

Registration number: 07541674

Valero HoldCo UK Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Valero HoldCo UK Ltd

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Valero HoldCo UK Ltd

Company Information

Directors	M A Dooley N E V Roberts
Company secretary	Law Debenture Corporate Services Limited
Registered office	Fifth Floor 100 Wood Street London EC2V 7EX
Auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL

Valero HoldCo UK Ltd

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is as a holding company for Valero Energy Corporation entities in the United Kingdom. The company has borrowed from its immediate parent company Valero (Barbados) SRL, a £750,000,000 3.77% fixed rate unsecured loan note due 2022. This loan note is listed on The International Stock Exchange (TISE). It is the intention of the directors that the company will continue these activities for the foreseeable future.

Fair review of the business

The company made a profit for the year of £6,862,000 (2017: loss of £24,422,000) primarily due to dividends received from its subsidiaries. The net assets of the company were £658,748,000 at 31 December 2018 (£651,886,000 at 31 December 2017).

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis of the company's financial statements using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The key business risk and uncertainty affecting the management of the business and the execution of the company strategy is the profitability of the subsidiary entities.

Other Risks includes:

Political Risk

Brexit may adversely impact the company, however the uncertainties surrounding the UK leaving the European Union mean the directors are unable to quantify exactly the likely effects at the date of this report. Together with other

Valero group companies in the UK, the company has put in place various contingency plans based on possible Brexit scenarios.

Financial risk

The company faces a number of financial risks which are managed as part of the Valero group's risk management objectives and policies. The company does not hedge any of these risks.

Credit risk

The company is exposed to credit risk on loans made to other 100% owned Valero entities. The risk is managed through ensuring that loans are advanced solely to companies within the Valero group.

Liquidity and cashflow risk

Risks facing the company include liquidity and cash flow risk, and the company therefore maintains sufficient available funds for its daily operations. The Valero group actively monitors all funding requirements for UK group companies, and manages any finance arrangements needed to meet such requirements. This may result in loans between group companies being extended beyond original repayment dates, or repaid prior to original due dates.

Interest rate risk

The company has interest bearing liabilities and assets which are held at floating and fixed rate terms. The LIBOR interest rate for the intra-group term facility loans is reset on the first business day of each calendar quarter. Therefore this rate is subject to market volatility and fluctuations. The company does not hedge interest rate risks.

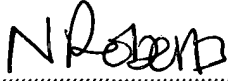
Foreign exchange risk

The company has certain assets denominated in US dollars. As these assets are relatively small, the company does not take any specific actions, outside of Valero's group risk management, to mitigate the foreign exchange risk from holding these assets. In particular, the company does not use derivative financial instruments to manage the risk of fluctuating exchange rates.

Valero HoldCo UK Ltd

Strategic Report for the Year Ended 31 December 2018

Approved by the Board on 23 July 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'N E V Roberts', written over a dotted horizontal line.

N E V Roberts
Director

Valero HoldCo UK Ltd

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

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

M A Dooley (appointed 1 June 2018)

M E Loeber (resigned 23 July 2018)

N E V Roberts

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for at least one year from the date of signing of these financial statements. The ability of the company to continue as a going concern is dependent on the support of the company's ultimate parent company Valero Energy Corporation.

The directors of Valero Energy Corporation have confirmed that they will continue to provide financial support to ensure that the company can meet its liabilities and obligations as and when they fall due. As a result, the directors consider that the use of the going concern basis is appropriate.

Results and dividends

The company's profit after taxation for the year was £6,862,000 (2017: loss of £24,422,000). A dividend of £30,000,000 was received from its subsidiary company Valero Energy Ltd on 31 January 2018 (2017: £nil).

The retained profit of £6,862,000 was transferred to reserves (2017: retained loss of £24,422,000). This resulted in a net increase in shareholders funds to £658,748,000 (2017: shareholders funds £651,886,000).

Future developments

It is the intention of the directors that the business will continue as a finance and holding company for the foreseeable future.

Financial Instruments

The company's financial instruments consist of non-derivative financial instrument which are trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. The main purpose of the financial instruments are to provide working capital for the company's continuing activities and providing funding for future activities

Political donations

The company did not make any political donations or incur any political expenditure during the year (2017: Nil).

Directors liabilities

The company maintains liability insurance for its directors and officers. The company also provides an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to the auditor

As far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Relevant audit information is information needed by the company's auditor in connection with preparing their report. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Valero HoldCo UK Ltd

Directors' Report for the Year Ended 31 December 2018

Reappointment of auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 23 July 2019 and signed on its behalf by:



.....
N E V Roberts
Director

Valero HoldCo UK Ltd

Statement of Directors' responsibilities in respect of the Annual report and Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess 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 company or to cease operations, or have no realistic alternative but to do so

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 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 company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Independent Auditor's Report to the Members of Valero HoldCo UK Ltd

1 Our opinion is unmodified

We have audited the financial statements of Valero HoldCo UK Ltd ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

	The Risk	Our response
<p>Brexit: The impact of uncertainties due to the UK exiting the European Union on our audit</p> <p>Refer to page 2 (political risks)</p>	<p>Unprecedented levels of uncertainty</p> <p>All audits assess and challenge the reasonableness of estimates and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the company's future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the company's business and financial resources compared with our own understanding of the risks. • Sensitivity analysis – When addressing Brexit and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

Independent Auditor's Report to the Members of Valero HoldCo UK Ltd (continued)

	The Risk	Our response
<p>Brexit: (continued)</p>		<ul style="list-style-type: none"> ● Assessing transparency – As well as assessing individual disclosures as part of our procedures we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. <p>However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>
<p>Going concern</p>	<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risk most likely to adversely affect the Company's available financial resources over this period is the impact of Brexit on the Group's supply chain.</p> <p>There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Our procedures included:</p> <p>Funding assessment:</p> <ul style="list-style-type: none"> ● We obtained a letter of financial support from the parent company and we made enquiries of management on the ability and intent of the parent company to fulfil their commitment. <p>Historical comparisons:</p> <ul style="list-style-type: none"> ● We assessed the directors' track record of forecasts vs actual cashflows achieved in the year and previously by comparing actual performance against prior year budgets. <p>Sensitivity analysis:</p> <ul style="list-style-type: none"> ● We considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; <p>Evaluating directors' intent:</p> <ul style="list-style-type: none"> ● We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; <p>Assessing transparency:</p> <ul style="list-style-type: none"> ● We assessed the completeness and accuracy of the matters covered in the going concern disclosure by checking that the disclosure provided sufficient detail.

Independent Auditor's Report to the Members of Valero HoldCo UK Ltd (continued)

	The Risk	Our response
<p>Recoverability of company's investment in subsidiaries</p> <p>£1.4 billion; (2017: £1.4 billion) Risk vs 2017 ◀▶</p> <p>Refer to page 15 (accounting policy) and page 18 (financial disclosures)</p>	<p>The carrying amount of the company's investments in subsidiaries represents 98% (2017: 99%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement.</p> <p>However, due to their materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our overall audit.</p>	<p>Our procedures included:</p> <p>Tests of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</p>

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £19.8 million (2017: £19.8 million), determined with reference to a benchmark of net assets, of which it represents 3% (2017: 3%). We consider net assets to be the most appropriate benchmark as the company is a holding company with the focus on distributable reserves. We agreed to report to management any corrected or uncorrected identified misstatements exceeding £0.99 million (2017: £0.99 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Our audit of the company was undertaken to the materiality level specified above and was all performed at the company's UK head office in London.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in this respect.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Independent Auditor's Report to the Members of Valero HoldCo UK Ltd (continued)

Strategic report and director's report

Based solely on our work on the other information

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

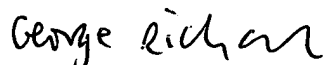
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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.



.....
George Richards (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 July 2019

Valero HoldCo UK Ltd

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover		-	-
Administrative expenses		(27)	(34)
Other operating income/(expense)		<u>77</u>	<u>(124)</u>
Operating profit/(loss)		50	(158)
Income from shares in subsidiary undertakings		30,000	-
Other interest receivable and similar income	4	56	53
Interest payable and similar charges	5	<u>(29,308)</u>	<u>(26,104)</u>
Profit/(loss) before tax		798	(26,209)
Taxation	8	<u>6,064</u>	<u>1,787</u>
Profit/(loss) for the financial year		<u><u>6,862</u></u>	<u><u>(24,422)</u></u>

The company has no other comprehensive income for the year other than the results above.

Valero HoldCo UK Ltd

(Registration number: 07541674)

Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Investments	9	1,410,771	1,410,771
Current assets			
Debtors	10	20,725	12,901
Cash at bank and in hand		6,863	5,304
		<u>27,588</u>	<u>18,205</u>
Creditors: Amounts falling due within one year	11	<u>(779,611)</u>	<u>(777,090)</u>
Net current liabilities		<u>(752,023)</u>	<u>(758,885)</u>
Net assets		<u>658,748</u>	<u>651,886</u>
Capital and reserves			
Called up share capital	12	0	0
Share premium reserve		789,065	789,065
Retained earnings		<u>(130,317)</u>	<u>(137,179)</u>
Total equity		<u>658,748</u>	<u>651,886</u>

Approved and authorised by the Board on 23 July 2019 and signed on its behalf by:



N E V Roberts
Director

Valero HoldCo UK Ltd

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	0	789,065	(137,179)	651,886
Profit for the year	-	-	<u>6,862</u>	<u>6,862</u>
Total comprehensive income	-	-	<u>6,862</u>	<u>6,862</u>
At 31 December 2018	<u>0</u>	<u>789,065</u>	<u>(130,317)</u>	<u>658,748</u>

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	0	534,777	(112,757)	422,020
Loss for the year	-	-	<u>(24,422)</u>	<u>(24,422)</u>
Total comprehensive income	-	-	<u>(24,422)</u>	<u>(24,422)</u>
New share capital subscribed	-	<u>254,288</u>	-	<u>254,288</u>
At 31 December 2017	<u>0</u>	<u>789,065</u>	<u>(137,179)</u>	<u>651,886</u>

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private limited liability company incorporated in England and Wales.

The address of its registered office is:

Fifth Floor
100 Wood Street
London
EC2V 7EX

2 Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency of these financial statements is £ sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

Notwithstanding net current liabilities of £752,023,000 as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Valero Energy Corporation, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Valero Energy Corporation providing additional financial support during that period. Valero Energy Corporation has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. 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.

Summary of disclosure exemptions

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Valero Energy Corporation which is incorporated in the State of Delaware, USA, includes the company's cashflows in its own consolidated financial statements. These financial statements are available upon request from One Valero Way, San Antonio, Texas 78249, USA.

Additionally the company has taken advantage of the exemption in Financial Reporting Standard 102 paragraph 33.1a 'Related party transactions' and not disclosed transactions with other members of the group.

These financial statements are available upon request from One Valero Way, San Antonio, Texas 78249, USA.

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Group accounts not prepared

The company has taken advantage of the exemption available under FRS 102 paragraph 9.3. The company is a wholly owned subsidiary of Valero (Barbados) SRL and of its ultimate parent, Valero Energy Corporation. It is included in the consolidated financial statements of Valero Energy Corporation which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Foreign currency transactions and balances

Foreign currency transactions are translated to the company's functional currency using the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Investments

Investments in equity shares are measured at cost less impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with financial reporting standards. Impairments thus arising are recorded in the profit and loss account.

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Operating Profit/(Loss)

Arrived at after (charging)/crediting

	2018 £ 000	2017 £ 000
Administrative expenses	(27)	(34)
Foreign exchange gains/(losses)	77	(124)
	<u>77</u>	<u>(124)</u>

4 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest receivable from loan to subsidiary	-	40
Interest income on bank deposits	56	13
	<u>56</u>	<u>53</u>

5 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Interest payable on loan from parent company	29,308	26,104
	<u>29,308</u>	<u>26,104</u>

6 Directors' remuneration

In relation to their services as directors or otherwise in connection with the management of the company, no emoluments were paid to or receivable by directors during the year ended 31 December 2018 (2017: £Nil). All emoluments were borne by a subsidiary company, in respect of which they received the following remuneration for their services as directors or otherwise in connection with the management of that subsidiary company.

	2018 £ 000	2017 £ 000
Remuneration	2,064	1,865
	<u>2,064</u>	<u>1,865</u>

During the year the number of directors who received benefits and share incentives was as follows:

	2018 No.	2017 No.
Received or were entitled to receive shares under long term incentive schemes	3	2
Accruing benefits under defined benefit pension scheme	3	2
	<u>3</u>	<u>2</u>

In respect of the highest paid director:

	2018 £ 000	2017 £ 000
Aggregate Remuneration	852	1,328
Defined benefit accrued pension entitlement at the end of the period	4	5
Defined benefit accrued lump sum at the end of the period	403	404
	<u>1,259</u>	<u>1,737</u>

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

6 Directors' remuneration (continued)

During the year the highest paid director exercised share options and also received, or was entitled to receive shares under a long term incentive scheme.

7 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	<u>22</u>	<u>13</u>

8 Income tax

a) Tax expense included in profit or loss

The tax charged/(credited) is based on the profit for the year and represents:

	2018 £ 000	2017 £ 000
Current tax		
UK corporation tax on profits for the year	(5,548)	(1,787)
Adjustment in respect of prior periods	<u>(516)</u>	<u>-</u>
Total current tax	<u>(6,064)</u>	<u>(1,787)</u>

The tax credit of £6,064,000 is in respect of losses that have been surrendered to other group companies in exchange for consideration.

The unrecognised deferred tax on losses is £1.3m (2017: £1.3m), calculated at the substantively enacted rate of 17% (2017: 17%).

b) Reconciliation of tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) for the year ended 31 December 2018 of 19% (2017: 19.25%).

The differences are explained as follows:

	2018 £ 000	2017 £ 000
Profit/(loss) on ordinary activities before tax	<u>798</u>	<u>(26,209)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (31 Dec 2017: 19.25%)	152	(5,045)
Effects of:		
Non deductible interest	-	3,258
Adjustment in respect of previous period	(516)	-
Non-taxable Dividend Income	<u>(5,700)</u>	<u>-</u>
Tax on results on ordinary activities	<u>(6,064)</u>	<u>(1,787)</u>

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

8 Income tax (continued)

c) Tax rate changes

There will be a decrease to 17% from 1 April 2020.

9 Investments in subsidiaries, joint ventures and associates

	2018 £ 000	2017 £ 000
Investments in subsidiaries	<u>1,410,771</u>	<u>1,410,771</u>

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2018	<u>1,410,771</u>
At 31 December 2018	<u>1,410,771</u>
At 31 December 2017	<u>1,410,771</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Valero Energy Ltd	England	Ordinary	100%	100%
Valero Operations Support Ltd	England	Ordinary	100%	100%

10 Debtors

	2018 £ 000	2017 £ 000
Amounts owed by subsidiaries (see note below)	14	4
Amounts owed by other group undertakings	12,707	1
Tax and social security	<u>8,004</u>	<u>12,896</u>
Total current trade and other receivables	<u>20,725</u>	<u>12,901</u>

Amounts owed by subsidiaries and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Creditors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Due within one year		
Loan owed to parent company (see note below)	750,000	750,000
Loan owed to subsidiary (see note below)	11,330	10,690
Amounts owed to parent company	12,017	12,017
Amounts owed to subsidiaries	3,189	3,165
Amounts owed to group undertakings	3,059	1,205
Accrued expenses	16	13
	<u>779,611</u>	<u>777,090</u>

The company has drawn down an unsecured loan note agreement with its parent company Valero (Barbados) SRL. Interest accrues daily at a fixed rate of 3.77%. The loan is repayable on the maturity date (31 July 2022) or in whole or part at any time. This loan is listed on the TISE (The International Stock Exchange, formerly The Channel Islands Securities Exchange).

The company has a promissory note to pay its subsidiary company Valero Operations Support, Ltd. Interest accrues monthly at the applicable intercompany interest rate. There are no cash payments on interest on this loan, interest is added to the principal each month. The loan is payable on demand.

Amounts owed to parent, subsidiaries and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Share capital

Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary shares of £1 each	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

Rights, preferences and restrictions

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

13 Financial instruments

The analysis of the carrying amounts of the financial instruments of the group required under section 11 of FRS 102 is as follows.

Financial assets that are debt instruments measured at amortised cost

	Note	2018 £000	2017 £000
Amounts owed by subsidiaries (see note below)	10	14	4
Amounts owed by other group undertakings	10	<u>12,707</u>	<u>1</u>
		<u>12,721</u>	<u>5</u>

Valero HoldCo UK Ltd

Notes to the Financial Statements for the Year Ended 31 December 2018

Amounts owed by subsidiaries and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Financial liabilities that are debt instruments measured at amortised cost

	Note	2018 £000	2017 £000
Loans owed to parent company (see note below)	11	750,000	750,000
Loan owed to subsidiary (see note below)	11	11,330	10,690
Amounts owed to parent company	11	12,017	12,017
Amounts owed to subsidiaries	11	3,190	3,165
Amounts owed to group undertakings	11	3,059	1,205
		<u>779,596</u>	<u>777,077</u>

The company has drawn down an unsecured loan note agreement with its parent company Valero (Barbados) SRL. Interest accrues daily at a fixed rate of 3.77%. The loan is repayable on the maturity date (31 July 2022) or in whole or part at any time. This loan is listed on the TISE (The International Stock Exchange, formerly The Channel Islands Securities Exchange).

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Amounts owed to subsidiaries and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Parent and ultimate parent undertaking

The company is a subsidiary undertaking of Valero (Barbados) SRL, incorporated in Barbados.

The ultimate controlling party is Valero Energy Corporation, incorporated in State of Delaware, USA.

The most senior parent entity producing publicly available financial statements is Valero Energy Corporation. These financial statements are available upon request from One Valero Way, San Antonio, Texas 78249, USA

15 Subsequent events

The company received a dividend of £30,000,000 from the subsidiary company Valero Energy Ltd on the 30th of January 2019.