

703315/62

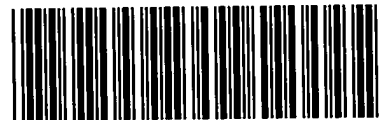
Registration number: 107836

Petroineos Trading Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2023

FRIDAY



AE1P9KS2

A4

02/05/2025

#251

COMPANIES HOUSE

Petroineos Trading Limited

Contents

Group Information	1
Strategic Report	2 to 9
Directors' Report	10 to 16
Directors' Responsibilities Statement	17
Independent Auditor's Report to the Members of Petroineos Trading Limited	18 to 24
Consolidated Income Statement	25
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Financial Position	27 to 28
Consolidated Statement of Changes in Equity	29
Consolidated Statement of Cash Flows	30 to 31
Notes to the Consolidated Financial Statements	32 to 86

Petroineos Trading Limited

Group Information

Directors	Mr Franck Francois Demay Mr Olivier Chevallier Mr Guangping Geng Mr Jiang He Mr Jonathan Ginns Mr Chengyuan Li Mr Yizhou Luo Mr Hongwei Li (resigned on 6 February 2024) Mr Wenjin Zhu (resigned on 10 March 2024) Mr Andrew Christoher Currie (resigned on 01 August 2024) Mr Xuyang Guo (resigned on 21 June 2024) Mr Junli Wu (resigned on 21 June 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	BDO LLP Statutory Auditor 55 Baker Street London United Kingdom W1U 7EU

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023

The directors present their strategic report, directors' report and financial statements for the year ended 31 December 2023. 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, options, swaps 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, the Group is able to monetise arbitrage opportunities from buying or selling commodities in different geographic locations or time periods.

Review of the business

The start of 2023 involved managing the remaining aspects of volatility from the Russian invasion of Ukraine in 2022. This resulted in the continuing localised demand/supply shocks that had been present in prior years. The Group's AT business particularly benefitted from enhanced margins for the greater portion of the year, fuelled by demand, and sanctions imposed also impacted the supply side. Both of these elements caused the previously inflationary pressures on margins to remain in numerous markets. The performance of the ET business was however relatively weak this year, encountering ongoing challenges from the unexpected price falls across a range of refined product markets in 2022 continuing to impact trading positions into 2023.

During 2023, the Directors of PIRL announced a preparatory study to consider the strategic direction of the Grangemouth refinery.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

Business environment

In 2023, the global oil market experienced a modest surplus with world oil demand increasing to 101.7mmbd and supply reaching 101.9mmbd. Global oil consumption was hampered by a fragile recovery in China, where oil demand was impacted by increased electric vehicle adoption and a property sector slump. Production ramped up in key regions, including the US, Brazil, Guyana, and Iran. With demand struggling to keep pace with supply, this led to periods of price volatility - Brent crude prices averaged \$83/bbl for most of the year but dipped to \$78/bbl by December. OPEC+ maintained strategic output cuts to balance market supply and support prices. The geopolitical landscape heavily influenced market dynamics, notably with Russia's declining crude export prices affecting global supply chains. In the previous year, the shock of the Russia-Ukraine war had put planned refinery closures on hold as margins shot up and refiners rushed to maximize production. However, European margins trended towards historical norms in 2023, with Northwest Europe's ultra-low sulphur diesel margins decreasing by approximately \$12/bbl year-over-year, to average \$29.71/bbl. With this, the longer-term pressures of the energy transition returned to the foreground, particularly through rising electric vehicle sales and stronger policy pushes for low-emission alternatives. In terms of inventories, global oil stocks saw a decline, with noticeable reductions in oil product stocks.

Key performance indicator

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').

Reconciliation of operating profit to HC EBITDA:

	31 December 2023 \$ m	31 December 2022 \$ m
Operating profit	209	260
Depreciation and amortisation	<u>7</u>	<u>16</u>
Historical cost EBITDA	<u>216</u>	<u>276</u>

EBITDA for the business includes all costs charged under the tolling agreement with Petroineos Refining Limited.

HC EBITDA represents the consolidated operating loss before depreciation, amortisation, impairment and taxation. In accordance with International Financial Reporting Standards ('IFRS'), the company 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.

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.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

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.

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.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (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.

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.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

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.

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.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

Streamlined Energy and Carbon Reporting

Global emissions and energy usage data for period 1 January 2023 to 31 December 2023

	2023	2022
Energy consumption used to calculate emissions: /kWh	684,045	586,914
Energy consumption breakdown	-	-
Electricity	281,516	230,705
Gas	395,821	353,581
Consumption of fuel for transport purposes	6,708	2,629
Emissions in metric tonnes CO ₂ e	-	-
Gas combustion	72	65
Emissions in metric tonnes CO ₂ e	-	-
Purchased electricity for own use	58	45
Emissions in metric tonnes CO ₂ e	-	-
Consumption of fuel for transport purposes	2	1
Total gross emissions in metric tonnes CO ₂ e	132	110
Intensity ratio: tCO ₂ e per 1,000 sqm	5	4

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

The Group 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 Group's leased commercial space in London benefits from an energy-efficient tenant fit-out. No further energy efficiency measures were taken in 2023.

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

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 refined products 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.

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.

Middle East War

The Israel Gaza conflict has no direct impact on the European gas market, although the actions of the Houthis in the Red Sea and the significant scale back in Red Sea (Suez Canal) transits by vessels of all types has had an indirect impact on gas through LNG. That said, there was a surplus of LNG at the time any potential deficit in flows from Qatar through the Suez into Europe were met by increased flows for the US. There was merely a rebalancing of the flows with the hemispheres to meet the reduced demand.

This situation is unchanged, and the shipping market has for a long time now readjusted to the logistical issues posed by the increased risks of transiting the Red Sea. Given the continued conflict in the region and need for a high degree of certainty around any change in actions by the Houthis, we wouldn't expect any change to the status quo.

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.

Approved by the Board on 27 March 2025 and signed on its behalf by:

Petroineos Trading Limited

Strategic Report for the Year Ended 31 December 2023 (continued)



.....
Mr Guangping Geng
Director

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2023

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 2023. Details of the business, the development of the Group and likely future developments are set out in the strategic report.

Review of business and future developments

A review of the business and the future developments of the group is presented in the strategic report.

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 \$64m (2022: Profit of \$95m) as a result of improved refining margins and a consecutive successful trading year for Asset Trading and Entrepreneurial Trading.

Review of post balance sheet events

A review of the post balance sheet events is presented in the strategic report.

Political donations

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

Directors' conflicts of interest

Under Jersey law and the Company's Articles of Association the 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.

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.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

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. The Group held regular "townhall" meetings in 2023 for the workforce, at which senior management and other employees gave presentations sharing information on the performance of the Group and provided updates on recent successes and strategic initiatives of the Group.

Board Composition

In 2023 the Board of the Group comprised of seven directors, of which two are executive directors and five are non-executive directors. The non-executive directors are able to offer a valuable contribution to the Group by providing appropriate oversight of the 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 Group 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 2023 (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.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

Stakeholder Relationships and Engagement

The directors have regard to interests and views of its key stakeholders when taking decisions (see Stakeholder Engagement Report 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.

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).

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2023 (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 2023 the Company implemented a number of measures designed to re-engage its workforce and enhance office culture following the implementation of a four-day in the office attendance policy. In 2023 the Company introduced medical health checks for all employees with over 2 years of service and pension salary sacrifice was made available to all employees. In 2023 the Company initiated an Employee Engagement Survey to give employees the opportunity to share their views about the Company. The social committee continued to grow in 2023 and the company offered 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), which extends certain strategic strengths to the Group. For example, PCIL plays an important role in supporting the Group's 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 2023 (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, sanctions 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.

Facilities – parental support

All bank credit facilities are supported by a letter of comfort from PetroChina Company Limited.

The group had no parental guarantees to its subsidiaries in place as of 31 December 2023.

Dividends

No interim dividend was declared during the year (2022: nil). The directors do not recommend the payment of a final dividend (2022: Nil).

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 30.

Petroineos Trading Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

Directors of the Group

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

Mr Andrew Christopher Currie (ceased 1 August 2024)

Mr Franck Francois Demay

Mr Olivier Chevallier

Mr Wenjin Zhu (ceased 10 March 2024)

Mr Hongwei Li (ceased 6 February 2024)

Mr Xuyang Guo (ceased 21 June 2024)

Mr Junli Wu (ceased 21 June 2024)

The following directors were appointed after the year end:

Mr Guangping Geng (appointed 6 February 2024)

Mr Jiang He (appointed 10 March 2024)

Mr Jonathan Ginns (appointed 1 August 2024)

Mr Chengyuan Li (appointed 21 June 2024)

Mr Yizhou Luo (appointed 21 June 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

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

Going Concern

The Group has net assets of \$564m (2022: \$500m) and net current liabilities of \$704m (2022: \$533m). Bank borrowings of \$1,527m (2022: \$1,181m) 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 (2022: \$nil) due within one year (see note 28). The directors continue to adopt the going concern basis of preparation in the annual financial statements (Refer to page 35 for further information).

Approved by the Board on 27 March 2025 and signed on its behalf by:



.....
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 United Kingdom Adopted International 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 on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

We have audited the financial statements of Petroineos Trading Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Adopted International Accounting Standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Other Companies (Jersey) Law 1991 reporting

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, 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.

Petroineos Trading Limited

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

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Petroineos Trading Limited

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

Extent to which the audit was 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management, risk and compliance departments personnel and in-house legal counsel; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the applicable accounting framework and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, UK sanction, anti-bribery and employment laws.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Enquiries of management and in-house legal counsel, risk and compliance departments personnel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of counterparties on sample basis to ensure compliance with UK sanctions requirements.

Petroineos Trading Limited

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

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - o Detecting and responding to the risks of fraud; and
 - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team and with the forensics specialist team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, completeness of trade book and areas of judgements and estimates for the existence of any systematic bias.

Petroineos Trading Limited

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

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation;
- Obtaining an understanding of relevant controls surrounding the completeness and accuracy of trades recorded in the trading system and revenue;
- Identifying trade types that are not recorded and cleared through electronic platforms. There is a heightened risk of completeness for such trades;
- Testing the accuracy and completeness of a sample of unrealised trades at the reporting date, selected from source documents and agreed to the trading system;
- Reviewing movements in the period subsequent to year end, and confirming with in-house legal counsel, risk and compliance departments personnel that there were no trades identified and recorded subsequent to year end that related to the year end position;
- Sending confirmations to a sample of selected counterparties for full balance confirmation; and
- Assessing significant estimates made by management for bias. The key estimates and judgements were determined to be as follows:

oValuation of derivative asset and liabilities

Our audit procedures were focused on the valuation of over-the-counter (OTC) commodity derivatives and with the assistance of derivative valuation experts, we have assessed the reasonableness of derivative valuation methodology and analysing whether a consistent approach is applied across the business. For a sample of trades, we performed independent recalculation of the derivative balances. We also focused our testing on price inputs where the Company had substantial exposure to illiquid curves, valuation outliers or long dated positions.

oImpairment of goodwill

Our audit procedures were designed to test the accuracy and judgements in the forecasts used as a basis for impairment assessment, as well as testing the assumptions underpinning the impairment models including discount rates and cash flow forecast. We engaged internal valuation experts, to assess the reasonableness of discount rates used.

Petroineos Trading Limited

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with 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 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:

Rida Rahmani

.....708174066E8A45E.....

Rida Rahmani (Senior Statutory Auditor)
For and on behalf of BDO LLP Chartered Accountants
55 Baker Street
London
United Kingdom

27 March 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Petroineos Trading Limited

Consolidated Income Statement for the Year Ended 31 December 2023

	Note	2023 \$ m	2022 \$ m
Revenue	4	38,832	44,913
Cost of sales		(38,514)	(44,406)
Impairment of trade receivables		<u>6</u>	<u>-</u>
Gross profit		324	507
Administrative expenses		(93)	(65)
Other operating income	6	1	-
Impairment of goodwill		-	(182)
Impairment of inaccessible inventory		<u>(23)</u>	<u>-</u>
Operating profit	7	<u>209</u>	<u>260</u>
Finance income		94	55
Finance costs		<u>(221)</u>	<u>(181)</u>
Net finance cost	5	<u>(127)</u>	<u>(126)</u>
Profit before tax		82	134
Income tax (expense)	9	<u>(18)</u>	<u>(39)</u>
Profit for the year		<u><u>64</u></u>	<u><u>95</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 2023

	2023	2022
	\$ m	\$ m
Profit for the year	64	95
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation losses	-	(1)
Total comprehensive income for the year	<u>64</u>	<u>94</u>
Total comprehensive income attributable to:		
Owners of the company	<u>64</u>	<u>94</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 2023

	Note	31 December 2023 \$ m	31 December 2022 (Restated) \$ m
Assets			
Non-current assets			
Property, plant and equipment	10	261	290
Right-of-use assets	11	19	14
Intangible assets	12	392	392
Deferred tax assets	13	151	164
Trade and other receivables	16	215	204
Derivative assets held for trading	14	255	-
		<u>1,293</u>	<u>1,064</u>
Current assets			
Derivative assets held for trading	14	310	490
Inventories	15	1,101	2,150
Trade and other receivables	16	2,529	1,787
Cash and cash equivalents	18	548	16
Contract assets	4	434	970
Income tax asset		17	20
		<u>4,939</u>	<u>5,433</u>
Total assets		<u><u>6,232</u></u>	<u><u>6,497</u></u>
Equity and liabilities			
Current liabilities			
Derivative liabilities held for trading	19	105	255
Loans and borrowings	20	1,527	1,181
Trade and other payables	21	3,888	4,039
Contract liabilities	4	118	489
Lease liabilities	26	5	2
		<u>5,643</u>	<u>5,966</u>
Non-current liabilities			
Long term lease liabilities	26	17	16
Deferred tax liabilities	13	8	15
		<u>25</u>	<u>31</u>
Total liabilities		<u><u>5,668</u></u>	<u><u>5,997</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 2023 (continued)

	Note	31 December 2023 \$ m	31 December 2022 (Restated) \$ m
Equity			
Share premium		854	854
Foreign currency translation		(8)	(8)
Accumulated losses		<u>(282)</u>	<u>(346)</u>
Equity attributable to owners of the company		<u>564</u>	<u>500</u>
Total equity and liabilities		<u>6,232</u>	<u>6,497</u>

Approved by the Board on 27 March 2025 and signed on its behalf by:

Franck Demay

.....
Mr Franck Francois Demay
Director

Guangping Geng

.....
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 2023

	Share premium \$ m	Foreign currency translation \$ m	Accumulated losses \$ m	Total equity \$ m
At 1 January 2023	854	(8)	(346)	500
Profit for the year	-	-	64	64
Total comprehensive income	-	-	64	64
At 31 December 2023	854	(8)	(282)	564
		Foreign		
		currency		
		translation		
		\$ m		
	Share		Accumulated	Total equity
	premium		losses	\$ m
	\$ m		\$ m	
At 1 January 2022	854	(7)	(441)	406
Profit for the year	-	-	95	95
Other comprehensive loss	-	(1)	-	(1)
Total comprehensive income	-	(1)	95	94
At 31 December 2022	854	(8)	(346)	500

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 2023

	Note	2023 \$ m	2022 (Restated) \$ m
Cash flows from operating activities			
Profit for the year		64	95
Adjustments to cash flows from non-cash items			
Amortisation	12	1	2
Depreciation	10, 11	6	14
Profit on disposal of plant, property and equipment		(5)	-
Addition/modification of right-of-use asset		1	(5)
(Gains) / loss from changes in fair value of derivative contracts		(226)	25
Impairment of Goodwill		-	182
Finance income	5	(94)	(55)
Finance costs	5	221	181
Other gains		-	7
Income tax expense	9	18	39
Impairment of inventories		-	(7)
Impairment of inaccessible inventory	10	23	-
		<u>9</u>	<u>478</u>
Working capital adjustments			
Decrease/(increase) in inventories		1,049	(756)
Increase in trade and other receivables		(752)	(140)
(Decrease)/increase in trade and other payables		(151)	280
Decrease in contract assets	4	536	76
(Decrease)/increase in contract liabilities	4	(371)	370
Total of Working capital adjustments		<u>311</u>	<u>(170)</u>
Cash generated from operations		320	308
Income taxes paid		(12)	(32)
Net cash flows from operating activities		<u>308</u>	<u>276</u>
Cash flows from investing activities			
Interest received	5	94	55
Proceeds from sale of property plant and equipment		10	13
Acquisition of intangible assets	12	-	(1)
Net cash flows from investing activities		<u>104</u>	<u>67</u>

The accompanying notes form part of these financial statements

Petroineos Trading Limited
Consolidated Statement of Cash Flows for the Year Ended 31 December 2023
(continued)

	Note	2023 \$ m	2022 (Restated) \$ m
Cash flows from/(used in) financing activities			
Interest paid	5	(221)	(183)
Net proceeds from / (repayment of) banking facilities	20	346	(154)
Capital element of finance lease paid	26	<u>(5)</u>	<u>(16)</u>
Net cash flows from/(used in) financing activities		<u>120</u>	<u>(353)</u>
Net increase/(decrease) in cash and cash equivalents		532	(10)
Cash and cash equivalents at 1 January		<u>16</u>	<u>26</u>
Cash and cash equivalents at 31 December		<u><u>548</u></u>	<u><u>16</u></u>

The accompanying notes form part of these financial statements

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023

1 General information

The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 10.

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

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies

Basis of preparation

Petroineos Trading Limited (the 'Company') is incorporated and domiciled in Jersey under The Companies (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 Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the United Kingdom Adopted International Accounting Standards.

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

The consolidated financial statements are presented in US Dollars, which is also the Group's functional currency. Amounts are rounded to the nearest million, unless otherwise stated.

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: inventories and derivative financial instruments.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

1. IFRS 17 Insurance contracts

The Group does not issue any financial guarantee contract, therefore the new standard is not applicable and does not have any impact on the Group.

2. Disclosure of Accounting policies (Amendments to IAS 1 Presentation of financial statements and IFRS Practice statement 2 Making materiality judgements).

The amendment for the replacement of “significant” with “material” accounting policy in IAS 1 and the corresponding new guidance in IAS 1 has not had any impact on the accounting policy disclosures of the Group.

3. Definition of Accounting estimates (Amendments to IAS 8 Accounting policies, Changes in accounting estimates and Errors).

The amendment provides greater clarity as to the definition of accounting estimates, particularly in terms of the differentiation between accounting estimates and accounting policies and there is immaterial impact on the Group’s financial statements. The amendment has provided guidance to the Company in determining whether the changes are treated as changes in estimates, changes in policies or errors.

4. Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12 Income taxes).

The amendment requires the Group to recognise deferred tax assets and liabilities for temporary differences, arising from the initial recognition of a lease and subsequently. As the Company does not recognise an equal and offsetting deferred tax asset and liability in the statement of financial position, there is no impact of this amendment to the Group.

5. International Tax reform - Pillar 2 Model rules (Amendment to IAS 12 Income taxes).

The Group is currently progressing in assessing both qualitative and quantitative information about its exposure to Pillar Two income taxes for the reporting period ending 31st December 2023 which is unknown or estimable at the time of the preparation of these financial statements.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures) The following amendments are effective for the period beginning 1 January 2025:
- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates) The Group is currently assessing the impact of these new accounting standards and amendments.

The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Going Concern

The Group has net assets of \$564m (2022: \$500m) and net current liabilities of \$704m (2022: \$533m). Bank borrowings of \$1,527m (2022: \$1,181m) 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 (2022: \$nil) due within one year (see note 28).

In determining the appropriate basis of preparation for the financial statements for the year ended 31 December 2023, 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 \$7.7bn, of which \$3.6bn 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.

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 and Middle East conflicts. 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 these ongoing conflicts 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 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 18 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. Whilst all banks permit the use of such facilities total \$7.7bn (\$3.6bn drawn down), of which \$4.1bn is available as working capital 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 2023 (continued)

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 2023.

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. 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.

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.

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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 2023 (continued)

2 Accounting policies (continued)

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the transaction price. The majority of the trade receivables arise from commodity contracts, many of which contain fixed pricing elements.

Prepayments and accrued income comprise of payments made in advance relating to the following year, and income relating to the current year, that will not be invoiced until after the balance sheet date.

When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements and such assets meet the recognition criteria in other standards, the entity shall for such assets held at the reporting date disclose:

1. the nature and carrying amount of the assets;
2. when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

All collateral held by the company is readily convertible to cash.

Other receivables includes amounts held as collateral, balances in clearing exchange and escrow accounts. Other receivables are held with the intention to collect contractual cash flows of solely principal and interest and are accounted for at amortised cost.

Intercompany loan receivables represent fixed interest rate working capital loans advanced to other group entities or related parties either in the UK or overseas. The repayment terms of the loans are a mixture of fixed term and repayable on demand loans. The Company has determined that the loan agreements do not have any non-standard lending terms. The cash flows resulting from the Intercompany loan agreements represent interest and principal settlement.

Trade and other receivables are held with the intention to collect contractual cash flows of solely principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company recognises an allowance of expected credit losses (ECLs) for all financial assets which are not fair value through profit and loss. In accordance with IFRS 9, the Company applies the simplified approach for trade receivables and accrued income. This approach permits the use of a lifetime expected loss allowance. The measurement of expected credit losses on financial assets is based on assumptions about the future risk of default and expected loss rates.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

The full ECL model is applied for all other receivables including receivables from related parties. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those, where the credit risk is not increased significantly since initial recognition of financial asset, twelve month expected credit losses along with gross interest income are recognised. For those which credit risk has increased significantly, lifetime expected credit losses are recognised along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Trade and other payables

Trade payables are obligations to pay amounts to suppliers in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

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.

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.

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 2023 (continued)

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 and accumulated impairment. 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 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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Impairment

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

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.

Research and development

An internally generated intangible asset arising from the Group's development activities is recognised only if 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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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 and reported within the cost of sales line on the income statement. 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 2023 (continued)

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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.

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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.

If the consideration in a contract includes a variable amount, the entity estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. IFRS 15 provides two methods for estimating variable consideration: the expected value method and the most likely outcome method. In all cases, fair value is estimated by reference to forward market prices. 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.

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.

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

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.

The Company has taken advantage of the practical expedient in IFRS 15, paragraph 63 that allows an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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.

These contracts are accounted for as financial instruments within the scope of IFRS 9. Counterparties to these transactions may, however, meet the IFRS 15 definition of a customer. The Company's policy is to account for these contracts on a net basis and present related gains and losses within Cost of Sales (i.e. no impact on revenue).

Cost of sale

Cost of sales of trading activity includes the cost of crude, products, renewable energy certificates and power purchased during the period and related storage, shipping, 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 physical 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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Expenses

Finance income and expenses

Finance expenses comprise interest payable, and the finance cost of leases recognised in profit or loss using the effective interest method, foreign exchange losses 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. Finance 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. Currency fluctuations in relation to finance income and expenses are included and separately identified within Note 7.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Payments in relation to the tolling operating lease are recognised as incurred, see note 25. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all tax temporary difference, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investment in subsidiaries and interest in joint arrangements, when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting policies (continued)

International Tax Reform - Pillar Two

The Group is monitoring developments regarding the OECD/G20 Base Erosion and Profit Shifting ('BEPS') Global Anti-Base Erosion Model Rules (Pillar Two) which seek to ensure that large multinational groups pay a minimum tax rate of 15% on worldwide profits.

Finance (No 2) Act 2023 was enacted on 11 July 2023 and implemented the domestic top-up tax and multinational top-up tax in the UK for accounting periods commencing on or after 31 December 2023. The domestic top-up tax and multinational top-up tax implement UK tax rules aligned with the OECD/G20 Pillar Two model rules.

The Group is continuing to assess the impact of Pillar Two taxes on its future financial performance, but does not expect a material exposure to Pillar Two taxes.

The Group has applied the mandatory IAS 12 exception and has neither recognised nor disclosed information about deferred tax assets and liabilities related to the OECD/G20 Pillar Two model rules.

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

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

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 \$830m (2022: \$708m) 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 25.

Classification of transactions which contain a financing element (note 21)

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 2023, trade payables include \$446 million (2022: \$240 million) of such liabilities arising from supplier financing arrangements, the weighted average of which extended settlement of the original payable to 30 days (2022: 33 days), see note 21 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 20.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

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

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.

a) 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.

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 12.

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.

There is no impairment in 2023.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

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

b) Fair value Measurement

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. [IFRS 13:72]

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement). [IFRS 13:73] For further details on the fair value hierarchy, refer to Note 23. Management has agreed that the fair value of crude and product physical contracts should be disclosed as Level 2.

c) Expected Credit Loss (ECL)

IFRS 9 does not prescribe any specific modelling techniques for calculating the ECL and is subjective. In assessing the ECL, the Company has adopted a Valuation model which uses the Probability of Default (POD) multiplied by the Loss at Given Default (LGD).

4 Revenue

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

	2023	2022
	\$ m	\$ m
Sale of goods	38,832	44,913
Disaggregation of revenue by primary geographical markets		
	31 December	31 December
	2023	2022
	\$ m	\$ m
Total EEA & EU	29,824	38,419
Rest of world	9,008	6,494
	38,832	44,913
Disaggregation of revenue by product service		
	31 December	31 December
	2023	2022
	\$ m	\$ m
Asset trading - Grangemouth	4,866	6,326
Asset trading - Lavera	7,256	8,751
Entrepreneurial trading - Oil	26,663	29,032
Entrepreneurial trading - Power	47	804
	38,832	44,913

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

4 Revenue (continued)

Contract balances:

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

	2023 \$ m	2022 (Restated) \$ m
Receivables	1,161	644
Contract assets	434	970
Contract liabilities	118	489

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 and refined trading products. In accordance with IFRS15, a contract asset is recognised when the payment is conditional on the future performance of the entity. The contract assets are transferred to receivables when the rights become unconditional. Contract assets includes \$140m relating to related parties (2022: \$2m)

Invoices are typically paid on time within the industry standard payments terms, the most common being settlement within 5 or 30 days after the date of bill of lading. Recognition of a purchase and sale is made in accordance with the point of title transfer determined by the incoterms as stipulated within the contract.

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 \$489m (2022: \$120m).

Revenue from contracts with customers amounts to \$38,832m (2022: \$44,913m).

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

The Company enters into derivative contracts including forward sales contracts of Crude Oil, Oil products and FX Derivatives. These forward contracts are required to be fair valued under IFRS 9 Financial Instruments. Revenue from these forward sales contracts is measured at the contractual transaction price plus the fair value of the derivative on settlement date and is recorded within Revenue in the Income Statement. The total amount relating to the fair value adjustments on all these items was a net loss of \$321m (2022: \$1,009m gain).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

5 Finance incomes and costs

	2023 \$ m	2022 \$ m
Finance income		
Interest income on related party borrowing	94	55
Finance costs		
Interest expense on bank overdrafts and borrowings	(191)	(114)
Foreign exchange losses	(1)	(30)
Other finance costs	<u>(29)</u>	<u>(37)</u>
Total finance costs	<u>(221)</u>	<u>(181)</u>
Net finance costs	<u><u>(127)</u></u>	<u><u>(126)</u></u>

During 2023, 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 2023. Interest income is mainly received from related parties, see detail in note 27.

Other finance costs consist of bank guarantee fee.

6 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2023 \$ m	2022 \$ m
Miscellaneous other operating income	<u>1</u>	<u>=</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

7 Operating profit

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

	Note	2023 \$ m	2022 \$ m
Cost of purchases from physical trading activities and derivatives		37,795	43,331
Tolling expenses	25	830	1,050
Inventory impairment reversal	15	-	(7)
Depreciation and amortisation expense	10, 11, 12	7	16
Administrative expenses		93	65
Unrealised (gain) / loss on open derivatives at year-end		(226)	25
Impairment of Trade receivables		(6)	-
Goodwill impairment	12	-	182
Impairment of inaccessible inventory		<u>23</u>	<u>-</u>

The cost of purchase and revenue (note 4) 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.

Within the administrative expenses including audit fee \$0.5m (2022: \$1.0m). There is non audit service expenses included.

8 Staff costs

The aggregate employee benefits (including directors' remuneration) were as follows:

	2023 \$ m	2022 \$ m
Wages and salaries	55	40
Social security costs	3	3
Pension costs, defined contribution scheme	3	2
Other employee expense	<u>1</u>	<u>1</u>
	<u>62</u>	<u>46</u>

The average number of persons employed by the group (including directors) during the year, analysed by category were as follows:

	2023 No.	2022 No.
Staff	<u>229</u>	<u>238</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

9 Income tax

Tax charged/(credited) in the income statement

	2023 \$ m	2022 \$ m
Current taxation		
UK corporation tax	12	32
Overseas current tax on profits for the year	1	(2)
UK corporation tax adjustment to prior periods	-	(3)
	13	27
Deferred taxation		
Arising from origination and reversal of temporary differences	5	27
Arising from changes in tax rates and laws	-	(10)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	(5)
	5	12
Total deferred taxation	5	12
Tax expense in the income statement	18	39

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

	2023 \$ m	2022 \$ m
Profit before tax	82	134
Corporation tax at standard rate	19	25
Decrease in tax from adjustments for prior periods	-	(8)
Increase / (decrease) arising from effect of expenses not deductible / income not taxable	-	(19)
Goodwill impairment	-	53
(Decrease) from effect of foreign exchange on tax settled in foreign currencies	(2)	(2)
Tax charge/(credit) arising from changes in tax rates	1	(10)
Total tax charge	18	39

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

9 Income tax (continued)

The standard rate of corporation tax in the UK was 23.52% for the year ended 31 December 2023. (Year Ended 31 December 2022: 19%). Petroineos Trading whilst incorporated in Jersey is UK tax resident. The other consolidated entities are both UK incorporated and UK tax resident.

The 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 at 25% as that is the enacted rate that will apply when they reverse.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

10 Property, plant and equipment

	Furniture, fittings and equipment \$ m	Inaccessible inventory \$ m	Total \$ m
Cost or valuation			
At 1 January 2022	14	299	313
Disposals	-	(13)	(13)
At 31 December 2022	<u>14</u>	<u>286</u>	<u>300</u>
At 1 January 2023	14	286	300
Disposals	(4)	(5)	(9)
At 31 December 2023	<u>10</u>	<u>281</u>	<u>291</u>
Depreciation			
At 1 January 2022	9	-	9
Charge for year	2	-	2
Eliminated on disposal	(1)	-	(1)
At 31 December 2022	<u>10</u>	<u>-</u>	<u>10</u>
At 1 January 2023	10	-	10
Charge for the year	2	-	2
Eliminated on disposal	(5)	-	(5)
Impairment	-	23	23
At 31 December 2023	<u>7</u>	<u>23</u>	<u>30</u>
Carrying amount			
At 31 December 2023	<u>3</u>	<u>258</u>	<u>261</u>
At 31 December 2022	<u>4</u>	<u>286</u>	<u>290</u>
At 1 January 2022	<u>5</u>	<u>299</u>	<u>304</u>

A proportion of inventory held in tank is unable to be accessed which is classified as inaccessible inventory, and is capitalised in property, plant and equipment according to inaccessible inventory policy adopted in 2014, refer to note 2.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

11 Right-of-use assets

	Machinery (Restated) \$ m	Property \$ m	Other \$ m	Total \$ m
Cost or valuation				
At 1 January 2022	-	18	24	42
Additions	2	-	-	2
Disposals or expired	-	-	(24)	(24)
At 31 December 2022	<u>2</u>	<u>18</u>	<u>-</u>	<u>20</u>
At 1 January 2023	2	18	-	20
Additions	-	-	9	9
At 31 December 2023	<u>2</u>	<u>18</u>	<u>9</u>	<u>29</u>
Depreciation				
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	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
At 1 January 2023	-	6	-	6
Charge for the year	1	1	2	4
At 31 December 2023	<u>1</u>	<u>7</u>	<u>2</u>	<u>10</u>
Carrying amount				
At 31 December 2023	<u>1</u>	<u>11</u>	<u>7</u>	<u>19</u>
At 31 December 2022	<u>2</u>	<u>12</u>	<u>-</u>	<u>14</u>

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 2023 (continued)

12 Intangible assets

	Goodwill \$ m	Customer order book \$ m	Internally generated software development costs \$ m	Total \$ m
Cost or valuation				
At 1 January 2022	573	13	9	595
Additions	-	-	1	1
At 31 December 2022	<u>573</u>	<u>13</u>	<u>10</u>	<u>596</u>
At 1 January 2023	<u>573</u>	<u>13</u>	<u>10</u>	<u>596</u>
At 31 December 2023	<u>573</u>	<u>13</u>	<u>10</u>	<u>596</u>
Amortisation				
At 1 January 2022	-	13	8	21
Amortisation charge	-	-	1	1
Impairment	<u>182</u>	<u>-</u>	<u>-</u>	<u>182</u>
At 31 December 2022	<u>182</u>	<u>13</u>	<u>9</u>	<u>204</u>
At 1 January 2023	<u>182</u>	<u>13</u>	<u>9</u>	<u>204</u>
At 31 December 2023	<u>182</u>	<u>13</u>	<u>9</u>	<u>204</u>
Carrying amount				
At 31 December 2023	<u><u>391</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>392</u></u>
At 31 December 2022	<u><u>391</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>392</u></u>

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 cost of sales in the Consolidated Income Statement.

Impairment

The group has one Cash Generating unit, for which all the group's goodwill has been allocated. 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 and tangible 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 (DCFs) 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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

12 Intangible assets (continued)

The company recognised an impairment charge of \$182m against goodwill in the year ended 2022 financial statements. This was as a direct result of management reducing the forecast of the Entrepreneurial Trading CGU discounted cash flows in light of uncertain and volatile trading markets in the complex international political and economic environment. Management 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 calculated a prudent valuation of the CGU is \$709 million. This value is higher than the carrying value of related assets resulting in no impairment charges for 2023 (2022: \$182m impairment charge).

Management has used a forecast period of five years as the basis for the value-in-use (VIU) calculation. The valuation model is based on the assumption that the company could enter into a similar tolling agreement with Petroineos Refining Limited or any other refineries after 5 years. The Discount factors applied to the annual cash flows in order to derive the DCF for the combined business is 10% which is the upper end of a 8% to 10% range deemed appropriate for companies in Oil & Gas business sector. This is in line with previous years. For assessing the Petroineos Trading Group on a stand alone basis we have applied a discount rate of 20% which represents a 10% premium on the combined rate based on perceived additional risk as the company's operations are not backed by any tangible assets. This premium is in line with the previous year, recognising the maturity of the business and the development of an Entrepreneurial Trading activity within the business reducing the level of perceived business risk.

Due to the Tolling agreement in place between the members of the Petroineos Refining Group and Petroineos Trading Limited and the funding arrangements for the Petroineos Refining Group via Petroineos Trading Limited's banking facilities it is the opinion of the board that the risk to Petroineos Refining Group is very low. Current discount factors deemed appropriate for non-risk companies in our business sector is between 2% and 3% and we have chosen to apply 4% recognising that the terms of the Tolling agreement does not leave Petroineos Refining Group entirely risk free, however, does protect it against a significant proportion of market risk.

The key assumptions related to this calculation are shown below:

	Rate currently applied	
	2023	2022
Number of years over which management approved forecasts are based	5	5
Growth rate applied beyond approved forecast period	2%	2%
Discount rate (pre-tax)	14.5%	13.8%

Sensitivities of recoverable amounts

The key assumptions relevant to the impairment test for the year ended 31 December 2023 are the growth rate and discount rates. Sensitivities have been applied to determine the rates that would be required in order for the recoverable amount to equal carrying value. These sensitivities have been applied in isolation.

The key assumptions related to this calculation are shown below:

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

12 Intangible assets (continued)

	Rate required in order for the recoverable amount to equal the carrying value	
	2023	2022
Pre-tax discount rate	16.8	13.8
Value destruction by 1% increase in the discount rate	59	68
Value destruction by 2% decrease in the long-term growth rate	65	78

No reasonably possible change in the growth rate assumption would result in the carrying value exceeding the recoverable amount and therefore not a key factor in assessing impairment.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

13 Deferred tax

	Asset \$ m	Liability \$ m	Net deferred tax \$ m
2023			
Tax losses carry-forwards	151	-	151
Fair value movements in financial instruments	-	(8)	(8)
	<u>151</u>	<u>(8)</u>	<u>143</u>
			Net deferred
2022	Asset	Liability	tax
	\$ m	\$ m	\$ m
Fair value movements in financial instruments	-	(15)	(15)
Tax losses carry-forwards	164	-	164
	<u>164</u>	<u>(15)</u>	<u>149</u>
Deferred tax movement during the year:			
	At 1 January	Recognised in	At
	2023	income	31 December
	\$ m	\$ m	2023
Tax losses carry-forwards	164	(13)	151
Fair value movements in financial instruments	(15)	7	(8)
	<u>149</u>	<u>(6)</u>	<u>143</u>
Deferred tax movement during the prior year:			
	At 1 January	Recognised in	At
	2022	income	31 December
	\$ m	\$ m	2022
Fair value movements in financial instruments	(21)	6	(15)
Tax losses carry-forwards	182	(18)	164
	<u>161</u>	<u>(12)</u>	<u>149</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. There are no unused tax losses where a DTA has not been recognised.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

14 Derivative assets held for trading

	31 December 2023 \$ m	31 December 2022 \$ m
Non-current financial assets		
Derivative assets held for risk management	255	-
	31 December 2023 \$ m	31 December 2022 \$ m
Current financial assets		
Derivatives assets measured at FVTPL (refer to note 23 Fair value measurement)	310	490
	31 December 2023 \$ m	31 December 2022 \$ m

15 Inventories

Inventories are expected to be recovered within 12 months. Raw materials of crude oil and refining consumables and changes in finished goods are recognised as cost of sales in the year amounted to \$37,745 million (2022: \$43,375 million for the year).

	31 December 2023 \$ m	31 December 2022 \$ m
Raw materials - Crude oil	697	712
Raw materials - Refining consumables	186	191
Finished goods - Refined products	218	1,191
Emission allowances	-	56
	1,101	2,150

Stock impairment

The amount of write-down of group inventories recognised as an expense in the year is \$Nil (2022: \$nil) and reversal of previous year inventory impairment is \$nil (2022: \$7m). This is included within cost of sales (note 7). Inventory write downs occur predominately when exiting storage facilities where the costs associated with the removal of residual product balances exceeds the value of inventory held.

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 \$750m (2022: \$751m) and ET inventory is valued at FVLCS at \$351m (2022: \$1,399m).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

16 Trade and other receivables

		31 December 2023 \$ m	31 December 2022 Restated \$ m
Trade receivables		1,045	442
Provision for impairment of trade receivables		(3)	-
Net trade receivables		1,042	442
Trade receivables due from related parties	27	119	54
Non-trade receivables due from related parties		1,268	1,083
Other receivables		51	155
Prepayments		49	53
		2,529	1,787

Provision for impairment of trade receivables relate entirely to items booked within the income statement under cost of sales. The profit and loss impact in 2023 is a net credit to the P&L of \$6m (2022: \$8.6m loss).

Other receivables include collateral deposits of \$51m held by the Group at the end of 2023 (2022: \$148m).

The trade and other receivables classified as financial instruments are disclosed below in note 24. The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in note 24 "Financial risk review".

Details of non-current trade and other receivables

The non-current trade and other receivables comprises the related party loan receivable of \$92m (2022: \$88m) and other long term prepayment of \$123m (2022: \$123m) due from Petroineos Refining Limited.

17 Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium: Amount subscribed for share capital in excess of nominal value.

Accumulated losses: Cumulation of net gains and losses on transactions recognised in the income statement not included elsewhere.

Foreign currency translation reserve: Gains/losses arising on retranslating the foreign currency based operations into USD.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

18 Cash and cash equivalents

	Group	
	31 December 2023	31 December 2022
	\$ m	\$ m
Cash on hand	<u>548</u>	<u>16</u>

19 Derivative liabilities held for trading

	31 December 2023	31 December 2022
	\$ m	\$ m
Derivative liabilities measured at FVTPL (refer to Note 23 Fair value measurement)	<u>105</u>	<u>255</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

20 Loans and borrowings

The group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in note 24 "Financial risk review".

The carrying amounts and fair value of the current borrowings are as follows:

Group

	Carrying value		Fair value	
	31 December 2023 \$ m	31 December 2022 \$ m	31 December 2023 \$ m	31 December 2022 \$ m
US dollar	206	1,181	206	1,181
Chinese Yuan	1,321	-	1,321	-
	1,527	1,181	1,527	1,181

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 1.00% to 2.45%. (2022: 4.65% to 4.81%), also included in the above figure, there are bank overdrafts of \$nil (2022: \$355m).

All loans were trade related and due within 1 year.

	31 December 2023 \$ m	31 December 2022 \$ m
Current loans and borrowings		
Bank borrowings	1,527	1,181

The Group has access to \$7.7 billion of uncommitted facilities from 18 separate banks as described in note 2 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 2023 (continued)

21 Trade and other payables

	31 December 2023	31 December 2022
	\$ m	(Restated) \$ m
Trade payables	1,300	162
Trade payables due to related parties	352	1,054
Accrued expenses	2,211	2,700
Other payables	25	123
	3,888	4,039

Included in Trade Payables are \$446m (2022: \$240m) 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 30 days, and all amounts were settled around one month after year end.

22 Share capital

Authorised, allotted, called up and fully paid shares

	31 December 2023		31 December 2022	
	No.	\$	No.	\$
Ordinary shares of \$1 each	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 2023 (continued)

23 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 2023 (continued)

23 Fair value measurement (continued)

Assets measured at fair value

2023

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper exchange	2	-	2
Derivative commodity contracts - Paper commodity swaps	156	-	156
Derivative commodity contracts - Forward physical	-	407	407
	<u>158</u>	<u>407</u>	<u>565</u>

Liabilities measured at fair value

2023

	Level 1 \$ m	Level 2 \$ m	Total \$ m
Derivative commodity contracts - Paper exchange	(17)	-	(17)
Derivative commodity contracts - Paper commodity swaps	(2)	-	(2)
Derivative commodity contracts - Forward physical	-	(86)	(86)
	<u>(19)</u>	<u>(86)</u>	<u>(105)</u>

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>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 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

Credit exposure is calculated using the aggregate of:

1. The values associated with the delivery of product that have accrued/realized but not yet have been invoices.
2. All receivables including overdues - defined as invoices but not yet paid, and
3. Mark-to-Market on fixed priced physical oil contracts. Exposure is calculated on a gross basis unless the right to netting can be demonstrated under required documentation (e.g. governing contract) and the applicable law.

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

Under IFRS 9, management has assessed the trade receivables, contract assets and related party receivables in existence and the results appear reasonable in light of the 25 - 30 average days sales outstanding ('DSO') noted and the macroeconomic environment at the time of assessment. Taking into account forward looking data and the short-term nature of the 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. The credit risk for receivables from related parties has not increased significantly since their initial recognition.

ECL reconciliation

IFRS 9 does not provide any specifications on the design of the ECL model. In practice, there are two main approaches to determine ECLs (expected credit losses)

- a) Allowance matrix based on an entity's internal, historical credit loss data and past due receivables
- b) Valuation model that uses probabilities of default

Typically, the calculation of ECL calculates the lifetime expected credit loss by multiplying the lifetime probability of default (PD) by the recovery rate (RR) multiplied by the exposure at default (EAD). The recovery rate is an estimation of the percentage of an obligation that will still be repaid to creditors in the event of default or bankruptcy. EAD is the predicted amount of any loss that may incur if a debtor defaults.

In accessing the ECL for Petroineos Trading Limited, management have used a simplified approach of multiplying the trade receivables year end balance by the counterparty average default rate. Receivables in relation to exchange traded activities are excluded from the calculation due to margin calls and ultimately the credit risk being with the clearing broker.

Each receivable counterparty is assessed for credit worthiness at the point of trade inception. This rating is for most counterparts provided by external rating agencies or when not available provided internally using risk related tools. An expected exposure at default has been applied, being either 40% or 25% dependant on the investment grade of the counterparty.

Movements in the impairment allowance for trade receivables are as follows:

	31 December 2023	31 December 2022
	\$m	\$m
Opening provision for impairment of trade receivables	9	-
Increase during the year	3	9
Receivable written off during the year as uncollectible	-	-
Unused amounts reversed	(9)	-
Net movement in provision for impairment	<u>3</u>	<u>9</u>
At 31st December	<u><u>3</u></u>	<u><u>9</u></u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

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

	Net trade receivables \$ m	Trade receivables from related parties \$ m	Other receivables \$ m	Non trade receivables from related parties \$ m	Prepayments \$ m	Total \$ m
2023						
Not yet due	922	47	53	1,267	-	2,289
Between 0-30 days	55	50	-	-	49	154
Between 31-90 days	32	1	-	-	-	33
More than 90 days	32	21	-	-	-	53
	<u>1,041</u>	<u>119</u>	<u>53</u>	<u>1,267</u>	<u>49</u>	<u>2,529</u>
	Net trade receivables \$ m	Trade receivables from related parties \$ m	Other receivables \$ m	Non trade receivables from related parties \$ m	Prepayments \$ m	Total \$ m
2022 (Restated)						
Not yet due	408	54	7	1,083	-	1,552
Between 0-30 days	85	-	-	-	53	138
Between 31-90 days	14	-	-	-	-	14
More than 90 days	83	-	-	-	-	83
	<u>590</u>	<u>54</u>	<u>7</u>	<u>1,083</u>	<u>53</u>	<u>1,787</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

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 \$7,595m from these banks at 31 December 2023 (2022: \$7,395m). The facilities are uncommitted but are supported by letters of comfort to the lenders. The facilities available to the Group at the date of signing is \$7,745m, of which \$3,556m is currently utilised.

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.

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.

2023	Carrying amount	Gross nominal inflow/-outflow	3 months - 1 year
Non-derivative liabilities	\$ m	\$ m	\$ m
Loans and borrowings	1,527	1,527	1,527

The table below which sets out the contractual maturity (representing undiscounted cash flows) of financial liabilities:

2023	1-3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities	\$ m	\$ m	\$ m	\$ m
Trade and other payables	3,888	-	-	-
Deferred Tax liability	-	-	8	-
Lease liability	2	6	10	9
Derivative financial liabilities	105	-	-	-
Contract Liabilities	118	-	-	-
Total	4,113	6	18	9

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

2022	Carrying amount	Gross nominal inflow/-outflow	3 months - 1 year
Financial liabilities	\$ m	\$ m	\$ m
Loans and borrowings	1,181	1,181	1,181

The table below which sets out the contractual maturity (representing undiscounted cash flows) of financial liabilities:

2022 (Restated)	1-3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities	\$ m	\$ m	\$ m	\$ m
Trade and other payables	4,039	-	-	-
Deferred Tax liability	-	-	15	-
Lease liability	1	3	10	11
Derivative financial liabilities	234	21	-	-
Contract Liabilities	489	-	-	-
Total	4,763	24	25	11

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.

Interest rate risk

Throughout the year, management continuously assessed the shift from LIBOR or other IBORS to new reference rates and the impact on the organisations financial instruments. Given that all company borrowing is short term, management perceived there to be limited interest rate risk, liquidity risk or operational risk associated with the change. At the time of the changes, the organisation undertook a detailed exercise to quantify the impact arising from the adoption of new pricing models / valuation techniques and risk models. This was deemed to be immaterial.

Financing solutions provided to clients are always on a short term basis and conducted on a back to back basis with banks and other financial institutions. All borrowings held at the end of the year referenced new benchmarks, predominately SOFR (Secured Overnight Financing Rate).

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros and Sterling. 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.

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 2023				
	EUR	GBP	AUD	CNH	JPY
Cash and cash equivalent	-	9	-	2,300	268
Trade and other receivables	345	390	8	577	-
Loan and borrowings	-	-	-	(9,392)	-
Trade and other payables	(244)	(181)	(8)	-	-
Lease liabilities	-	4	-	-	-
	101	222	-	(6,515)	268

In millions of	31 December 2022 (Re-stated)				
	EUR	GBP	AUD	CNH	JPY
Cash and cash equivalent	-	1	-	-	-
Trade and other receivables	388	366	-	-	-
Trade and other payables	(242)	(262)	-	-	-
Lease liabilities	-	4	-	-	-
	146	109	-	-	-

2022 financials updated following an error in the prior year disclosure. There was no underlying errors reported within the balance sheet or income statement.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 Financial risk review (continued)

Sensitivity analysis

A 10% percent weakening of the following currencies against the functional currency of the Group at 31 December 2023 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 2023 \$ m	Profit or loss 2023 \$ m	Equity 2022 (Restated) \$ m	Profit or loss 2022 (Restated) \$ m
Euros	(11)	(11)	(16)	(16)
Sterling	(29)	(29)	(13)	(13)
Chinese Yuan Renminbi (onshore)	92	92	-	-

A 10% percent strengthening of the above currencies against the functional currency of the Group at 31 December 2023 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 \$1,542m (2022: \$1,665m) as shareholders' equity of \$564m (2022: \$500m) and net debt (net of issue costs) of \$978m (2022: \$1,165m).

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 2023 (continued)

24 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	Assets measured at amortised cost \$ m	Liabilities measured at amortised cost \$ m	Financial instruments at fair value through profit and loss \$ m
2023				
Foreign exchange gains / (losses)	2	-	(1)	-
Interest income / (expense)	-	94	(221)	-
Net fair value gains on derivatives	-	-	-	226
Net result	<u>2</u>	<u>94</u>	<u>(222)</u>	<u>226</u>

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

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

24 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 as at 31 December 2023 and 2022 are shown below. These transactions are predominantly exchange traded transactions subject to offsetting due to the type of trading agreement. There are no enforceable master netting agreements in place.

	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
2023					
Derivative assets held for trading	475	(317)	158	407	565
Derivative liabilities held for trading	(336)	317	(19)	(86)	(105)
2022					
Derivative assets held for trading	45	(29)	16	474	490
Derivative liabilities held for trading	(123)	29	(94)	(161)	(255)

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

25 Obligations under tolling arrangements

Operating leases

During the year \$830m was recognised as an expense in the income statement in respect of tolling expenses (2022: \$1,050m).

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.

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

26 Lease liabilities

	\$m
1 January 2023	<u>19</u>
Changes from financing cash flows	
Payment of lease liabilities	(5)
Payment of interest	<u>(1)</u>
Total changes from financing cash flows	<u>(6)</u>
Other changes	
Interest on lease	1
New and modification of leases	<u>9</u>
Total other changes	<u>10</u>
31 December 2023	<u><u>23</u></u>
	\$m
1 January 2022	<u>31</u>
Changes from financing cash flows	
Payment of lease liabilities	(16)
Payment of interest	<u>(2)</u>
Total changes from financing cash flows	<u>(18)</u>
The effects of changes in foreign exchange rates	<u>2</u>
	<u>2</u>
Other changes	
Interest on lease	2
New and modification of leases	<u>2</u>
Total other changes	<u>4</u>
31 December 2022	<u><u>19</u></u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

26 Lease liabilities (continued)

	2023 \$m	2022 (Restated) \$m
Non-current lease liabilities		
Non-current portion of lease liabilities	17	17
	2023 \$m	2022 \$m
Current lease liabilities		
Current portion of lease liabilities	6	2

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 Note 24 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 4.13%.

	Group		
	31 December 2023 \$ m	31 December 2022 \$ m	31 December 2021 \$ m
Interest on lease liability	1	2	1
Expense relating to short-term leases and low value leases	44	39	34
	-	-	-
	45	41	35

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

27 Related party transactions

The Group has transactions with the following related party entities (split by Group) who are not members of Petroineos Trading Limited. Each of the below related parties have a relationship with Petroineos Trading Limited through its subscribers. As disclosed in Note 22, the entity has a fully paid up share capital subscription held 50.1% by Petrochina International (London) Company Limited and 49.9% INEOS Investments (Jersey) Limited.

The Group has made allowances for bad or doubtful debts in respect of related party debtors of \$Nil (2022: \$Nil). No guarantee has been given or received during 2023 or 2022 regarding related party transactions.

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 Vinyls 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 25).

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 2023 (continued)

27 Related party transactions (continued)

	Sales \$ m	Expenses \$ m	Interest income \$ m	Interest expense \$ m	Receivables outstanding \$ m	Payables outstanding \$ m
2023						
CNPC Group	-	1,649	-	-	2	67
PetroChina Company Limited Group	1,709	4,939	-	2	236	423
INEOS Group Holdings SA Group	595	156	-	-	25	9
Petroineos Refining Limited Group	-	901	93	-	1,389	128
	<u>2,304</u>	<u>7,645</u>	<u>93</u>	<u>2</u>	<u>1,652</u>	<u>627</u>
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	1,009	55	-	1,062	175
	<u>2,783</u>	<u>10,204</u>	<u>55</u>	<u>6</u>	<u>1,139</u>	<u>1,256</u>

Included in the above related party transactions, there are long term loan receivable from Petroineos Refining Limited (PIRL) of \$92m (2022: \$88m) at 7% annual interest rate, and short term loan receivable from PIRL of \$1,267m (2022: \$974m) at Libor plus 2.5% to the end of July 2023 and thereafter, at USD SOFR + spread adjustment + 2.5%. Also included, there are short term loan payable to PetroChina International (London) Co., Limited of \$97m (2022: \$828m) at Libor plus 1.6% annual interest rate, and other PetroChina group entities of \$326m (2022: \$231m) at the same interest rate.

All related party transactions are unsecured and settled via cash. There are no guarantees given or received with all transactions made in good faith.

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 2023 \$ m	31 December 2022 \$ m
Salaries and other short-term employee benefits	<u>-</u>	<u>3</u>

Petroineos Trading Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023 (continued)

28 Commitments

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.

The Company has Letters of Guarantee with external banks. At 31 December 2023 the following guarantees were held by the company EUR 6.7m and USD 54m.

29 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.

30 Subsequent events after the financial period

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.

There is litigation arising from matters relating to the import of oil products in a foreign jurisdiction. The proceedings on this matter are still ongoing subsequent to the year end.

During September 2024, it was announced that the transitioning of the Grangemouth refinery operations would begin in early 2025. The Grangemouth business will remain focused on its primary activity of supplying hydrocarbon fuels, mainly to Scotland based end users, but will purchase those products from markets directly rather than by refining purchased crude oil.

The impact on Petroineos Trading Limited is that the existing tolling processing arrangement with Petroineos Manufacturing Scotland (see note 25) will be refocused to provide operating terminal facilities rather than processing services, previously based on instruction provided by Petroineos Trading Limited.

Management do not envisage this having any detrimental impact on our internal resources or our existing operational activities.