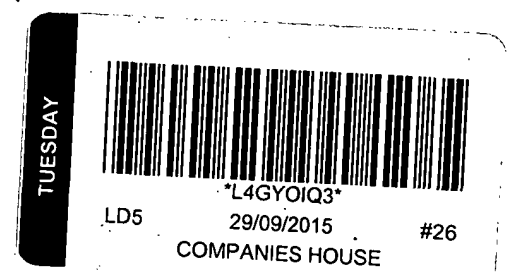


Registered number:  
2809975

Phillips 66 CS Limited  
Annual report and financial statements for the year ended  
31 December 2014



## Phillips 66 CS Limited Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2014.

### Business review

The company has made a loss during the year and it is the intention that the principal activities of the company, which are listed on page 3, will continue for the foreseeable future.

The company transitioned from UK Generally Accepted Accounting Standards to Financial Reporting Standard 101 Reduced Disclosure Framework for all periods presented. Transition tables showing all adjustments are shown in note 16.

The key financial and other performance indicators during the year were as follows:

	2014 \$'000	2013 \$'000	Change %
Turnover	3,363,576	2,973,961	13.1%
Operating loss	(33,369)	(48,694)	31.5%
Total equity attributable to shareholders	171,890	203,134	-15.4%
	2014	2013	Change
Stocks turnover	321.5	212.4	51.4%
Quick ratio	1.8	2.2	-18.2%

The operating loss for the year was \$33.4 million (2013 \$48.7 million). The loss after tax for the year was \$31.2 million (2013 \$31.3 million). The company did not pay a dividend to ordinary shareholders in the year (2013: \$nil). The resulting loss was transferred to reserves.

Turnover increased by 13.1% during the year driven by growth in our trading activity. During the year margins improved and operating costs were reduced due to renegotiation or exit from storage commitments. As a result operating losses have decreased by 31.5% year on year.

Shareholders equity has reduced by 15.4% due to the losses incurred in the year.

The increase in stocks turnover is driven by timing of cargoes held in stocks and those on the water at the year-end.

The company's Statement of Financial Position, on page 9, of the financial statements, shows the company has net assets of \$172 million (2013: \$203 million). The movements on the company's reserves comprise the loss for the year.

The company's operations have many performance indicators in place measuring Health, Safety and Environment to ensure that it continues to build on a legacy of strong commitment and performance. Safety of personnel, coupled with a responsible pro-active approach to managing the environment is core to the company's business. The ultimate financial impact arising from environmental policies, laws and regulations is difficult to determine as current and new standards continue to evolve.

There have been no significant events since the statement of financial position date.

**Phillips 66 CS Limited**  
**Strategic Report (continued)**

**Principal risks and uncertainties**

Detailed information relating to the principal risks and uncertainties facing the company is set out in note 15 to the financial statements.

Approved by the board on 25 September 2015 and signed on its behalf by:



J C McCall  
Director

25 September 2015

Registered office:  
7th Floor  
200-202 Aldersgate Street  
London  
EC1A 4HD

## **Phillips 66 CS Limited**

### **Directors' Report**

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2014.

#### **Principal activities**

The principal activities of the company are the purchasing, storage, blending, distribution and selling of hydrocarbon products.

Throughout the financial year, the company's ultimate parent company was Phillips 66, an international integrated downstream energy company listed on the New York Stock Exchange under the ticker symbol "PSX". Throughout the financial year, the company was a wholly owned subsidiary of Phillips 66 Limited.

The directors are not aware, at the date of this report, of any likely major changes in the company's principal activities in the coming year.

#### **Going concern**

The company participates in the Phillips 66 group's centralised cash pooling arrangements and so shares banking arrangements with other affiliates. The liquidity of the cash pool has been underwritten by the company's ultimate parent, Phillips 66.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Future developments**

The company intends to continue its principal activities for the foreseeable future.

#### **Financial instruments and risk management**

Information relating to financial instruments and the management of financial risks are disclosed in note 15.

#### **Dividends**

The company did not pay a dividend to ordinary shareholders during the year (2013: \$nil)

The directors did not recommend a final dividend for the year ended 31 December 2014.

#### **Directors**

The directors, who served throughout the year and up to the date of the report except as noted, were as follows:

J McCall  
G S Taylor  
M Morrison  
D R Blakemore (resigned 2 April 2015)  
J R Stoll  
R J Turner (resigned 31 Jul 2014)  
J E Davidson (appointed 2 April 2015)

**Phillips 66 CS Limited**  
**Directors' Report (continued)**

**Disclosure of information to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.

Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of this information.

**Re-appointment of auditor**

Pursuant to s386 of the Companies Act 1985 and continuing under the Companies Act 2006, an elective resolution was passed dispensing with the requirement to appoint auditor annually, therefore Ernst & Young LLP are deemed to continue as auditor.

Approved by the board on 25 September 2015 and signed on its behalf by:



J C McCall  
Director

25 September 2015

Registered office:  
7th Floor  
200-202 Aldersgate Street  
London  
EC1A 4HD

**Phillips 66 CS Limited**  
**Statement of Directors' Responsibilities**

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

**Phillips 66 CS Limited**  
**Independent auditor's report**  
**to the members of Phillips 66 CS Limited**

We have audited the financial statements of Phillips 66 CS Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Accounting Policies and notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditors' 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts 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 Ethical Standards for Auditors.

**Scope of the audit of the accounts**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the accounts**

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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**Phillips 66 CS Limited**  
**Independent auditor's report (continued)**  
**to the members of Phillips 66 CS Limited**

**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 accounts 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.

*Ernst & Young LLP*

Jacqueline Ann Geary (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP  
Statutory Auditor  
London  
25 September 2015



**Phillips 66 CS Limited**  
**Profit and Loss Account**  
**for the year ended 31 December 2014**

	Notes	2014 \$'000	2013 \$'000
Turnover	1	3,363,576	2,973,961
Cost of sales		(3,396,945)	(3,022,655)
<b>Operating loss</b>	2	<u>(33,369)</u>	<u>(48,694)</u>
Administrative expenses		<u>(6,676)</u>	<u>(4,192)</u>
<b>Loss on ordinary activities before interest and taxation</b>		(40,045)	(52,886)
Interest receivable and similar income	5	7,894	8,662
Interest payable and similar charges	6	(5)	-
<b>Loss on ordinary activities before taxation</b>		<u>(32,156)</u>	<u>(44,224)</u>
Tax on loss on ordinary activities	7	912	12,952
<b>Loss for the year</b>		<u>(31,244)</u>	<u>(31,272)</u>

**Continuing operations**

*All activities relate to continuing operations.*

**Phillips 66 CS Limited**  
**Registered number: 2809975**

**Statement of Financial Position**  
**as at 31 December 2014**

	Notes	2014 \$'000	2013 \$'000	2012 \$'000
<b>Fixed assets</b>				
Investments	8	-	-	-
<b>Current assets</b>				
Stocks	9	5,392	15,742	12,725
Debtors				
- due within one year	10	259,721	125,373	236,707
- due after one year	10	113,136	215,514	209,312
Cash at bank and in hand		18	413	333
		<u>378,267</u>	<u>357,042</u>	<u>459,077</u>
<b>Creditors: amounts falling due within one year</b>	11	(206,377)	(153,908)	(224,671)
<b>Net current assets</b>		<u>171,890</u>	<u>203,134</u>	<u>234,406</u>
<b>Total assets less current liabilities</b>		<u>171,890</u>	<u>203,134</u>	<u>234,406</u>
<b>Net assets</b>		<u>171,890</u>	<u>203,134</u>	<u>234,406</u>
<b>Capital and reserves</b>				
Called up share capital	12	1	1	1
Share premium		288,046	288,046	288,046
Currency translation reserve		(218)	(218)	(218)
Profit and loss account		(115,939)	(84,695)	(53,423)
<b>Total equity attributable to shareholders</b>		<u>171,890</u>	<u>203,134</u>	<u>234,406</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2015 and signed on its behalf by:



J C McCall  
Director

Approved by the board on 25 September 2015

**Phillips 66 CS Limited**  
**Statement of changes in equity**  
**for the year ended 31 December 2014**

	Called up share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Profit and loss account \$'000	Total equity \$'000
<b>At 1 January 2013</b>	1	288,046	(218)	(53,423)	234,406
Loss for the financial year	-	-	-	(31,272)	(31,272)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	(31,272)	(31,272)
<b>At 31 December 2013</b>	1	288,046	(218)	(84,695)	203,134
Loss for the financial year	-	-	-	(31,244)	(31,244)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	(31,244)	(31,244)
<b>At 31 December 2014</b>	1	288,046	(218)	(115,939)	171,890

**Phillips 66 CS Limited**  
**Accounting Policies**  
**for the year ended 31 December 2014**

***Authorisation of financial statements and statement of compliance with FRS 101***

Phillips 66 CS Limited (the "Company") is a company incorporated and domiciled in the UK. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention. The results of Phillips 66 CS Limited are included in the consolidated financial statements of Phillips 66 which are available at [www.Phillips66.com](http://www.Phillips66.com).

***Statement of accounting policies***

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014. The financial statements are prepared in United States Dollars and are rounded to the nearest thousand dollars (\$'000).

***Basis of preparation***

The Company transitioned from previously extant UK Generally Accepted Accounting Standards to FRS 101 'Reduced Disclosure Framework' for all periods presented. Transition tables showing all material adjustments are shown in note 16.

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

- The requirements of IAS 7 Statement of Cash Flows;
- Comparative period reconciliation for share capital;
- The effects of new but not yet effective IFRSs;
- IFRS 13 - Fair Value Measurement;
- IAS 36 Impairments - certain disclosures.
- IAS 1 Financial statements - capital disclosures and the requirements relating to 16, 38 A-D and 40 A-D.

As the consolidated financial statements of Phillips 66 include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 Financial Instrument Disclosure.

***Presentational currency***

The company has changed its presentation currency to US dollars to align with the ultimate parent company Phillips 66.

**Phillips 66 CS Limited**  
**Accounting Policies (continued)**  
**for the year ended 31 December 2014**

***Going concern***

The company participates in the Phillips 66 group's centralised cash pooling arrangements and so shares banking arrangements with other affiliates. The liquidity of the cash pool has been underwritten by the company's ultimate parent, Phillips 66.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

***Basis of consolidation***

The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies Act 2006. Consolidated accounts are prepared by the company's ultimate parent company, Phillips 66, a company registered in Delaware, USA.

***Judgements and key sources of estimation uncertainty***

During preparation of the financial statements, management are required to make judgements, estimations and assumptions that affect amounts reported in the statement of financial position and profit and loss account for the period. However, the nature of estimation means that actual outcomes may differ from these estimates.

***Investments***

Fixed asset investments are stated at cost less provisions for diminution in value.

***Stocks***

Stocks are stated at fair value less cost to sell in accordance with IAS2.

***Taxation***

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

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

Deferred tax is recognised on all taxable or deductible temporary differences except:

- Where the deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction other than a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, associates and joint ventures, where 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; and
- In respect of a deferred tax asset on a deductible temporary difference, it is not probable that taxable profit will be available against which it can be utilised.

Deferred tax assets and liabilities are recorded at the tax rates that are expected to apply in the period of realisation or settlement, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside of profit or loss in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

**Phillips 66 CS Limited**  
**Accounting Policies (continued)**  
**for the year ended 31 December 2014**

***Revenue recognition***

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Revenues associated with transactions commonly called buy/sell contracts, in which the purchase and sale of inventory or services with the same counterparty are entered into in contemplation of one another, are combined and reported net.

***Foreign currency***

The company's functional and presentation currency is the US Dollar.

Trading transactions denominated in foreign currencies are translated into US dollars at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the financial period. Exchange gains or losses are included in operating results.

The results and financial position are translated from the functional currency to the reporting currency at the exchange rate ruling when the transaction was entered into for the profit and loss account and the rate of exchange ruling at the end of the financial period for the statement of financial position, except for share capital, which is translated at historic rates.

***Leases***

Rentals paid under operating leases are charged to the profit and loss account in the period in which they arise.

***Derivative instruments***

The company uses derivative instruments to hedge the effects of fluctuations in the price of crude oil. The instruments are measured at fair value. Any gains or losses arising from commodity derivative contracts are recognised in the profit and loss account in line with the underlying sales transaction.

***Related party transactions***

In accordance with paragraph 8(k) of FRS 101 the company has taken advantage of the exemption not to disclose related party transactions with other wholly-owned members of the group.

***Loans***

Loans are initially recorded at fair value. The discount on the loans receivable has been recorded as an adjustment to the share premium that arose when the company issued shares in consideration for the acquisition of those receivables and the shareholding in Phillips 66 Ireland Ltd. Thereafter, the loan is stated at amortised cost using the effective interest rate method to accrete the discount over the loan period such that at the end of the loan period the amortised cost equals the face value of the loan.

**Phillips 66 CS Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2014**

**1 Turnover**

Turnover and operating loss are principally attributable to the trading of hydrocarbons in Europe.

2014 \$'000	2013 \$'000
3,363,576	2,973,961

**2 Operating loss**

2014 \$'000	2013 \$'000
----------------	----------------

This is stated after charging:

Net foreign currency exchange differences	939	(1,185)
Cost of stocks recognised as an expense	3,350,003	2,937,470
Operating lease charges	38,453	45,262
	<u>3,389,395</u>	<u>2,981,547</u>

**3 Information regarding directors and employees**

**(a) Directors' emoluments**

No emoluments were paid to the directors for their qualifying services to Phillips 66 CS Limited in the current or preceding year. All directors' contracts of employment are held with another group company.

Phillips 66 manages its operations at a segmental and geographical level. For this reason the company's directors believe that it is not practicable to apportion their remuneration between qualifying services for this company and the other group companies in which they hold office.

**(b) Employees**

The company had no employees in the current or preceding year.

**4 Auditors' remuneration**

	2014 \$'000	2013 \$'000
Fees payable to the company's auditors for the:		
Audit of the company's annual accounts	63	65
Non-audit services		
Inventory attestation	9	9
	<u>72</u>	<u>74</u>

**5 Interest receivable and similar income**

	2014 \$'000	2013 \$'000
Bank interest	-	9
Interest received from group companies	1,987	2,452
Accreted discount of loans to subsidiaries	5,907	6,201
	<u>7,894</u>	<u>8,662</u>

On transition to FRS 101 the loans to subsidiaries were restated at fair value on the loan inception dates. The discount between the fair value and the face value of the loans is being accreted over the loan periods using the effective interest method.

**Phillips 66 CS Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2014**

<b>6 Interest payable and similar charges</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans and overdrafts	5	-
	<u>5</u>	<u>-</u>

**7 Taxation**

**(a) Tax credited in the profit and loss account**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current income tax:</b>		
UK corporation tax (credit)	-	(9,556)
Amounts overprovided in previous years	(912)	(3,396)
Total current income tax (credit)	<u>(912)</u>	<u>(12,952)</u>
Tax (credit) in the profit and loss account	<u>(912)</u>	<u>(12,952)</u>
<b>The tax (credit) in the profit and loss account is disclosed as follows:</b>		
Income tax (credit) on continuing operations	<u>(912)</u>	<u>(12,952)</u>
	<u>(912)</u>	<u>(12,952)</u>

**(b) Reconciliation of the total tax credit**

The tax (credit) in the profit and loss account for the year varies from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are reconciled below:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss) from continuing operations before taxation	<u>(32,156)</u>	<u>(44,224)</u>
Accounting (loss) before income tax	<u>(32,156)</u>	<u>(44,224)</u>
Tax calculated at UK standard rate of corporation tax of 21.5% (2013: 23.25%)	(6,914)	(10,282)
Foreign currency differences	1,011	954
Expenses not deductible for tax purposes	166	5
Tax losses not recognised	5,967	2,815
Temporary differences on adoption of FRS 101	(230)	(3,048)
Tax (over) provided in previous years	(912)	(3,396)
<b>Total tax (credit) reported in the profit and loss account</b>	<u>(912)</u>	<u>(12,952)</u>

**(c) Unrecognised deferred tax**

The Company has estimated tax losses of \$34 million (2013 : \$8 million) and other temporary differences of \$9 million (2013: \$10 million) for which a deferred tax asset has not been recognised.

**(d) Change in Corporation Tax rate**

The UK Government enacted legislation on 17 July 2013 to reduce the mainstream rate of corporation tax to 20% on 1 April 2015. It is not anticipated that this rate reduction will have a material impact on the company's future tax position.

The Summer Finance Bill 2015 announced further reductions in the main rate of corporation tax from 20% to 19% from 1 April 2017 and a further reduction to 18% from 1 April 2020. These further reductions have not yet been substantively enacted and are not expected to have a material effect on the company's future tax position.



**Phillips 66 CS Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2014**

**8 Investments in subsidiaries**

**Particulars of subsidiary undertaking**

<b>Company</b>	<b>Country of Incorporation</b>	<b>Principal activities</b>
Phillips 66 Ireland Limited	Republic of Ireland	Refinery ownership and operation

The company acquired 100% of the share capital and voting rights of the above company on 17 April 2012 from ConocoPhillips, a group company, at a value of \$nil.

The above subsidiary company is incorporated in and operates principally in the Republic of Ireland.

<b>9 Stocks</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Raw materials and consumables	5,392	15,742	12,725
<b>10 Debtors: amounts falling due within one year</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Trade debtors	29,187	68,928	157,211
Derivatives and other financial instruments	15,503	-	-
Amounts owed by group companies	95,263	21,273	66,325
Loans owed by group companies	100,000	-	-
Corporation tax / group relief recoverable	14,139	30,298	12,356
Other debtors	5,629	4,874	815
	<u>259,721</u>	<u>125,373</u>	<u>236,707</u>

Loan amounts owed by group companies are stated at amortised cost:

	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Face value	100,000	-	-
Discount	(6,754)	-	-
Fair value at inception of loan	93,246	-	-
Accreted discount -	6,754	-	-
Amortised cost	<u>100,000</u>	<u>-</u>	<u>-</u>

**Debtors: amounts falling due after one year**

Amounts owed by group companies	43,001	43,001	43,000
Loans owed by group companies	70,135	172,513	166,312
	<u>113,136</u>	<u>215,514</u>	<u>209,312</u>

Loan amounts owed by group companies are stated at amortised cost:

	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Face value	76,114	184,400	184,400
Discount	(13,017)	(20,708)	(20,708)
Fair value at inception of loan	63,097	163,692	163,692
Accreted discount	7,038	8,821	2,620
Amortised cost	<u>70,135</u>	<u>172,513</u>	<u>166,312</u>

**Phillips 66 CS Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2014**

<b>11 Creditors: amounts falling due within one year</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	182,838	129,152	183,368
Derivatives and other financial instruments	-	811	3,156
Trade creditors	16,031	641	24,565
Amounts owed to group companies	7,508	22,887	4,525
Other taxes and social security costs	-	17	223
Accruals and deferred income	-	400	8,834
	<u>206,377</u>	<u>153,908</u>	<u>224,671</u>

<b>12 Called up share capital</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>Nominal value</b>	<b>Issued &amp; fully paid Number</b>	<b>\$'000</b>	<b>\$'000</b>
Allotted, called up and fully paid:				
Ordinary shares	\$1.61 each	500	<u>1</u>	<u>1</u>

**13 Financial commitments**

**Operating lease commitments**

At 31 December the following payments were committed to be made during the following year in respect of non-cancellable operating leases:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating leases which expire:		
within one year	23,494	25,142
within two to five years	<u>33,158</u>	<u>-</u>
	<u>56,652</u>	<u>25,142</u>

**14 Ultimate controlling party**

Phillips 66, a company registered in Delaware, USA, which the directors regard as the company's ultimate parent undertaking with respect to the year to 31 December 2014, is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of the 2014 Annual Report may be obtained from 3010 Briarpark Drive, Houston, TX 77042, USA.

Phillips 66 Limited, a company registered in London, England is the immediate parent undertaking with respect to the period ended 31 December 2014.

**Phillips 66 CS Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2014**

**15 Principal Risks and Uncertainties**

The principal risks and uncertainties facing the company are those that impact profitability and supply. The company operates in the worldwide crude oil market, and as such, is exposed to fluctuations in crude oil prices. Generally, the company's policy is to remain exposed to market prices of commodities, however, executive management may elect to use derivative instruments to hedge the price risk of crude oil production.

Risks and uncertainties include refinery down time, safety and crude supply, all of which could impact this company.

**Financial instruments and risk management**

*Commodity price risk*

The group's commercial organisation uses futures, forwards, swaps and options in various markets to accomplish the following objectives:

- Balance physical systems; in addition to cash settlement prior to contract expiration, exchange traded futures contracts may also be settled by physical delivery of the commodity, providing another source of supply to meet marketing demand.
- Manage the risk to the company's cash flows from price exposures on specific crude oil transactions
- Enable the use of market knowledge gained from these activities to do a limited amount of trading not directly related to the company's physical business. For the years ended 31 December 2013 and 2012, the gains and losses from this activity were not material to the company's cash flows or income from continuing operations.

*Interest Rate risk*

The company may be exposed to interest rate risk resulting from the company's banking arrangements. The company does not comprehensively hedge its exposure to interest rate changes although the company may selectively hedge exposure to interest rate risk.

*Foreign Currency risk*

The company may be exposed to foreign currency exchange rate risk resulting from entering into certain transactions denominated in currencies other than US Dollar. The company does not comprehensively hedge its exposure to currency rate changes, although the company may selectively hedge exposures to foreign currency rate risk.

**Phillips 66 CS Limited**

**Notes to the financial statements**

**for the year ended 31 December 2014**

**16 Financial Reporting Standard 101 Transition**

For all periods up to and including the year ended 31 December 2013, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2014, are the first the company has prepared in accordance with FRS 101.

On transition to FRS 101, the company has applied the requirements of paragraphs 6 - 33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

In preparing these financial statements, the company has started from an opening balance sheet as at 1 January 2013, the company's date of transition to FRS 101, and made those changes in accounting policies and other reclassifications / remeasurements required for the first time adoption of FRS 101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 31 December 2012 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2013.

UK GAAP to FRS 101 as at 31 December 2013	Notes	UK GAAP \$'000	FRS 101 Reclassification	FRS 101 \$'000
			/remeasurements \$'000	
Turnover	a, b	3,021,021	(47,060)	2,973,961
Cost of Sales	a, c	(3,076,345)	53,689	(3,022,656)
<b>Operating loss</b>		<b>(55,324)</b>	<b>6,629</b>	<b>(48,695)</b>
Administrative expenses		(3,522)	(670)	(4,192)
<b>Loss on ordinary activities before interest and taxation</b>		<b>(58,846)</b>	<b>5,959</b>	<b>(52,887)</b>
Interest receivable and similar income	d	2,461	6,201	8,662
<b>Loss on ordinary activities before taxation</b>		<b>(56,385)</b>	<b>12,160</b>	<b>(44,225)</b>
Tax on loss on ordinary activities		12,919	33	12,952
<b>Loss for the financial year</b>		<b>(43,466)</b>	<b>12,193</b>	<b>(31,273)</b>

**Phillips 66 CS Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2014**

**16 Financial Reporting Standard 101 Transition (continued)**

Statement of financial position as at 1 January 2013		FRS 101 Reclassification /remeasurements		FRS 101
	Notes	UK GAAP \$'000	\$'000	\$'000
<b>Current assets</b>				
Stocks	c	12,368	357	12,725
Debtors				
-due within one year	b	233,962	2,745	236,707
-due after more than one year	d	228,022	(18,710)	209,312
Cash at bank and in hand		333	-	333
		474,685	(15,608)	459,077
<b>Creditors - amounts falling due within one year</b>	b	(217,510)	(7,161)	(224,671)
<b>Net current assets</b>		257,175	(22,769)	234,406
<b>Net assets</b>		257,175	(22,769)	234,406
<b>Capital and reserves</b>				
Called up share capital		1	-	1
Share premium	d	308,754	(20,708)	288,046
Currency translation reserve		(89)	(129)	(218)
Profit and Loss account		(51,491)	(1,932)	(53,423)
<b>Total equity attributable to shareholder</b>		257,175	(22,769)	234,406

as at 31 December 2013		FRS 101 Reclassification /remeasurements		FRS 101
		UK GAAP \$'000	\$'000	\$'000
<b>Current assets</b>				
Stocks	c	13,269	2,473	15,742
Debtors				
-due within one year	b	110,469	14,904	125,373
-due after more than one year	d	227,859	(12,345)	215,514
Cash at bank and in hand		413	-	413
		352,010	5,032	357,042
<b>Creditors - amounts falling due within one year</b>	b	(138,431)	(15,477)	(153,908)
<b>Net current assets</b>		213,579	(10,445)	203,134
<b>Total assets less current liabilities</b>		213,579	(10,445)	203,134
<b>Net assets</b>		213,579	(10,445)	203,134
<b>Capital and reserves</b>				
Called up share capital		1	-	1
Share premium	d	308,754	(20,708)	288,046
Currency translation reserve		(218)	-	(218)
Profit and Loss account		(94,958)	10,263	(84,695)
<b>Total equity attributable to shareholder</b>		213,579	(10,445)	203,134

**Phillips 66 CS Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2014**

**16 Financial Reporting Standard 101 Transition (continued)**

**a Revenue Recognition**

Under FRS 101 revenues associated with transactions commonly called buy/sell contracts, in which the purchase and sale of inventory or services with the same counterparty are entered into in contemplation of one another, are combined and reported net. The conditions under which netting was allowed for UK GAAP were more restrictive.

**b Derivative Instruments**

Under UK GAAP the company elected not to mark derivative instruments to fair value but such an election is not permitted under FRS 101.

**c Stocks**

Stocks were valued on a first in, first out basis for UK GAAP reporting, but FRS 101 requires these trading stocks to be stated at fair value less cost to sell in accordance with IAS2.

**d Loans**

Under FRS 101 intercompany loans are stated at fair value in accordance with IFRS13, rather than the cost basis used for UK GAAP.