

Company Registration No. 07580823

PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements

For the year ended 31 December 2014



PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements For the year ended 31 December 2014

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PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements For the year ended 31 December 2014

Company information

Directors

T A Buckland (resigned 16 July 2015)
P A M Mahony

Registered Office

1 Curzon Street
London
W1J 5HB

Auditors

Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street
London
EC1A 4AB

PetroSaudi Energy and Trading (UK) Limited

Directors' report For the year ended 31 December 2014

The directors present their report and the audited financial statements for the year ended 31 December 2014. The financial statements have been prepared under, and comply with International Financial Reporting Standards ("IFRS"), as adopted by European Union.

Please refer to note 9 of the financial statements for future disclosure of the financial risks.

Directors

The directors who served throughout the period and as at the date of this report are set out below:

T A Buckland (resigned 16 July 2015)

P A M Mahony

Business review and results

Financial performance in the current year has been impacted by the decision to indefinitely cease trading activities as a consequence of difficult market conditions. Current expectations are that trading activities will not re-commence and that the Company will ultimately be liquidated.

The overall loss for the year after taxation amounted to \$5,073,000 (2013: \$10,666,000).

Dividends

No dividends (2013: \$Nil) have been paid during the year or are recommended for the year.


Provision of information to auditors

Each of the persons who are directors at the time when this report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the small company regime of the Companies Act 2006.

This report was approved by the Board on 11 February 2016 and signed on its behalf by:



P A M Mahony
Director

PetroSaudi Energy and Trading (UK) Limited

Statement of directors' responsibilities For the year ended 31 December 2014

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PetroSaudi Energy and Trading (UK) Limited

Independent auditors' report to the members of PetroSaudi Energy and Trading (UK) Limited For the year ended 31 December 2014

We have audited the financial statements of PetroSaudi Energy and Trading (UK) Limited for the year ended 31 December 2014 which are set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

PetroSaudi Energy and Trading (UK) Limited

Independent auditors' report to the members of PetroSaudi Energy and Trading (UK) Limited For the year ended 31 December 2014

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 17 February 2016

PetroSaudi Energy and Trading (UK) Limited

Statement of comprehensive income For the year ended 31 December 2014

	Note	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Turnover:			
(Loss)/Profit on oil trading classified as financial instruments	2	(158)	165
Administrative costs		<u>(4,908)</u>	<u>(10,828)</u>
Operating loss	3	(5,066)	(10,663)
Finance costs	5	<u>(7)</u>	<u>(3)</u>
Loss on ordinary activities before taxation		(5,073)	(10,666)
Taxation on loss	6	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(5,073)</u>	<u>(10,666)</u>

The Company has no items of other comprehensive income.

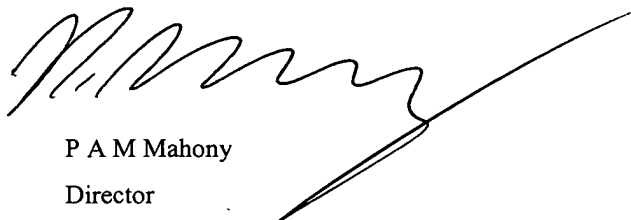
The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Statement of financial position As at 31 December 2014

	Note	31 December 2014 \$'000	31 December 2013 \$'000
Current assets			
Trade and other receivables	7	1,027	181
Cash and cash equivalents		81	3,551
Total current assets		<u>1,108</u>	<u>3,732</u>
Current liabilities			
Trade and other payables	8	(16,847)	(14,398)
Total current liabilities		<u>(16,847)</u>	<u>(14,398)</u>
Net liabilities		<u>(15,739)</u>	<u>(10,666)</u>
Equity			
Share capital	10	-	-
Accumulated losses		(15,739)	(10,666)
Total shareholder deficit		<u>(15,739)</u>	<u>(10,666)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2016.



P A M Mahony
Director

The notes on pages 10 to 18 form part of these financial statements.

Company Registration No: 07580823

PetroSaudi Energy and Trading (UK) Limited

Statement of changes in equity For the year ended 31 December 2014

	Share capital \$'000	Accumulated losses \$'000	Total equity \$'000
As at 1 January 2013	-	-	-
Loss for the financial year	-	(10,666)	(10,666)
As at 31 December 2013	<u>-</u>	<u>(10,666)</u>	<u>(10,666)</u>
Loss for the financial year	-	(5,073)	(5,073)
As at 31 December 2014	<u>-</u>	<u>(15,739)</u>	<u>(15,739)</u>

The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Statement of cash flows

For the year ended 31 December 2014

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Operating activities		
Loss for the financial year	(5,073)	(10,666)
Items not affecting cash:		
- (Gain)/loss on foreign exchange	(179)	162
- Finance costs	-	402
Net changes in non-cash balances:		
- Increase in trade and other receivables	(846)	(181)
- Increase in trade and other payables	2,639	2,346
Cash applied to operating activities	<u>(3,459)</u>	<u>(7,937)</u>
Financing activities		
(Repayment)/drawdown of loan to/from related party	(190)	12,052
Finance costs	-	(402)
Cash (applied)/provided by financing activities	<u>(190)</u>	<u>11,650</u>
Net (decrease)/increase in cash and cash equivalents	(3,649)	3,713
Exchange gain/(loss) on cash and cash equivalents	179	(162)
Cash and cash equivalents at beginning of year	3,551	-
Cash and cash equivalents at the end of year	<u>81</u>	<u>3,551</u>

The notes on pages 10 to 18 form part of these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

1. Summary of significant accounting policies

PetroSaudi Energy and Trading (UK) Limited is a limited liability Company incorporated in England and Wales. Its principal place of business is the same as its registered office.

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The following are the significant accounting policies adopted by the Company:

(a) Going concern

The financial statements have been prepared on the going concern basis which contemplates the realisation of assets and the settlement of current liabilities in the ordinary course of the business. At 31 December 2014, the Company reported net liabilities of \$15,739,000 (2013: \$10,666,000).

The directors are satisfied that the Company will have sufficient resources to meet its debts as they fall due for the forthcoming twelve months as a fellow subsidiary, PetroSaudi Oil Services Limited will provide financial support in the form of funding for the Company to meet its overheads and the amount payable to the shareholder will not be recalled unless the resources of the Company permit (Note 9).

(b) Trading

The Company trades in physical cargoes, futures, swaps and contracts for difference, all of which are trading on recognised and liquid markets. Purchases and sales are recognised on the trade date. Open positions classified as financial instruments are stated at fair value, using the closing market price on the balance sheet date. The market value of open positions is shown in trade and other receivables if positive or trade and other payables if negative. Realised and unrealised profits on trading classified as financial instruments are recognised in the statement of comprehensive income.

Other purchases and sales are recognised in accordance with trade terms.

(c) Turnover

Turnover comprises the net value of energy trading classified as financial instruments plus the gross revenues of other sales of product.

(d) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and deposits maturing within three months of the date of deposit.

(e) Translation of foreign currencies

Monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items are translated at historical rates, unless such items are carried at fair value, in which case they are translated at the rate of exchange in effect at the reporting date. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Exchange gains and losses are included in profit or loss

(f) Financial instruments

Financial assets and liabilities are initially recognised at fair value when the Company has become party to the contractual provisions of the instrument.

All financial assets other than cash and derivatives are categorised as loans and receivables. Such assets are carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities, other than derivatives, are subsequently measured using the effective interest method. Changes in the fair value of derivative financial instruments are recognised as income or expense in profit or loss as they arise.

(g) Taxation

Current tax is provided for based on results for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax liability is calculated using tax rates that have been enacted by the reporting period date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(h) Critical accounting estimates and judgements

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

Going concern

The Company is reporting net liabilities at the reporting date and the Company's business, financial condition, results of operations and cash flows could be susceptible to adverse events beyond its control. Note 1 (a) to the financial statements provides detail as to the rationale applied by the directors in adopting the going concern basis of preparation in these financial statements.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

2. Turnover

All turnover relates to energy trading as a result of business conducted from the United Kingdom and is solely from continuing operations.

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Gross sales on physical trading	-	173,335
Cost of sales on physical trading	-	(171,996)
Commissions and other costs	(158)	(1,174)
(Loss)/Profit on oil trading as financial instruments	<u>(158)</u>	<u>165</u>

3. Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Auditors – remuneration for audit	28	80
Auditors – tax compliance	-	20
Foreign exchange (gain)/loss	(179)	162
Staff costs (see note 4)	<u>2,565</u>	<u>6,450</u>

4. Staff costs

Employee costs (including bonuses and executive directors) during the year amounted to:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Wages and salaries	2,168	5,566
Pension costs	126	118
Social security costs	271	766
	<u>2,565</u>	<u>6,450</u>

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

4. Staff costs (continued)

The average monthly number of persons employed by the Company during the year was as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Oil traders	2	2
Administration	3	3
	<u>5</u>	<u>5</u>

5. Finance costs

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Bank fees	<u>7</u>	<u>3</u>

6. Taxation on loss

(i) The tax charge is based on the loss for the year and comprises:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Current tax for the year	<u>-</u>	<u>-</u>

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

6. Taxation on loss (continued)

(ii) The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%) The differences are explained below:

	Year ended 31 December 2014 \$'000	Year ended 31 December 2013 \$'000
Loss on ordinary activities before taxation	(5,073)	(10,666)
Corporation tax at 21.50% thereon (2013: 23.25%)	(1,090)	(2,480)
Effects of		
Expenses not deductible for tax purposes	17	66
Capital allowances in excess of depreciation	-	(1)
Tax losses carried forward	1,073	2,415
	<u>-</u>	<u>-</u>

(iii) As at 31 December 2014, the Company has un-provided trading losses carried forward of \$15,380,000 (2013: \$10,387,000) which will not be utilised as the Company is not actively trading. A deferred tax asset of \$3,230,000 (2013: \$2,389,000) has not been recognised, as recoverability is dependent upon there being sufficient future taxable trading profits against which to offset the losses.

7. Trade and other receivables

	2014 \$'000	2013 \$'000
Prepayments	88	116
Other receivables	939	65
	<u>1,027</u>	<u>181</u>

8. Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	74	38
Accruals for trading charges and commissions	-	2
Accruals and deferred income	127	301
Taxation and social security	60	1,047
Other payables	32	154
Amounts due to group companies	5,996	804
Shareholder loan (see note 11)	10,558	12,052
	<u>16,847</u>	<u>14,398</u>

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

9. Risk and financial instruments

The Company's business activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the Company's financial performance. The Company's board of directors meets on a regular basis to monitor the Company's sensitivity to financial risk. The board reviews the monthly management accounts and key financial data to consider measures to mitigate financial risk.

The following information is presented in order to assist users of the financial statements in assessing the extent of risk related to financial instruments:

	2014 \$'000	2013 \$'000
<u>Financial assets</u>		
Loans and receivables (including cash and cash equivalents)	<u>1,108</u>	<u>3,732</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	<u>16,720</u>	<u>14,096</u>

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

PetroSaudi Energy and Trading (Holdings) Limited has confirmed it will not recall the shareholder loan of \$10,558,428 unless the resources of the Company permit, being at least 12 months from the date of approval of these financial statements. The fair value of the shareholder loan and amounts due to group companies has not been disclosed, as it cannot be measured reliably at the reporting date.

Currency risk management

The Company monitors its exposure to currency risk on a regular basis. During the year the value of monetary assets and liabilities relating to running the office, denominated in British Pound Sterling fluctuated due to changes in foreign exchange rates.

At 31 December 2014, had the exchange rate between the US Dollar and any other currencies fluctuated, the increase or decrease in the result and equity for the year would not be material.

Interest rate risk management

Interest rate risk is the risk that the Company will be sensitive to fluctuations in interest rates. The Company is not exposed to interest rate risk on its financing, as there is no trade finance outstanding at the reporting date and the shareholder loan is interest free.

At 31 December 2014, had the prevailing level of market interest rates for its cash and cash equivalents fluctuated, the increase or decrease in the result and equity for the year would not be material.

Credit risk management

Credit risk is the risk that a counterparty will default on contractual obligations resulting in a loss to the Company. The Company was not exposed to credit risk in the current year as trading activities were ceased on an indefinite basis.

Concentrations of credit risk also exist to the extent that at 31 December 2014, the majority cash and cash equivalents were held with HSBC Bank Plc. with credit ratings according to Standard & Poors of Aa2.

PetroSaudi Energy and Trading (UK) Limited

Report and audited financial statements For the year ended 31 December 2014

9. Risk and financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors, who have established a framework for the management of the Company's funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows.

All of the Company's liabilities are repayable within one year and therefore, a liquidity table has not been presented in these financial statements.

10. Called up share capital

	2014 \$	2013 \$
Authorised, issued and fully paid		
One ordinary share of £1 each	<u>2</u>	<u>2</u>

11. Related party balances and transactions

Significant intercompany transactions and balances are as follows:

	2014 \$'000	2013 \$'000
Payables to fellow subsidiaries:		
PetroSaudi International Services Ltd	190	141
PetroSaudi International SA	60	60
PetroSaudi International (UK) Ltd	5,746	603
	<u>5,996</u>	<u>804</u>
Shareholder and fellow subsidiary loans:		
PetroSaudi Energy and Trading (Holdings) Ltd	10,558	12,052
	<u>10,558</u>	<u>12,052</u>

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements

For the year ended 31 December 2014

11. Related party balances and transactions (continued)

The payables to related parties are unsecured, interest free and repayable on demand.

The Company has an unsecured interest free loan facility of \$45m available from its parent company, PetroSaudi Energy and Trading (Holdings) Ltd. This loan is repayable on demand, with the facility available until 31 December 2015.

A service fee of \$1,610,537 in the year has been charged from PetroSaudi International (UK) Ltd for senior management and head office services. Included within this fee, an amount of \$255,650 was charged relating to the services of directors of PetroSaudi Energy and Trading (UK) Limited.

12. Parent company and ultimate controlling company

The Company's immediate parent undertaking is PetroSaudi Energy and Trading (Holdings) Limited, a Company incorporated and registered in the Cayman Islands, by virtue of them holding the entire share capital of the Company.

The Company's ultimate parent undertaking is PetroSaudi Holdings (Caymans) Limited, a company incorporated and registered in the Cayman Islands. No group accounts are maintained by the company or the group as there is no requirement.

In the opinion of the directors the ultimate controlling party as at 31 December 2014 was T Obaid.

13. Capital structure

The capital structure of the Company includes all components of equity, comprising of share capital and accumulated losses, aggregating to a net deficit of \$15,739,000 (2013: \$10,666,000). The Company's main objective when managing capital is to safeguard its ability to continue as a going concern.

The Company reviews its capital structure regularly and requests funding from the parent company if required. PetroSaudi Energy and Trading (Holdings) Limited has agreed not to recall the loan for the foreseeable future, unless the resources of the Company allow.

The Company is not subject to any externally imposed capital requirements.

PetroSaudi Energy and Trading (UK) Limited

Notes to the financial statements For the year ended 31 December 2014

14. Recent accounting pronouncements

(a) New interpretations and revised standards effective for the year ended 31 December 2014

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2014. The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year.

(b) Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2014. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and de-recognition of financial assets. In the future there will only be two categories of financial assets; those at fair value through profit and loss and those measured at amortised cost. On adoption of the standard, the Company will have to redetermine the classification of its financial assets, specifically those classified as available-for-sale and held-to-maturity financial assets.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard has not yet been endorsed by IFRS as adopted by the European Union.