (2021: net liabilities \$349m) and net current liabilities of \$2,339m (2021: \$2,357m). Bank borrowings of \$1,181m (2021: \$1,335m) are due within one year. Furthermore, the Company and the Group is jointly and severally liable for credit facilities utilised by its shareholder PetroChina International (London) Co., Ltd amounting to \$nil (2021: \$170m) due within one year (see Note 17 Commitments).

In determining the appropriate basis of preparation for the financial statements for the year ended 31 December 2022, the Directors are required to consider whether the Company will be able to operate within the level of available facilities and cash for the foreseeable future, being a period of at least 12 months following the approval of the financial statements. Currently, there are total uncommitted facilities available of \$6.9bn, of which \$3.8bn is drawn-down at the date of approval of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of Ukraine War and COVID-19 as set out below.

Since COVID outbreak, the Company have faced challenges and uncertainties in the refining business and demand for fuel products and refining margins have been adversely affected by the pandemic. Nevertheless, the Directors expect the long-term outlook to be resilient. Forecasts prepared, taking account of severe, but plausible downsides, demonstrate that the Company and Group, and PetroChina International (London) Co., Ltd, will be able to operate within the level of currently available uncommitted facilities for a period of at least 12 months following the approval of the financial statements. The advent of the Ukraine war in 2022 has also impacted trading and the geopolitical outlook is unlikely to revert to historic norms. Market unpredictability has posed new challenges and uncertainties, along with the evolving sanctions environments that have to be adhered to. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Directors financial forecasts. At the signing date of these accounts, the UK and wider European economy has emerged from the COVID-19 pandemic and the associated risks have lessened significantly. Additional risk arising from the Russian invasion of the Ukraine and subsequent economic sanctions has had a minimal effect on the Group's operations.

The assessment is reliant on uncommitted banking facilities continuing to be available to the Company and Petroineos Trading Limited Group to draw-down throughout the forecast period for the purpose of Trade Finance and general-purpose corporate borrowing. The total uncommitted facilities are provided by 16 individual banks who, in accordance with the standard terms of such facilities, reserve the right to cancel the facilities or decline any request for draw down. These facilities are made available for the permitted purpose only as specified in each facility letter. The total banking facilities are \$6.9bn (\$3.8bn drawn down), of which \$3.8bn are working capital facilities at the date of approval of these financial statements. The nature of uncommitted banking facilities means that the ongoing availability of the facilities, in their entirety, and approvals to draw-down on the facilities are outside the control of the Company and Petroineos Trading Limited Group.

Should such uncommitted facilities not be made available to the Company and Group, and PetroChina International (London) Co., Ltd to utilise in the next twelve months, PetroChina International Co. Ltd has indicated its intention to make available its own banking facilities and cash to enable PetroChina International (London) Co., Ltd to meet its financial liabilities and obligations as they fall due and continue to trade. Further to this, PetroChina International (London) Co., Ltd has indicated its intention to make available banking facilities and cash to enable the Company and Group to meet its financial liabilities and obligations as they fall due and continue to trade. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors are confident that based on experience to date in obtaining approvals for draw-downs, for the permitted purpose, and the breadth of banks providing such facilities that sufficient facilities will be available to the Company and Group, and PetroChina International (London) Co., Ltd to be able to realise its assets and discharge its liabilities as they fall due for the forecast period. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The following exemption has been taken in these financial statements:

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 7, 'Statement of cash flows'. Present cash flow statement;
- IAS 24, 'Related party disclosures'. Disclose related party transactions entered into between two or more wholly owned members of a group;
- IAS 24, 'Related party disclosures'. Disclose information about key management personnel compensation;
- IFRS 7, Financial Instruments. Disclosure requirements of IFRS 7;
- IFRS 13, Fair Value. Disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;
- Comparative period reconciliation for share capital, tangible assets, intangible assets and investments;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding leases;
- Certain disclosures regarding Revenue

As the consolidated financial statements of Petroineos Trading limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets, liabilities and inventories are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through profit and loss.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. This category comprises in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in Profit and Loss (FVTPL) and falls into "hold to collect and sell" derivative definition.

The Group applies invoice factoring facilities to its significant trade receivables and fully derecognized these amount at inception according to the non-recourse factoring terms.

Trade and other payables

Trade and other payables are recognised initially at fair value. This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in Profit and Loss (FVTPL).

The Group applies invoice factoring facilities to its significant trade payable and fully derecognised these amounts at inception according to the non-recourse factoring terms.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Derivative financial instruments

The Group routinely enters into sale and purchase transactions for physical delivery of power, crude oil and oil products. Such contracts are accounted for as derivatives under the recognition and measurement of financial instruments IFRS 9 (IFRS 9) in the Group's statement of financial position at fair value through profit and loss until control of the commodity passes to the Counterparty (e.g. physical shipment or delivery). Contracts that the Group enters into and continue to be held for the receipt or delivery for the Group's usage requirements are designated as 'own use'. These contracts are not accounted for as derivatives under IFRS 9.

The Group uses a range of derivatives for both trading and to hedge exposures to financial risks, such as commodity price and foreign exchange risk arising in the normal course of business. All derivatives are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative assets and liabilities are offset and presented on a net basis only when both a legal right of set-off exists and the intention to net settle the derivative contracts is present.

Embedded derivatives: derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement. The closely-related nature of embedded derivatives is reassessed when there is a change in the terms of the contract which significantly modifies the future cash flows under the contract. Where a contract contains one or more embedded derivatives, and providing that the embedded derivative significantly modifies the cash flows under the contract, the option to fair value the entire contract may be taken and the contract will be recognised at fair value with changes in fair value recognised in the income statement.

Investments

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

Impairment of investments

The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Such costs include costs directly attributable to making the assets capable of operating as intended. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs, less any estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful lives as follows:

Asset class	Depreciation method and rate
Leasehold improvements	10% per annum
Furniture and fittings	25% per annum

Inaccessible inventory

As a consequence of crude and product tank design, a proportion of inventory held in each tank is unable to be accessed while these tanks are being used in the normal day to day operations of the business. In addition there is a proportion of inventory which represents a minimum operating level for each tank below which the normal tank operations are adversely affected and as a consequence the Company does not operate below this level. This inventory is classified as inaccessible inventory, and is capitalised in property, plant and equipment.

All inaccessible inventories are valued as per the inventory valuation process as at the date of capitalisation.

As part of a maintenance programme it is necessary for tanks to be temporarily taken out of operational use and at this time all inventory, including the inaccessible inventory, from these tanks would be released and refilled when returning to operational use. Additions and disposals will only be recognised when maintenance occurs at year end. Should a tank be permanently decommissioned the Company would amend the valuation to reflect the reduction in inaccessible volumes at the time of the decommissioning.

Inaccessible inventory is not depreciated but is tested annually for impairment.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Intangible assets

Goodwill

In a business combination, goodwill is the residual amount after the sum of the fair values of the identified assets acquired and liabilities assumed has been subtracted from the fair value of the consideration. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the cash-generating unit to which the Goodwill relates should be assessed. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Goodwill arising on business combinations prior to 1 January 2014 is stated at the previous carrying amount, less subsequent impairments, under UK GAAP.

Other intangible assets

Intangible assets, other than goodwill, include computer software, licences and customer order book are stated initially at cost less accumulated amortization and accumulated impairment losses. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the intangible asset.

Research and development

An internally generated intangible asset arising from the Company's development activities is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Amortisation

Intangible assets with a definite life are amortized on a straight-line basis over their expected useful lives. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Asset class	Amortisation method and rate
Software	5 years
Internally developed intangible assets	5 years

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows from continued use of the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for a cash generating unit to which the asset belongs.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. *Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value* are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Inventories

Inventories, other than inventories held for trading purposes are stated at the lower of cost and net realisable value. Cost is based on the moving average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Inventories held for trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the income statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Current tax and deferred tax for the year Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year, which will not be invoiced until after the balance sheet date, and income received in advance relating to the following year.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16: Leases (IFRS 16) applies to all leases, including leases of right-of-use assets in a sublease, except for the following:

- a) Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
- b) Leases of biological assets within the scope of IAS 41 Agriculture ("IAS 41") held by a lessee;
- c) Service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements;
- d) Licences of intellectual property granted by a lessor within the scope of IFRS 15 Revenue from Contracts with Customers; and
- e) Rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets ("IAS 38") for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights (IFRS 16.3).

A lessee is not required to apply IFRS 16 to leases of intangible assets not covered by the exceptions above. However, a lessee could choose to account for leases of such intangible assets under IFRS 16 (IFRS 16.4).

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's

estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in "lease liabilities" in the Statement of Financial Position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The exemption for low value assets is available on a lease by lease basis, whereas the exemption for short term leases must be applied consistently to each separate class of underlying asset.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

3. Critical accounting judgements and key sources of estimation uncertainty

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common industry standard modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group has identified the following areas as being critical to understanding the Company's financial position as they require management to make complex and/or subjective judgements, estimates and assumptions about matters that are inherently uncertain:

Critical accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements based on the relevant facts and circumstances including macro-economic circumstances and, where applicable, interpretation of underlying agreements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

- The management has elected to adopt the Accounting policy choice to recognise revenue in relation to physically settled derivative forward sale contracts rather than present net trading income.

Taxation

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management has performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the countries in which it operates. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

Details of amounts recognised with regard to taxation are disclosed in note 7.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Property, plant and equipment

	Furniture, fittings and equipment \$ m	Inaccessible inventory \$ m	Total \$ m
Cost or valuation			
At 1 January 2021	14	299	313
At 31 December 2021	14	299	313
At 1 January 2022	14	299	313
Disposals	-	(13)	(13)
At 31 December 2022	14	286	300
Depreciation			
At 1 January 2021	7	-	7
Charge for the year	2	-	2
At 31 December 2021	9	-	9
At 1 January 2022	9	-	9
Charge for the year	2	-	2
Eliminated on disposal	(1)	-	(1)
At 31 December 2022	10	-	10
Carrying amount			
At 31 December 2022	4	286	290
At 31 December 2021	5	299	304

A proportion of inventory held in tanks is unable to be accessed and is classified as inaccessible inventory. This is capitalised to property, plant and equipment in accordance with the inaccessible inventory policy (Refer to Accounting Policy: Inaccessible inventory).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Right-of-use assets

	Property \$ m	Other \$ m	Total \$ m
Cost or valuation			
At 1 January 2021	18	22	40
Additions	-	24	24
Disposals or expired	-	(22)	(22)
At 31 December 2021	18	24	42
At 1 January 2022	18	24	42
Disposals or expired	-	(24)	(24)
At 31 December 2022	18	-	18
Depreciation			
At 1 January 2021	4	12	16
Charge for the year	2	22	24
Eliminated on disposals or expired	(2)	(22)	(24)
At 31 December 2021	4	12	16
At 1 January 2022	4	12	16
Charge for the year	2	12	14
Eliminated on disposals or expired	-	(24)	(24)
At 31 December 2022	6	-	6
Carrying amount			
At 31 December 2022	12	-	12
At 31 December 2021	14	12	26

Other category mainly relates to oil tanks leased by the Group to storage various crude and products during its ordinary business activities.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Intangible assets

	Goodwill \$ m	Internally generated software development costs \$ m	Total \$ m
Cost or valuation			
At 1 January 2021	746	9	755
Additions	-	-	-
At 31 December 2021	746	9	755
At 1 January 2022	746	9	755
Additions	-	1	1
At 31 December 2022	746	10	756
Amortisation			
At 1 January 2021	65	7	73
Amortisation charge	-	1	1
At 31 December 2021	65	8	74
At 1 January 2022	65	9	74
Amortisation charge	-	1	1
Impairment charge	277	-	277
At 31 December 2022	342	9	352
Carrying amount			
At 31 December 2022	404	1	405
At 31 December 2021	681	1	682

The Goodwill arose on the purchase of the trade and assets of Petroineos Europe Limited, a 100%-owned subsidiary, on 3 April 2012 for a consideration of \$2,067 million. The goodwill is not amortised but is tested annually for impairment. During the 2022 impairment annual test, management concluded an impairment charge of \$277 million incurred in the year, refer to Group statement note 10.

6 Investments

	\$ m
Cost or valuation	
At 1 January 2021	737
At 31 December 2021	737
At 1 January 2022	737
At 31 December 2022	737

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Investments (continued)

The directors believe that the carrying value of the investments is supported by the underlying net assets of the relevant subsidiary companies.

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Registered office	Class of shares held	Proportion of ownership interest and voting rights held	
			2022	2021
Petroineos Fuels Limited	The Adelphi 1-11 John Adam Street London United Kingdom WC2N 6HT	Ordinary	100%	100%
Petroineos Europe Limited	The Adelphi 1-11 John Adam Street London United Kingdom WC2N 6HT	Ordinary	100%	100%
Petroineos Services France SAS	Avenue de la Bienfaisance BP 6 13117 Laveran France	Ordinary	100%	100%

7 Deferred tax

Deferred tax assets and liabilities

	Asset \$ m	Liability \$ m	Net deferred tax \$ m
2022			
Tax losses carry-forwards	162	-	162
Financial liabilities at fair value through profit or loss	-	(15)	(15)
	<u>162</u>	<u>(15)</u>	<u>147</u>
2021			
Tax losses carry-forwards	176	-	176
Financial liabilities at fair value through profit or loss	-	(21)	(21)
	<u>176</u>	<u>(21)</u>	<u>155</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Deferred tax (continued)

Deferred tax movement during the year:

	At 1 January 2022 \$ m	Recognised in income \$ m	At 31 December 2022 \$ m
Tax losses carry-forwards	176	(14)	162
Financial liabilities at fair value through profit or loss	(21)	6	(15)
Net tax assets	<u>155</u>	<u>(8)</u>	<u>147</u>

Deferred tax movement during the prior year:

	At 1 January 2021 \$ m	Recognised in income \$ m	At 31 December 2021 \$ m
Tax losses carry-forwards	162	14	176
Financial liabilities at fair value through profit or loss	(23)	2	(21)
Net tax assets/(liabilities)	<u>139</u>	<u>16</u>	<u>155</u>

The directors consider that it is probable that there will be sufficient taxable profits in the future such as to realise the recognised deferred tax asset on tax losses. Where there is uncertainty of the reversal of such differences, these amounts remain unprovided.

8 Derivative assets held for trading

	31 December 2022 \$ m	31 December 2021 \$ m
Derivatives assets measured at FVTPL		
Derivatives assets measured at fair value through profit and loss (refer to Group Statement note 20 Fair value measurement)	<u>490</u>	<u>528</u>

9 Inventories

	31 December 2022 \$ m	31 December 2021 \$ m
Raw materials - Crude oil	711	465
Raw materials - Refining consumables	184	159
Finished goods - Refined products	1,174	704
Emission allowances	55	42
	<u>2,124</u>	<u>1,370</u>

Included in the above inventory figure, AT inventory is valued at historical cost at \$724 million (2021: \$643million) and ET inventory is valued at FVLCS at \$1,399 million (2021:\$733 million).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Trade and other receivables

	31 December 2022 \$ m	31 December 2021 \$ m
Trade receivables	1,170	925
Receivables from related parties	1,137	1,481
Receivables from group subsidiaries	320	-
Corporation tax receivable	17	13
Other receivables	100	231
Prepayments	53	52
	<u>2,797</u>	<u>2,702</u>

All debtors are due within 12 months.

In 2021, included in other receivable amount, there is receivable from group subsidiaries of \$220m.

Details of non-current trade and other receivables

The non-current trade and other receivables comprises the related party loan receivable of \$88 million (2021: \$84 million) and other long term prepayment of \$123 million (2021: \$120 million) due from Petroineos Refining Limited. The loan is denominated in GBP and bears interest at 7% per annum. The fund was initially provided by PetroChina International (London) Limited and the full balance settled in 2022 (refer to note 12).

11 Cash and cash equivalents

	31 December 2022 \$ m	31 December 2021 \$ m
Cash on hand	<u>16</u>	<u>26</u>

12 Derivative liabilities held for trading

	31 December 2022 \$ m	31 December 2021 \$ m
Derivative liabilities measured at FVTPL (refer to Group Statement note 20 Fair value measurement)	<u>(255)</u>	<u>(254)</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Trade and other payables

	31 December 2022 \$ m	31 December 2021 \$ m
Trade payables	2,896	1,829
Amounts due to related parties	3,359	3,435
Income tax liability	-	2
Accrued expenses	73	114
Deferred income	2	14
	<u>6,330</u>	<u>5,394</u>

Details of non-current trade and other payables

The non-current trade and other payables comprises the related party loan payable of \$Nil (2021: \$84 million) due to PetroChina International (London) Limited. The loan is denominated in GBP and bears interest at 7% per annum, the loan was settled during 2022.

Included in Trade Payables are \$240 million (2021: \$569 million) of balances owed whose payment terms have effectively been extended through a discounting arrangement with the bank that supplied the letter of credit. These payables had their payment terms extended by an average of 33 days, and all amounts were settled around one month after the year end.

14 Loans and borrowings

The nominal interest rate on the outstanding bank loans ranges from 4.65% to 4.81%. (2021: 0.0% to 0.55%), also included in the above figure, there is an bank overdraft \$355m (2021: \$nil).

All loans were trade related and due within 1 year. This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	31 December 2022 \$ m	31 December 2021 \$ m
Current loans and borrowings		
Bank borrowings	<u>1,181</u>	<u>1,335</u>

Short-term loans are sufficient for the Group to manage the on-going business, refer to the Group Financial Statement Note 17. The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed the Group Financial Statement Note 20 Financial risk review.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	\$	No.	\$
Ordinary shares of \$1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

This entity has fully paid share capital of \$1,000 held 50.1% by PetroChina International (London) Company Limited and 49.9% by INEOS Investments (Jersey) Limited. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Lease liabilities

	Liabilities Lease Liabilities \$m	Total \$m
1 January 2022	<u>31</u>	<u>31</u>
Changes from financing cash flows		
Payment of lease liabilities	(16)	(16)
Payment of interest	<u>(2)</u>	<u>(2)</u>
Total changes from financing cash flows	<u>(18)</u>	<u>(18)</u>
The effects of changes in foreign exchange rates	<u>2</u>	<u>2</u>
Other changes		
Interest on lease	<u>2</u>	<u>2</u>
Total of other changes	<u>2</u>	<u>2</u>
31 December 2022	<u><u>17</u></u>	<u><u>17</u></u>
1 January 2021	<u>28</u>	<u>28</u>
Changes from financing cash flows		
Payment of interest	(1)	(1)
Payment of lease liabilities	<u>(16)</u>	<u>(16)</u>
Total changes from financing cash flows	<u>(17)</u>	<u>(17)</u>
The effects of changes in foreign exchange rates	<u>1</u>	<u>1</u>
Other changes		
Interest on lease	1	1
New and modification of leases	<u>18</u>	<u>18</u>
Total of other changes	<u>19</u>	<u>19</u>
31 December 2021	<u><u>31</u></u>	<u><u>31</u></u>
	2022 \$m	2021 \$m
Non-current lease liabilities		
Lease liabilities	<u>15</u>	<u>17</u>
	2022 \$m	2021 \$m
Current lease liabilities		
Current portion of lease liabilities	<u>2</u>	<u>14</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Lease liabilities (continued)

	Carrying amount \$m	Total \$m	Within one year \$m	Between 1 and 5 years \$m	More than 5 years \$m
31 December 2022					
Lease liabilities	<u>17</u>	<u>17</u>	<u>2</u>	<u>6</u>	<u>9</u>
	Carrying amount \$m	Total \$m	Within one year \$m	Between 1 and 5 years \$m	More than 5 years \$m
31 December 2021					
Lease liabilities	<u>31</u>	<u>31</u>	<u>14</u>	<u>8</u>	<u>9</u>

The Company leases office buildings, oil tanks, land used for the trading and production of our products. Depending on the type of lease and the location, the lease durations vary from 1 to 15 years. As the Company is rapidly expanding, leases for office buildings and land typically run for a period of under 15 years and oil tanks usually run for a period of under 2 years. This provides the Company with the flexibility needed.

Where practical, the Company seeks to have an option to extend and/or to renew the lease. This option is exercisable only by the Company. The Company assess at the lease commencement date whether it is reasonably certain to exercise the extension option. For the leases that it is estimated that the option will be exercised, the extended lease maturity date has been factored-in when discounting the lease liability. The lease commitments shown in the above table also include the amounts that the Company will have to pay if these options are exercised. The lease liabilities of the Company are discounted at an average rate of 2.89%.

	2022 \$m	2021 \$m
Amounts recognised in consolidated statement of profit or loss and other comprehensive income		
Interest on lease liability	2	1
Expense relating to short-term leases and low value leases	<u>38</u>	<u>32</u>
	<u>40</u>	<u>33</u>

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Related party transactions

The Group has transactions with the following related party entities (split by Group):

China National Petroleum Corporation ('CNPC') Group:

- Chinaoil (Hong Kong) Corporation Limited
- Chinaoil (Singapore) Int'l Pte Limited
- Chinaoil Shanghai International Trading Co Limited
- QingDao Chinaoil Co Limited
- China National United Oil Corporation Limited

The nature of the transactions with the CNPC Group is the sale and purchase of crude oil and oil related products.

PetroChina Company Limited Group:

- PetroChina International (Singapore) Pte Limited
- PetroChina International (Hong Kong) Co Limited
- PetroChina International (America) Inc
- PetroChina International (London) Co Ltd
- PetroChina International (EastChina) Co Ltd

The nature of the transactions with the PetroChina Company Limited Group is the sale and purchase of crude oil and oil related products.

INEOS Group Holdings SA Group:

- INEOS Europe AG
- INEOS Enterprises Limited
- INEOS Comm. Services UK Limited
- INEOS SALES (UK) Limited
- INEOS Olefins SA
- INOVYN Chlor Vinlys Limited

The nature of the transactions with the INEOS Group Holdings SA Group is the sale and purchase of crude oil and oil related products.

Petroineos Refining Limited Group:

- Petroineos Refining Limited
- Petroineos Manufacturing France SAS
- Petroineos Manufacturing Scotland Limited
- Petroineos Fuels Assets Limited

The transactions with the Petroineos Refining Limited Group relate to the tolling agreement (as described in note 21).

Other related parties

- INEOS Infrastructure (Grangemouth) Limited

The nature of the transactions with other related parties is the procurement of power and jetty services.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Related party transactions (continued)

	Sales \$ m	Expenses \$ m	Interest income \$ m	Interest expense \$ m	Receivables outstanding \$ m	Payables outstanding \$ m
2022						
CNPC Group	-	1,176	-	-	2	1
PetroChina Company Limited Group	1,852	7,813	-	6	48	1,061
INEOS Group Holdings SA Group	923	206	-	-	27	19
Petroineos Refining Limited Group	8	1,005	55	-	1,060	174
	<u>2,783</u>	<u>10,200</u>	<u>55</u>	<u>6</u>	<u>1,137</u>	<u>1,255</u>
2021						
CNPC Group	-	834	-	-	2	70
PetroChina Company Limited Group	2,305	3,919	-	20	120	1,528
INEOS Group Holdings SA Group	925	186	-	-	39	20
Petroineos Refining Limited Group	2	707	34	-	1,320	68
	<u>3,232</u>	<u>5,646</u>	<u>34</u>	<u>20</u>	<u>1,481</u>	<u>1,686</u>

Included in the above related party transactions, there are long term loan receivable from Petroineos Refining Limited (PIRL) of \$88m (2021: \$84m) at 7% annual interest rate, and short term loan receivable from PIRL of \$974m (2021: \$1,237m) at Libor plus 2.5% annual interest rate. Also included, there are short term loan payable to PetroChina International (London) Co., Limited of \$828m (2021: \$1,335m) at Libor plus 1.6% annual interest rate, and other PetroChina group entities of \$231m (2021: \$181m) at the same interest rate.

In addition to the above related parties amount, there are \$320m receivable (2021: \$220m), and \$2,104m payable (2021: \$1,824m) with Petroineos Trading Limited subsidiaries.

A typographical error was noted for the 2021 expenses with CNPC Group which has been corrected. The restated amount is \$834m, which was previously reported as \$388,218m.

18 Commitments

Guarantees and other financial commitments

The Company has bank credit facilities that are jointly available to the company and its immediate parent.

The amount outstanding by PetroChina International (London) Limited at 31 December 2022 was \$nil (2021: \$170m) and are not presented in the financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Parent and ultimate parent undertaking

The Company's immediate parent is PetroChina International (London) Co., Limited.

The ultimate parent is China National Petroleum Company. These financial statements are available upon request from:

9 Dongzhimen North Street, Dongcheng District, Beijing

20 Subsequent events after the financial period

The advent of the Ukraine war in 2022 has impacted trading and the geopolitical outlook is unlikely to revert to historic norms. Market unpredictability has posed new challenges and uncertainties, along with the evolving sanctions environments that have to be adhered to. The sanctions impact has resulted in an additional layer of review and consultation to ensure sanctions are complied with. Management fully stands behind the trading teams, and is dedicated to growing our business whilst maintaining a solid market risk control capability whilst complying with this evolving scenario.

Continuing high interest rates compared to recent history contribute to inflationary pressures and impacts of the ongoing Ukraine war and the recent Gaza conflict have been able to be managed well in a challenging environment. The consumer demand impact of these two interlinked areas of current demand is noted and monitored by the management team, but at this time the fluctuation to the core business lines is deemed to be within the bounds of normal operations and therefore contributes limited additional risk. The refined products business has encountered challenging aspects driven by significantly weaker demand and therefore lower prices than encountered in recent years.

During 2023 Petroineos Trading Limited received a dividend of \$820m from Petroineos Fuels Limited.

Preparatory study work will soon start at the Grangemouth Refinery to enable its future transformation to a fuels import terminal. The timescale for any operational change has not yet been determined however it is currently anticipated that this will not take place before Spring 2025.