Registration number: 8566216

Valero Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2016

Valero Energy Ltd

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Valero Energy Ltd

Company Information

Directors	N E V Roberts M E Loeber J Fraser (resigned 2 March 2017) E Tomp The following director was appointed after the year end: E A Fisher (appointed 2 March 2017)
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 Energy Ltd

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Principal activity
The principal activity of the company is the refining of crude oil and the distribution, transport and marketing of refined petroleum products. The company's marketing activity is under the Texaco brand.

Fair review of the business
The company made a profit after taxation for the year of £371.2m (2015: profit of £239.6m). The net assets of the company were £1,808.6m at 31 December 2016 (£1,437.4m at 31 December 2015).

The company's Pembroke refinery operated well during the period. Safety is a priority for the refinery and there were no material incidents noted during 2016.

There was a slight decrease in the number of Texaco branded service stations during the year as certain long-term supply agreements ended. However, total sales of petroleum products increased by just over 5% reflecting high bulk sales.

Key performance indicators
Key financial and other performance indicators relating to sales, volumes, margins and operating costs are reviewed on a monthly basis by the company's management team.

The company also monitors a number of non-financial performance indicators, one key one being refinery utilisation, which for the year was 86.4% (2015: 89.4%). Other non-financial indicators include those monitoring health and safety statistics of refinery employees and contractors.

Principal risks and uncertainties
The company is subject to various risks and uncertainties in the course of its ordinary business. Many of these risks and uncertainties are inherent in the refining of crude oil and distribution, transport and marketing of petroleum products. The company has identified risks and uncertainties relevant to its business and these include, but are not limited to the following:
- volatility of future crude and petroleum product prices;
- worldwide and domestic demand for petroleum products;
- changes in weather patterns and natural disasters;
- credit and treasury risks (liquidity/foreign exchange);
- price and availability of alternative and competing fuels; and
- general economic conditions.

Many of the risks and uncertainties as mentioned above are beyond the company's control. The company has taken steps to manage and minimise certain risks and uncertainties. These include:
- maintaining a highly experienced and professional team;
- applying procedures/controls to manage financial exposures and operational risks;
- applying procedures/controls to manage environmental and occupational health and safety matters;
- employing insurance and risk management programmes; and
- regular reviews of the company's operational results.

Approved by the Board on 28 June 2017 and signed on its behalf by:

N Roberts

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N E V Roberts
Director

Valero Energy Ltd

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

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

N E V Roberts

M E Loeber

J Fraser (resigned 2 March 2017)

E Tomp

The following director was appointed after the year end:

E A Fisher (appointed 2 March 2017)

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for at least one year from the date of signing these financial statements.

Political donations
The company did not make any political donations or incur any political expenditure during the year.

Future developments
The directors expect the current level of business activity to continue in the future.

Results and dividends
The company's profit after taxation for the year of £371.2m (2015: profit of £239.6m). No dividends were paid or declared during the year (2015: £nil).
Retained profits transferred to reserves at 31 December 2016 were £371.2m (2015: retained profits of £239.6m), contributing to a increase in shareholders' funds to £1,808.6m (2015: shareholders' funds £1,437.4m).

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, and was in force throughout the period and up until the date of this report.

Employment of disabled persons
It is the policy of the company and its parent, Valero Holdco UK Ltd, to ensure that all employees receive equal treatment and are judged solely on merit and capability. Group policy also aims to ensure that all job applications from disabled people receive full and fair consideration. Every effort is made to continue the employment of, and arrange appropriate training for, those employees who become disabled during their period of employment, as well as giving equal opportunities with all other employees to progress within the group.

Valero Energy Ltd

Directors' Report for the Year Ended 31 December 2016

Employee involvement

The group is committed to the principle of employee involvement and its practice is to provide employees with information on matters of concern to them. The group consults with employees and their representatives in order that their views can be taken into account on such matters as are appropriate.

The group communicates and consults with employees at the local level through regular formal meetings and as necessary by ad hoc consultation and negotiation with the employees and their representatives. In addition the group uses employee intranet and e-mails from senior management as further means of communicating items with their employees and their activities.

Employees who work for the company may be entitled to join the Valero UK Share Incentive Plan, which is sponsored by Valero Operations Support, Ltd, another group entity registered in the UK. This plan was set up on 1 August 2011 and is administered by Computershare Trustees Limited, The Pavillions, Bridgewater Road, Bristol BS13 8AE. Under the rules of the scheme Valero Operations Support, Ltd will match every share bought by an employee in Valero Energy Corporation with two matching shares (up to a certain limit). These matching shares will be held in a UK registered trust until the employee has completed 3 years of service. Further details of the plan are disclosed in the accounts of Valero Operations Support, Ltd.

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.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 2. Additionally, subsequent to the end of the financial year, the company received a €75 million dividend from a subsidiary company, see note 23 to the Financial Statements.

Change of Registered Office

With effect from 1 March 2017 the registered office of the company was changed to Fifth Floor, 100 Wood Street, London EC2V 7EX.

Reappointment of auditor

Pursuant to Section 487 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 28 June 2017 and signed on its behalf by:

N Roberts

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N E V Roberts
Director

Valero Energy Ltd

Statement of Director's responsibility in respect of 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 accounting 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; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALERO ENERGY LIMITED

We have audited the financial statements of Valero Energy Limited for the year ended 31 December 2016, set out on pages 9 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements set out on page 6, 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 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/auditscopeukprivate.

Opinion on the 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALERO ENERGY 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 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

Juliette Lowes

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

Date: 28 June 2017

Valero Energy Ltd

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ m	2015 £ m
Turnover	3	**6,109.3**	6,009.3
Cost of sales		**(5,367.5)**	(5,448.7)
Gross profit		**741.8**	560.6
Distribution costs		**(243.9)**	(226.6)
Administrative expenses		**(36.6)**	(37.3)
Other operating income		**0.0**	0.0
Operating profit	4	**461.3**	296.7
Income from participating interests		**1.4**	1.0
Other interest receivable and similar income	5	**1.8**	0.9
Interest payable and similar charges	6	**(4.8)**	(5.1)
Profit before tax		**459.7**	293.5
Taxation	10	**(88.5)**	(53.9)
Profit for the financial year		**371.2**	239.6

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

Valero Energy Ltd

(Registration number: 8566216)
Balance Sheet as at 31 December 2016

	Note	2016 £ m	2015 £ m
Fixed assets			
Tangible assets	11	**551.1**	569.3
Investments	12	**268.7**	268.7
		819.8	838.0
Current assets			
Stocks	13	**646.7**	439.9
Debtors	14	**968.9**	711.1
Cash at bank and in hand		**556.4**	358.7
		2,172.0	1,509.7
Creditors: amounts falling due within one year	15	**(1,102.4)**	(845.7)
Net current assets		**1,069.6**	664.0
Total assets less current liabilities		**1,889.4**	1,502.0
Creditors: amounts falling due after more than one year	15	**(16.7)**	0.0
Provisions for liabilities	17	**(64.1)**	(64.6)
Net assets		**1,808.6**	1,437.4
Capital and reserves			
Called up share capital	20	**1,440.6**	1,440.6
Retained earnings		**368.0**	(3.2)
Total equity		**1,808.6**	1,437.4

Approved and authorised by the Board on 28 June 2017 and signed on its behalf by:

N Roberts

N E V Roberts

Director

Valero Energy Ltd

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2016	1,440.6	(3.2)	**1,437.4**
Profit for the year	0.0	371.2	**371.2**
Total comprehensive income	0.0	371.2	**371.2**
At 31 December 2016	1,440.6	368.0	**1,808.6**

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2015	1,440.6	(242.8)	**1,197.8**
Profit for the year	0.0	239.6	**239.6**
Total comprehensive income	0.0	239.6	**239.6**
At 31 December 2015	1,440.6	(3.2)	**1,437.4**

1 General information

The company is a private limited liability company incorporated and domiciled in the United Kingdom.

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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The company transitioned from the previously extant UK GAAP to FRS 102 as at 1 January 2015.

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 million.

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. On the basis of their assessment of company's financial position and the financial performance of the company since the balance sheet date, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reports as at the balance sheet date. However, the nature of estimation means that actual outcomes could differ from those estimates.

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.

2 Accounting policies (continued)

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.

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the sale of petroleum products and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue from petroleum product sales when title has transferred to the buyer, together with the risks and rewards of ownership. Any non-petroleum product revenue is recognised at the point at which risks and rewards are transferred to the buyer, in line with the appropriate contract terms.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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 that are 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.

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. All borrowing costs are expensed.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and properties under construction are not depreciated. The estimated useful lives are as follows:

Asset class	Useful life
Freehold land	Not depreciated
Leaseholds	8 to 33 years or over term of lease
Buildings	8 to 40 years
Plant and machinery	3 to 25 years
Assets under construction	Not depreciated until assets brought into use

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.

Financial instruments

Price risk

The company engaged in commodity derivative instrument trading activity during the year with the intention of managing price risk associated with holding physical inventory and with purchasing feedstock for the Pembroke refinery. The instruments used were swaps and futures contracts. These instruments are accounted for on an accruals basis, with the profit or loss arising recognised in accordance with the terms of the instrument.

Credit risk

The company has implemented policies that require appropriate credit checks on customers before sales are made. The overall level of indebtedness is monitored closely by the company's credit group.

Liquidity risk

The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit. All cash accounts are managed at Valero Energy Corporation group level.

Cash flow risk

The company can have both interest bearing assets and liabilities which are generally held at floating rates. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments and borrowings maintained. The company does not hedge interest rate risks.

Foreign exchange risk

The company has assets and liabilities denominated in foreign currencies. To meet operational needs the company forward purchases US Dollars for periods of less than one month to match payments due for third party crude oil purchases.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.
Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.
At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions
A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Significant estimates and judgements are based on management's review of the most likely outcome, having given consideration to current statutory and contractual requirements, at the reporting date. Environmental obligations are based on latest technical and other data to determine the company's most probable cost of remediation. Actual costs can differ from estimates due to future changes in legislation, market conditions and other factors.

Defined contribution pension obligation
Valero Operations Support, Ltd operates a defined contribution plan for employees who have joined the company on or after 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss account as incurred.

Defined benefit pension obligation
Valero Operations Support, Ltd operates a defined benefit plan for employees who joined the company before 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss accounts of Valero Energy Ltd and Valero Logistics UK Ltd. Contributions made on behalf of Valero Logistics UK Ltd by Valero Energy Ltd are recovered by way of intercompany recharge.
The defined benefit obligation is recognised in the accounts of Valero Operations Support, Ltd but is reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd. Actuarial losses recognised as other comprehensive income in the accounts of Valero Operations Support, Ltd are also reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd.

2 Accounting policies (continued)

Share based payments

Eligible employees of the company can participate in the Valero UK Share Incentive Plan (ESIP). The ESIP enables employees to make monthly contributions out of salary up to prescribed limits. Each month the contributions are used by the trustees of the plan to acquire shares of common stock of Valero Energy Corporation on the open market (partnership shares). The company makes a matching contribution to the trustees to acquire a matching number of shares on a two for one basis (up to a certain limit). In accordance with FRS 20, the cost of the matched portion of the shares is charged to the profit and loss account over a three year vesting period.
The company also operates a restricted stock award scheme where certain employees are granted a variable number of shares in Valero Energy Corporation annually. The grant date fair value of the awards is recognised as employee expense, taking into account the terms and conditions upon which the awards were granted.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

Related party transactions

The company has taken advantage of the exemption in FRS 102 section 33 paragraph 33.1A 'Related party transactions' from disclosing all related party transactions with wholly owned subsidiary of the group, and as such are not required to be disclosed.

3 Turnover

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

	2016 £ m	2015 £ m
Sale of goods	**6,091.0**	5,995.4
Other revenue	**18.3**	13.9
	6,109.3	6,009.3

The analysis of the company's revenue for the year by market is as follows:

	2016 £ m	2015 £ m
UK	**6,026.5**	5,709.1
Europe	**63.4**	206.4
Rest of world	**19.4**	93.8
	6,109.3	6,009.3

4 Operating profit/(loss)

The operating profit/(loss) is arrived at after charging/(crediting)

	2016 £ m	2015 £ m
Depreciation expense	**41.5**	40.4
Amortisation expense	**4.9**	5.5
(Write-back)/write-down of stocks to net realisable value	**(22.4)**	26.6
Foreign exchange losses/(gains)	**16.6**	0.0
Operating lease expense - plant and machinery	**2.7**	1.9
Operating lease expense - other	**14.3**	13.6
Loss on disposal of property, plant and equipment	**0.1**	1.7

5 Interest receivable and similar income

	2016 £ m	2015 £ m
Bank interest receivable	**1.8**	0.8
Other finance income	**0.0**	0.1
	1.8	0.9

6 Interest payable and similar charges

	2016 £ m	2015 £ m
Interest on loans from group undertakings	**4.6**	5.0
Other interest payable	**0.2**	0.1
	4.8	5.1

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ m	2015 £ m
Wages and salaries	**76.1**	56.2
Share-based payments	**1.8**	1.5
Social security costs	**5.7**	5.0
Expenses related to defined benefit plans	**9.4**	8.8
Contributions to defined contribution plans	**0.6**	0.5
	93.6	72.0

7 Staff costs (continued)

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

	2016 No.	2015 No.
Refining	**520**	526
Marketing and other	**153**	153
	673	679

At the end of the year the number of persons employed by the company analysed by gender were as follows:

	2016 No.	2015 No.
Male	**568**	566
Female	**112**	115
	680	681

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ m	2015 £ m
Remuneration	**5.4**	4.6

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

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	**4**	5
Exercised share options	**0**	1
Accruing benefits under defined benefit pension schemes	**4**	5

In respect of the highest paid director:

	2016 £ m	2015 £ m
Remuneration	**2.6**	1.2
Defined benefit accrued pension entitlement at the end of the period	**0.0**	0.0
Defined benefit accrued lump sum at the end of the period	**0.3**	0.2

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

9 Auditor's remuneration

	2016 £ m	2015 £ m
Audit of the financial statements	**0.4**	0.4
Other fees payable to the auditor		
The audit of associated companies annual accounts	**0.0**	0.0

10 Income tax

a) Tax expense included in profit or loss

The tax charge/(credit) is based on the profit for the year and represents:

	2016 £ m	2015 £ m
Current taxation		
UK corporation tax	**90.7**	0.0
Adjustments in respect of previous periods	**0.0**	0.3
Total current tax	**90.7**	0.3
Deferred taxation		
Origination and reversal of timing differences	**0.9**	52.3
Arising from changes in tax rates and laws	**(2.7)**	0.3
Adjustment in respect of previous period	**(0.4)**	1.0
Total deferred taxation	**(2.2)**	53.6
Tax on profit on ordinary activities	**88.5**	53.9

The tax charge includes £2,064k is in respect of losses that have been claimed from other group companies in exchange for consideration.

10 Income tax (continued)

b) Reconciliation of tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) for the year ended 31 December 2016 of 20% (2015: 20.25%).

The differences are explained as follows:

	2016 £ m	2015 £ m
Profit on ordinary activities before tax	**459.7**	293.5
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (31 Dec 2015: 20.25%)	**91.9**	59.4
Expenses not deductible for tax purposes	**0.3**	0.1
Investment Income	**(0.3)**	(0.2)
Share Schemes	**(0.2)**	0.0
Prior period restatement (2014 restatement taxed in 2015)	**0.0**	(0.4)
Current/Deferred tax rate differential	**(0.2)**	(6.5)
Prior period adjustment	**(0.3)**	1.2
Re-measurement of deferred tax - change in UK tax rate	**(2.7)**	0.3
Tax on results on ordinary activities	**88.5**	53.9

The aggregate current and deferred tax related to items that are recognised as items of other comprehensive income is £nil.

c) Tax rate changes

During the year the UK corporation tax rate has remained at 20%. The rate will decrease to 19% from 1 April 2017 and further decrease to 17% from 1 April 2020.

11 Tangible assets

	Land and buildings £ m	Plant and machinery £ m	Assets under construction £ m	Turnaround costs £ m	Total £ m
Cost					
At 1 January 2016	31.5	1,279.2	26.9	125.7	1,463.3
Additions	0.0	0.0	21.2	2.3	23.5
Disposals	0.0	(4.3)	0.0	0.0	(4.3)
Transfers	0.0	23.9	(23.9)	0.0	0.0
At 31 December 2016	31.5	1,298.8	24.2	128.0	1,482.5
Depreciation					
At 1 January 2016	11.3	847.2	0.0	35.5	894.0
Charge for the year	0.9	22.1	0.0	18.5	41.5
Eliminated on disposal	0.0	(4.1)	0.0	0.0	(4.1)
At 31 December 2016	12.2	865.2	0.0	54.0	931.4
Carrying amount					
At 31 December 2016	19.3	433.6	24.2	74.0	551.1
At 31 December 2015	20.2	432.0	26.9	90.2	569.3

11 Tangible assets (continued)

Leased assets

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2016	2015
	£ m	£ m
	2.9	3.0

12 Investments in subsidiaries, joint ventures and associates

	2016	2015
	£ m	£ m
Investments in subsidiaries	**268.6**	268.6
Investments in associates	**0.1**	0.1
	268.7	268.7

Subsidiaries	**£ m**
Cost or valuation	
At 1 January 2016	**268.6**
Carrying amount	
At 31 December 2016	**268.6**
At 31 December 2015	**268.6**

Associates	**£ m**
Cost	
At 1 January 2016	**0.1**
Provision	
Carrying amount	
At 31 December 2016	**0.1**
At 31 December 2015	**0.1**

12 Investments in subsidiaries, joint ventures and associates (continued)

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 2016	2015
Subsidiary undertakings				
Valero Logistics UK Ltd	England	Ordinary	100%	100%
Valero Energy UK Ltd	England	Ordinary	100%	100%
Valero Energy (Ireland) Ltd	Ireland	Ordinary	100%	100%
Associates				
Aviation Fuel Services Limited	England	Ordinary	25%	25%
H & G Contracting Services Ltd	England	Ordinary	33.3%	33.3%
Stansted Intoplane Company Limited	England	Ordinary	20%	20%

Although the beneficial interest in all the JV shareholdings was transferred to Valero Energy Ltd on 1 January 2014, Valero Energy UK Ltd continues to hold the shareholding on behalf of Valero Energy Ltd pending legal transfer for the following shareholdings:

Aviation Fuel Services Limited
H & G Contracting Services Ltd
Stansted Intoplane Company Limited
Gatwick Airport Storage and Hydrant Company Limited
Heathrow Airport Fuel Company Limited
Heathrow Hydrant Operating Company Limited
Stansted Fuelling Company Limited

13 Stocks

	2016 £ m	2015 £ m
Crude oil and raw materials	**212.9**	141.8
Finished refined products and chemicals	**426.1**	312.7
Miscellaneous merchandise	**12.0**	12.0
Write-down to net realisable value	**(4.3)**	(26.6)
	646.7	439.9

14 Debtors

	2016 £ m	2015 £ m
Trade debtors	**777.8**	464.9
Amounts owed by parent company (see note below)	**4.4**	60.0
Amounts owed by group undertakings (see note below)	**45.4**	98.8
Amounts owed by subsidiaries (see note below)	**96.3**	32.9
Deferred charges	**18.0**	17.2
Prepayments	**19.1**	12.1
Other debtors (see note 21)	**7.9**	25.2
Total current trade and other receivables	**968.9**	711.1

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

15 Creditors

	2016 £ m	2015 £ m
Due within one year		
Trade creditors	**330.4**	233.6
Loan owed to parent company (see note below)	**3.2**	64.8
Loan owed to subsidiary (see note below)	**124.4**	121.3
Amounts owed to group undertakings (see note below)	**235.9**	95.8
Amounts owed to subsidiaries (see note below)	**0.0**	11.8
Social security and other taxes	**363.4**	270.6
Accrued expenses	**34.9**	36.5
Other creditors	**10.2**	11.3
	1,102.4	845.7
Due after one year		
Amounts owed to group undertakings (see note below)	**16.7**	0.0

The company has a revolving credit facility with its parent company Valero Holdco UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

The company also has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

16 Operating leases

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £ m	2015 £ m
Not later than one year	4.3	4.3
Later than one year and not later than five years	7.5	11.6
Later than five years	1.6	1.7
	13.4	17.6

During the year £17.0m was recognised as an expense in the profit and loss account in respect of operating leases (2015 : £15.5m).

17 Provisions

	Environmental £ m	Deferred tax £ m	Other provisions £ m	Total £ m
At 1 January 2016	14.6	49.3	0.7	64.6
Additional provisions	0.0	0.0	2.5	2.5
Additions dealt with in profit or loss	0.0	(2.2)	0.0	(2.2)
Provisions used	(0.7)	0.0	(0.3)	(1.0)
Increase (decrease) from transfers and other changes	0.2	0.0	0.0	0.2
At 31 December 2016	14.1	47.1	2.9	64.1

Deferred Taxation

Deferred taxation provided for at 17% (2015: 18%) in the financial statements is set out below:

	2016 £ m	2015 £ m
Deferred tax		
Accelerated Capital Allowances	49.4	52.0
Share Based Payments	0.6	0.8
Bad Debt Provisions	(0.1)	(0.2)
Intercompany Pension Asset/Liability	(2.8)	0.0
Provisions	(0.5)	(2.8)
Derivative Contracts	0.5	1.0
Corporation Tax Losses	0.0	(1.5)
	47.1	49.3

17 Provisions (continued)

The amount of the net reversal of deferred tax expected to occur in the next year is £1.2m resulting in an increased deferred tax liability, relating to the reversal of existing timing differences on tangible fixed assets.

Environmental
The environmental provision relates to an ongoing programme of environmental remediation works at the Pembroke refinery.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £614,337 (2015 : £450,878).

Defined benefit pension scheme
Valero UK Pension Plan

Valero Energy Ltd employees hold contracts of employment with Valero Operations Support, Ltd. Valero Operation Support, Ltd operates a pension scheme providing retirement benefits based on final pensionable pay. At 31 December 2016, 572 Valero Energy Ltd employees were current members of the scheme which closed to new employees on 31 May 2013.

As part of its agreement with Valero Operations Support, Ltd, Valero Energy Ltd has agreed to make contributions to the scheme for its employees. Contributions paid to the scheme in 2016 amounted to £13.6m (2015: £11.4m). There were no outstanding contributions payable to the scheme at the end of the year. Expected contributions payable in the next year are £11.6m.

Full disclosure of the scheme detail is included in the accounts of Valero Operations Support, Ltd.

19 Commitments

Capital commitments
The company has commitments relating to various upgrade projects at its Pembroke refinery.

The total amount contracted for, but not provided in the financial statements, was £7.6m (2015 : £4.3m).

20 Share capital

Allotted, called up and fully paid shares

	2016 No. m	2016 £ m	2015 No. m	2015 £ m
Ordinary shares of £1 each	**1,440.6**	**1,440.6**	1,440.6	1,440.6

20 Share capital (continued)

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.

21 Financial instruments (see note 14)

Categorisation of financial instruments

	2016 £ m	2015 £ m
Financial assets measured at fair value through profit or loss	**6.9**	6.8

Financial assets measured at fair value
Oil futures and swaps
Financial instruments open at the balance sheet date are valued at the market price at the end of the period.

The change in value included in profit or loss is £8.9m (2015 : £29.6m).

Foreign exchange forward purchase contracts
Foreign currency forward purchase contracts are valued at the exchange rate at the balance sheet date and the difference between the contracted price and the balance sheet date price is recognised in the profit and loss account.

The change in value included in profit or loss is £0.5m (2015 : £(0.9)m).

Financial instruments at fair value through profit or loss that are not held as part of a trading portfolio and not derivatives

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	2016 £ m	2015 £ m
Trade debtors	14	**777.8**	464.9
Amounts owed by parent company	14	**4.4**	60.0
Amounts owed by group undertakings	14	**45.4**	98.8
Amounts owed by subsidiaries	14	**96.3**	32.9
Other debtors	14	**7.9**	25.2
		931.8	681.8

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

21 Financial instruments (see note 14) (continued)

Financial liabilities that are debt instruments measured at amortised cost

	Note	2016 £ m	2015 £ m
Due within one year			
Trade creditors	15	**330.4**	233.6
Loan owed to parent company	15	**3.2**	64.8
Loan owed to subsidiary	15	**124.4**	121.3
Amounts owed to group undertakings	15	**235.9**	95.8
Amounts owed to subsidiaries	15	**0.0**	11.8
Other creditors	15	**10.2**	11.3
		704.1	538.6

Financial assets that are debt instruments measured at amortised cost

	Note	2016 £m	2015 £m
Due after one year			
Amounts owed to group undertakings	15	**16.7**	0.0

The company has a revolving credit facility with its parent company Valero Holdco UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

The company also has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

22 Parent and ultimate parent undertaking

The company's immediate parent is Valero HoldCo UK Ltd, incorporated in United Kingdom and with its registered office at Fifth Floor, 100 Wood Street, London ECV 7EX.

The ultimate parent undertaking is Valero Energy Corporation, incorporated in the State of Delaware, USA. The consolidated financial statements of Valero Energy Corporation are available on request from One Valero Way, San Antonio, Texas 78249, USA.

23 Subsequent events

On 25 April 2017, the company's wholly owned subsidiary, Valero Energy (Ireland) Limited declared a dividend of €75 million, which was paid on 8 May 2017.

Registration number: 8566216

Valero Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Valero Energy Ltd

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Valero Energy Ltd

Company Information

Directors	N E V Roberts
	M E Loeber (resigned 23 July 2018)
	J Fraser (resigned 2 March 2017)
	E Tomp
	E A Fisher (appointed 2 March 2017)
	The following director was appointed after the year end:
	M A Dooley (appointed 1 June 2018)
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

The directors present their strategic report for the year ended 31 December 2017.

Principal activity
The principal activity of the company is the refining of crude oil and the distribution, transport and marketing of refined petroleum products. The company's marketing activity is under the Texaco brand.

Fair review of the business
The company made a profit after taxation for the year of £357.4m (2016: profit of £371.2m). The net assets of the company were £2,166.0m at 31 December 2017 (£1,808.6m at 31 December 2016).

The number of Texaco branded service stations remained relatively static during the year. The value of the sales of petroleum products increased by over 20% compared to 2016 which was mainly due to higher product prices.

On 30 March 2017, the company's wholly owned subsidiary, Valero Energy UK Ltd transferred its 21% interest in West London Pipeline and Storage Limited, together with various fixed assets relating to this joint venture were transferred at booked value to the company. This transaction was part of an existing initiative to align Valero's legal entities in the UK with the business organisation.

On 8 May 2017, the company's wholly owned subsidiary, Valero Energy (Ireland) Limited paid a dividend of €75 million.

The company owned a 33.3% interest in H & G Contracting Services Ltd which was dissolved on 10 August 2017.

Key performance indicators
Key financial and other performance indicators relating to sales, volumes, margins and operating costs are reviewed on a monthly basis by the company's management team.

The company also monitors a number of non-financial performance indicators, one key one being refinery utilisation, which for the year was 84.2% (2016: 86.4%). Other non-financial indicators include those monitoring health and safety statistics of refinery employees and contractors.

Principal risks and uncertainties
The company is subject to various risks and uncertainties in the course of its ordinary business. Many of these risks and uncertainties are inherent in the refining of crude oil and distribution, transport and marketing of petroleum products. The company has identified risks and uncertainties relevant to its business and these include, but are not limited to the following:
- volatility of future crude and petroleum product prices;
- worldwide and domestic demand for petroleum products;
- changes in weather patterns and natural disasters;
- credit and treasury risks (liquidity/foreign exchange);
- price and availability of alternative and competing fuels; and
- general economic conditions.

Many of the risks and uncertainties as mentioned above are beyond the company's control. The company has taken steps to manage and minimise certain risks and uncertainties. These include:
- maintaining a highly experienced and professional team;
- applying procedures/controls to manage financial exposures and operational risks;
- applying procedures/controls to manage environmental and occupational health and safety matters;
- employing insurance and risk management programmes; and
- regular reviews of the company's operational results.

Approved by the Board on 31 July 2018 and signed on its behalf by:

....

N E V Roberts
Director

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

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

N E V Roberts

M E Loeber (resigned 23 July 2018)

J Fraser (resigned 2 March 2017)

E Tomp

E A Fisher (appointed 2 March 2017)

The following director was appointed after the year end:

M A Dooley (appointed 1 June 2018)

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for at least one year from the date of signing these financial statements.

Political donations

The company did not make any political donations or incur any political expenditure during the year.

Future developments

The directors expect the current level of business activity to continue in the future.

Financial instruments

The company's financial instruments consist of derivative financial instruments which are swaps and future contracts and 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.

Results and dividends

The company's profit after taxation for the year of £357.4m (2016: profit of £371.2m). No dividends were paid or declared during the year (2016: £nil).
Retained profits transferred to reserves at 31 December 2017 were £357.4m (2016: retained profits of £371.2m), contributing to a increase in shareholders' funds to £2,166.0m (2016: shareholders' funds £1,808.6m).

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, and was in force throughout the period and up until the date of this report.

Employment of disabled persons

It is the policy of the company and its parent, Valero Holdco UK Ltd, to ensure that all employees receive equal treatment and are judged solely on merit and capability. Group policy also aims to ensure that all job applications from disabled people receive full and fair consideration. Every effort is made to continue the employment of, and arrange appropriate training for, those employees who become disabled during their period of employment, as well as giving equal opportunities with all other employees to progress within the group.

Employee involvement

The group is committed to the principle of employee involvement and its practice is to provide employees with information on matters of concern to them. The group consults with employees and their representatives in order that their views can be taken into account on such matters as are appropriate.

The group communicates and consults with employees at the local level through regular formal meetings and as necessary by ad hoc consultation and negotiation with the employees and their representatives. In addition the group uses employee intranet and e-mails from senior management as further means of communicating items with their employees and their activities.

Employees who work for the company may be entitled to join the Valero UK Share Incentive Plan, which is sponsored by Valero Operations Support, Ltd, another group entity registered in the UK. This plan was set up on 1 August 2011 and is administered by Computershare Trustees Limited, The Pavillions, Bridgewater Road, Bristol BS13 8AE. Under the rules of the scheme Valero Operations Support, Ltd will match every share bought by an employee in Valero Energy Corporation with two matching shares (up to a certain limit). These matching shares will be held in a UK registered trust until the employee has completed 3 years of service. Further details of the plan are disclosed in the accounts of Valero Operations Support, Ltd.

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.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 2. Additionally, subsequent to the end of the financial year, the company paid a dividend of £30 million to its parent company Valero HoldCo UK Ltd on 31 January 2018, see note 23 to the Financial Statements.

Change of Registered Office

With effect from 1 March 2017 the registered office of the company was changed to Fifth Floor, 100 Wood Street, London EC2V 7EX.

Reappointment of auditor

Pursuant to Section 487 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 31 July 2018 and signed on its behalf by:

N E V Roberts
Director

Valero Energy Ltd

Statement of Director's responsibility in respect of 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; and
- 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.

Independent Auditor's Report to the members of Valero Energy Ltd

Opinion

We have audited the financial statements of Valero Energy Ltd ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2, set out on pages 9 to 29.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

Independent Auditor's Report to the members of Valero Energy Ltd (continued)

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, 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.

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 and for 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.

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

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

31 July 2018

Valero Energy Ltd

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ m	2016 £ m
Turnover	3	**7,593.6**	6,109.3
Cost of sales		**(6,945.1)**	(5,367.5)
Gross profit		**648.5**	741.8
Distribution costs		**(247.3)**	(243.9)
Administrative expenses		**(39.1)**	(36.6)
Other operating income		**0.3**	0.0
Operating profit	4	**362.4**	461.3
Income from shares in subsidiary undertakings		**63.7**	0.0
Income from participating interests		**2.2**	1.4
Other interest receivable and similar income	5	**1.5**	1.8
Interest payable and similar charges	6	**(3.0)**	(4.8)
Profit before tax		**426.8**	459.7
Taxation	10	**(69.4)**	(88.5)
Profit for the financial year		**357.4**	371.2

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

Valero Energy Ltd

(Registration number: 8566216)
Balance Sheet as at 31 December 2017

	Note	2017 £ m	2016 £ m
Fixed assets			
Tangible assets	11	**562.2**	551.1
Investments	12	**268.7**	268.7
		830.9	819.8
Current assets			
Stocks	13	**863.3**	646.7
Debtors	14	**1,020.0**	968.9
Cash at bank and in hand		**780.2**	556.4
		2,663.5	2,172.0
Creditors: amounts falling due within one year	15	**(1,247.7)**	(1,102.4)
Net current assets		**1,415.8**	1,069.6
Total assets less current liabilities		**2,246.7**	1,889.4
Creditors: amounts falling due after more than one year	15	**(16.9)**	(16.7)
Provisions for liabilities	17	**(63.8)**	(64.1)
Net assets		**2,166.0**	1,808.6
Capital and reserves			
Called up share capital	20	**1,440.6**	1,440.6
Retained earnings		**725.4**	368.0
Total equity		**2,166.0**	1,808.6

Approved and authorised by the Board on 31 July 2018 and signed on its behalf by:

NRoberts

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N E V Roberts
Director

Valero Energy Ltd

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2017	1,440.6	368.0	**1,808.6**
Profit for the year	0.0	357.4	**357.4**
Total comprehensive income	0.0	357.4	**357.4**
At 31 December 2017	1,440.6	725.4	**2,166.0**

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2016	1,440.6	(3.2)	**1,437.4**
Profit for the year	0.0	371.2	**371.2**
Total comprehensive income	0.0	371.2	**371.2**
At 31 December 2016	1,440.6	368.0	**1,808.6**

1 General information

The company is a private limited liability company incorporated and domiciled in the United Kingdom.

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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

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 million.

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. On the basis of their assessment of company's financial position and the financial performance of the company since the balance sheet date, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as at the balance sheet date. However, the nature of estimation means that actual outcomes could differ from those estimates.

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.

2 Accounting policies (continued)

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.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of petroleum products and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue from petroleum product sales when title has transferred to the buyer, together with the risks and rewards of ownership. Any non-petroleum product revenue is recognised at the point at which risks and rewards are transferred to the buyer, in line with the appropriate contract terms.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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 that are 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.

2 Accounting policies (continued)

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. All borrowing costs are expensed.

Depreciation
Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and properties under construction are not depreciated. The estimated useful lives are as follows:

Asset class	Useful life
Freehold land	Not depreciated
Leaseholds	8 to 33 years or over term of lease
Buildings	8 to 40 years
Plant and machinery	3 to 25 years
Assets under construction	Not depreciated until assets brought into use

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.

Financial instruments
Price risk
The company engaged in commodity derivative instrument trading activity during the year with the intention of managing price risk associated with holding physical inventory and with purchasing feedstock for the Pembroke refinery. The instruments used were swaps and futures contracts. These instruments are accounted for on an accruals basis, with the profit or loss arising recognised in accordance with the terms of the instrument.

Credit risk
The company has implemented policies that require appropriate credit checks on customers before sales are made. The overall level of indebtedness is monitored closely by the company's credit group.

Liquidity risk
The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit. All cash accounts are managed at Valero Energy Corporation group level.

Cash flow risk
The company can have both interest bearing assets and liabilities which are generally held at floating rates. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments and borrowings maintained. The company does not hedge interest rate risks.

Foreign exchange risk
The company has assets and liabilities denominated in foreign currencies. To meet operational needs the company forward purchases US Dollars for periods of less than one month to match payments due for third party crude oil purchases.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.
Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.
At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions
A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Significant estimates and judgements are based on management's review of the most likely outcome, having given consideration to current statutory and contractual requirements, at the reporting date. Environmental obligations are based on latest technical and other data to determine the company's most probable cost of remediation. Actual costs can differ from estimates due to future changes in legislation, market conditions and other factors.

Defined contribution pension obligation
Valero Operations Support, Ltd operates a defined contribution plan for employees who have joined the company on or after 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss account as incurred.

Defined benefit pension obligation
Valero Operations Support, Ltd operates a defined benefit plan for employees who joined the company before 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss accounts of Valero Energy Ltd and Valero Logistics UK Ltd. Contributions made on behalf of Valero Logistics UK Ltd by Valero Energy Ltd are recovered by way of intercompany recharge.
The defined benefit obligation is recognised in the accounts of Valero Operations Support, Ltd but is reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd. Actuarial gains and losses recognised as other comprehensive income in the accounts of Valero Operations Support, Ltd are also reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd.

2 Accounting policies (continued)

Share based payments

Eligible employees of the company can participate in the Valero UK Share Incentive Plan (ESIP). The ESIP enables employees to make monthly contributions out of salary up to prescribed limits. Each month the contributions are used by the trustees of the plan to acquire shares of common stock of Valero Energy Corporation on the open market (partnership shares). The company makes a matching contribution to the trustees to acquire a matching number of shares on a two for one basis (up to a certain limit). In accordance with FRS 102, the cost of the matched portion of the shares is charged to the profit and loss account over a three year vesting period.

The company also operates a restricted stock award scheme where certain employees are granted a variable number of shares in Valero Energy Corporation annually. The grant date fair value of the awards is recognised as employee expense, taking into account the terms and conditions upon which the awards were granted.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

Related party transactions

The company has taken advantage of the exemption in FRS 102 section 33 paragraph 33.1A 'Related party transactions' from disclosing all related party transactions with wholly owned subsidiaries of the group, and as such are not required to be disclosed.

3 Turnover

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

	2017 £ m	2016 £ m
Sale of goods	**7,583.3**	6,091.0
Other revenue	**10.3**	18.3
	7,593.6	6,109.3

The analysis of the company's revenue for the year by market is as follows:

	2017 £ m	2016 £ m
UK	**7,406.7**	6,026.5
Europe	**173.4**	63.4
Rest of world	**13.5**	19.4
	7,593.6	6,109.3

4 Operating profit/(loss)

The operating profit/(loss) is arrived at after charging/(crediting)

	2017 £ m	2016 £ m
Depreciation expense	**42.5**	41.5
Amortisation expense	**5.2**	4.9
Write-down/(write-back) of stocks to net realisable value	**0.9**	(22.4)
Foreign exchange (gains)/losses	**(11.3)**	16.6
Operating lease expense - plant and machinery	**2.6**	2.7
Operating lease expense - other	**14.9**	14.3
Loss on disposal of property, plant and equipment	**1.5**	0.1

5 Interest receivable and similar income

	2017 £ m	2016 £ m
Bank interest receivable	**1.5**	1.8

6 Interest payable and similar charges

	2017 £ m	2016 £ m
Interest on loans from group undertakings	**2.9**	4.6
Other interest payable	**0.1**	0.2
	3.0	4.8

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ m	2016 £ m
Wages and salaries	**58.2**	76.1
Share-based payments	**1.9**	1.8
Social security costs	**6.8**	5.7
Expenses related to defined benefit plans	**11.1**	9.4
Contributions to defined contribution plans	**0.8**	0.6
	78.8	93.6

*In 2016, reimbursements to Valero Operations Support, Ltd of £19.5m relating to the cost of the defined benefit pension plan were reported in wages and salaries. In 2017, these reimbursement expenses were reported in Expenses related to defined benefit plans.

7 Staff costs (continued)

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

	2017 No.	2016 No.
Refining	**543**	520
Marketing and other	**159**	153
	702	673

At the end of the year the number of persons employed by the company analysed by gender were as follows:

	2017 No.	2016 No.
Male	**562**	568
Female	**115**	112
	677	680

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ m	2016 £ m
Remuneration	**3.0**	5.4

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

	2017 No.	2016 No.
Received or were entitled to receive shares under long term incentive schemes	**3**	4
Accruing benefits under defined benefit pension schemes	**3**	4

In respect of the highest paid director:

	2017 £ m	2016 £ m
Remuneration	**1.3**	2.6
Defined benefit accrued pension entitlement at the end of the period	**0.0**	0.0
Defined benefit accrued lump sum at the end of the period	**0.4**	0.3

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

9 Auditor's remuneration

	2017 £ m	2016 £ m
Audit of the financial statements	**0.4**	0.4
Other fees payable to the auditor		
The audit of associated companies annual accounts	**0.0**	0.0

10 Income tax

a) Tax expense included in profit or loss

The tax charge/(credit) is based on the profit for the year and represents:

	2017 £ m	2016 £ m
Current taxation		
UK corporation tax	**67.2**	90.7
Adjustments in respect of previous periods	**(0.1)**	0.0
Total current tax	**67.1**	90.7
Deferred taxation		
Origination and reversal of timing differences	**1.9**	0.9
Arising from changes in tax rates and laws	**0.0**	(2.7)
Adjustment in respect of previous period	**0.0**	(0.4)
Assets transferred from Valero Energy UK Ltd	**0.4**	0.0
Total deferred taxation	**2.3**	(2.2)
Tax on profit on ordinary activities	**69.4**	88.5

The tax charge includes £0.1m in respect of losses that have been claimed from other group companies in exchange for consideration.

10 Income tax (continued)

b) Reconciliation of tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) for the year ended 31 December 2017 of 19.25% (2016: 20%).

The differences are explained as follows:

	2017 £ m	2016 £ m
Profit on ordinary activities before tax	**426.8**	459.7
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (31 Dec 2016: 20%)	**82.2**	91.9
Expenses not deductible for tax purposes	**0.1**	0.3
Investment Income	**(12.7)**	(0.3)
Share Schemes	**(0.2)**	(0.2)
Current/Deferred tax rate differential	**(0.3)**	(0.2)
Deferred tax impact of assets transferred from Valero Energy UK Ltd	**0.4**	0.0
Prior period adjustment	**(0.1)**	(0.3)
Re-measurement of deferred tax - change in UK tax rate	**0.0**	(2.7)
Total current tax (credit)/charge for the year	**69.4**	88.5

The aggregate current and deferred tax related to items that are recognised as items of other comprehensive income is £nil.

c) Tax rate changes

During the year the UK corporation tax rate decreased to 19% from 1 April 2017. There will be a further decrease to 17% from 1 April 2020.

11 Tangible assets

	Land and buildings £ m	Plant and machinery £ m	Assets under construction £ m	Turnaround costs £ m	Total £ m
Cost					
At 1 January 2017	31.5	1,298.8	24.2	128.0	1,482.5
Additions	0.0	0.0	41.8	0.3	42.1
Disposals	(0.5)	(4.4)	0.0	0.0	(4.9)
Transfers	0.6	16.1	(16.7)	0.0	0.0
Transfer from Valero Energy UK Ltd	0.0	1.1	12.9	0.0	14.0
At 31 December 2017	31.6	1,311.6	62.2	128.3	1,533.7
Depreciation					
At 1 January 2017	12.2	865.2	0.0	54.0	931.4
Charge for the year	1.0	22.8	0.0	18.7	42.5
Eliminated on disposal	(0.1)	(3.3)	0.0	0.0	(3.4)
Transfer from Valero Energy UK Ltd	0.0	1.0	0.0	0.0	1.0
At 31 December 2017	13.1	885.7	0.0	72.7	971.5
Carrying amount					
At 31 December 2017	18.5	425.9	62.2	55.6	562.2
At 31 December 2016	19.3	433.6	24.2	74.0	551.1

11 Tangible assets (continued)

Leased assets

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2017 £ m	2016 £ m
	2.9	2.9

12 Investments in subsidiaries, joint ventures and associates

	2017 £ m	2016 £ m
Investments in subsidiaries	**268.6**	268.6
Investments in associates	**0.1**	0.1
	268.7	268.7

Subsidiaries	£ m
Cost or valuation	
At 1 January 2017	**268.6**
Carrying amount	
At 31 December 2017	**268.6**
At 31 December 2016	**268.6**

Associates	£ m
Cost	
At 1 January 2017	**0.1**
Additions	**0.0**
Disposals	**0.0**
At 31 December 2017	**0.1**
Carrying amount	
At 31 December 2017	**0.1**
At 31 December 2016	**0.1**

12 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) 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 2017	2016
Subsidiary undertakings				
Valero Logistics UK Ltd Fifth Floor 100 Wood Street London EC2V 7EX	England	Ordinary	100%	100%
Valero Energy UK Ltd Fifth Floor 100 Wood Street London EC2V 7EX	England	Ordinary	100%	100%
Valero Energy (Ireland) Ltd First Floor, Block B Liffey Valley Office Campus Quarryvale vale Co. Dublin	Ireland	Ordinary	100%	100%
Associates				
Aviation Fuel Services Limited Calshot Way Central Area Heathrow Airport Hounslow Middlesex TW6 1PY	England	Ordinary	25%	25%
H & G Contracting Services Ltd (dissolved on 10 August 2017) Calshot Way Central Area Heathrow London Airport Hounslow Middlesex TW6 1PY	England	Ordinary	0.0%	33.3%
Stansted Intoplane Company Limited Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT	England	Ordinary	20%	20%

12 Investments in subsidiaries, joint ventures and associates (continued)

West London Pipeline and Storage Limited (transferred from Valero Energy UK Ltd on 30 March 2017) 5-7 Alexandra Road Hemel Hempstead Hertfordshire HP2 5BS	England	Ordinary	21%	0.0%

Although the beneficial interest in all the JV shareholdings was transferred to Valero Energy Ltd on 1 January 2014, Valero Energy UK Ltd continues to hold the shareholding on behalf of Valero Energy Ltd pending legal transfer for the following shareholdings:

Aviation Fuel Services Limited
Stansted Intoplane Company Limited
Gatwick Airport Storage and Hydrant Company Limited
Heathrow Airport Fuel Company Limited
Heathrow Hydrant Operating Company Limited
Stansted Fuelling Company Limited

13 Stocks

	2017 £ m	2016 £ m
Crude oil and raw materials	**331.2**	212.9
Finished refined products and chemicals	**525.6**	426.1
Miscellaneous merchandise	**11.6**	12.0
Write-down to net realisable value	**(5.1)**	(4.3)
	863.3	646.7

14 Debtors

	2017 £ m	2016 £ m
Trade debtors	**886.1**	777.8
Amounts owed by parent company (see note below)	**3.2**	4.4
Amounts owed by group undertakings (see note below)	**42.9**	45.4
Amounts owed by subsidiaries (see note below)	**47.9**	96.3
Deferred charges	**20.1**	18.0
Prepayments	**14.2**	19.1
Other debtors (see note 21)	**5.6**	7.9
Total current trade and other receivables	**1,020.0**	968.9

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

15 Creditors

	2017 £ m	2016 £ m
Due within one year		
Trade creditors	**333.8**	330.4
Loan owed to parent company (see note below)	**0.0**	3.2
Loan owed to subsidiary (see note below)	**127.3**	124.4
Amounts owed to group undertakings (see note below)	**330.3**	235.9
Amounts owed to subsidiaries (see note below)	**1.6**	0.0
Social security and other taxes	**400.8**	363.4
Accrued expenses	**39.0**	34.9
Other creditors	**14.9**	10.2
	1,247.7	1,102.4
Due after one year		
Amounts owed to group undertakings (see note below)	**16.9**	16.7

The company repaid the revolving credit facility it had with its parent company Valero Holdco UK Ltd in July 2017.

The company has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

16 Operating leases

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £ m	2016 £ m
Not later than one year	**5.4**	4.3
Later than one year and not later than five years	**6.6**	7.5
Later than five years	**1.5**	1.6
	13.5	13.4

During the year £17.5m was recognised as an expense in the profit and loss account in respect of operating leases (2016 : £17.0m).

17 Provisions

	Environmental £ m	Deferred tax £ m	Other provisions £ m	Total £ m
At 1 January 2017	**14.1**	**47.1**	**2.9**	**64.1**
Additional provisions	**0.0**	**2.3**	**1.0**	**3.3**
Provisions used	**(0.9)**	**0.0**	**(2.6)**	**(3.5)**
Increase (decrease) from transfers and other changes	**(0.1)**	**0.0**	**0.0**	**(0.1)**
At 31 December 2017	**13.1**	**49.4**	**1.3**	**63.8**

Deferred Taxation

Deferred taxation provided for at 17% (2016: 17%) in the financial statements is set out below:

	2017 £ m	2016 £ m
Deferred tax		
Accelerated Capital Allowances	**51.7**	49.4
Share Based Payments	**0.6**	0.6
Bad Debt Provisions	**(0.2)**	(0.1)
Intercompany Pension Asset/Liability	**(2.9)**	(2.8)
Provisions	**(0.2)**	(0.5)
Derivative Contracts	**0.4**	0.5
	49.4	47.1

The amount of the net reversal of deferred tax expected to occur in the next year is £1.2m resulting in an increased deferred tax liability, relating to the reversal of existing timing differences on tangible fixed assets.

17 Provisions (continued)

Environmental
The environmental provision relates to an ongoing programme of environmental remediation works at the Pembroke refinery.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £802,973 (2016 : £614,337).

Defined benefit pension scheme
Valero UK Pension Plan

Valero Energy Ltd employees hold contracts of employment with Valero Operations Support, Ltd. Valero Operation Support, Ltd operates a pension scheme providing retirement benefits based on final pensionable pay. At 31 December 2017, 555 Valero Energy Ltd employees were current members of the scheme which closed to new employees on 31 May 2013.

As part of its agreement with Valero Operations Support, Ltd, Valero Energy Ltd has agreed to make contributions to the scheme for its employees. Contributions paid to the scheme in 2017 amounted to £11.6m (2016: £13.6m). There were no outstanding contributions payable to the scheme at the end of the year. Expected contributions payable in the next year are £11.5m.

Full disclosure of the scheme detail is included in the accounts of Valero Operations Support, Ltd.

19 Commitments

Capital commitments
The company has commitments relating to various upgrade projects at its Pembroke refinery.

The total amount contracted for, but not provided in the financial statements, was £3.3m (2016 : £7.6m).

20 Share capital

Allotted, called up and fully paid shares

		2017		2016
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	**1,440.6**	**1,440.6**	1,440.6	1,440.6

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.

21 Financial instruments

Categorisation of financial instruments

	2017 £ m	2016 £ m
Financial assets measured at fair value through profit or loss	**1.8**	6.9

Financial assets measured at fair value

Oil futures and swaps

Financial instruments open at the balance sheet date are valued at the market price at the end of the period.

The change in value included in profit or loss is £1.7m (2016 : £(8.9)m).

Foreign exchange forward purchase contracts

Foreign currency forward purchase contracts are valued at the exchange rate at the balance sheet date and the difference between the contracted price and the balance sheet date price is recognised in the profit and loss account.

The change in value included in profit or loss is £(1.5)m (2016 : £(0.5)m).

Financial instruments at fair value through profit or loss that are not held as part of a trading portfolio and not derivatives

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	2017 £ m	2016 £ m
Trade debtors	14	**886.1**	777.8
Amounts owed by parent company (see note below)	14	**3.2**	4.4
Amounts owed by group undertakings (see note below)	14	**42.9**	45.4
Amounts owed by subsidiaries (see note below)	14	**47.9**	96.3
Other debtors	14	**5.6**	7.9
		985.7	931.8

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

21 Financial instruments (continued)

Financial liabilities that are debt instruments measured at amortised cost

	Note	2017 £ m	2016 £ m
Due within one year			
Trade creditors	15	**333.8**	330.4
Loan owed to parent company (see note below)	15	**0.0**	3.2
Loan owed to subsidiary (see note below)	15	**127.3**	124.4
Amounts owed to group undertakings (see note below)	15	**330.3**	235.9
Amounts owed to subsidiaries (see note below)	15	**1.6**	0.0
Other creditors	15	**14.9**	10.2
		807.9	704.1

Financial assets that are debt instruments measured at amortised cost

	Note	2017 £m	2016 £m
Due after one year			
Amounts owed to group undertakings	15	**16.9**	16.7

The company repaid the revolving credit facility it had with its parent company Valero Holdco UK Ltd in July 2017.

The company also has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

22 Parent and ultimate parent undertaking

The company's immediate parent is Valero HoldCo UK Ltd, incorporated in United Kingdom and with its registered office at Fifth Floor, 100 Wood Street, London ECV 7EX.

The ultimate parent undertaking is Valero Energy Corporation, incorporated in the State of Delaware, USA. The consolidated financial statements of Valero Energy Corporation are available on request from One Valero Way, San Antonio, Texas 78249, USA.

23 Subsequent events

On 22 January 2018, the company declared a dividend of £30 million to its parent company Valero Holdco UK Ltd, which was paid on 31 January 2018.

Registration number: 8566216

Valero Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Valero Energy Ltd

Contents

Valero Energy Ltd

Company Information

Directors	M A Dooley
	E A Fisher
	N E V Roberts
	E Tomp
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 Energy 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 the refining of crude oil and the distribution, transport and marketing of refined petroleum products. The company's marketing activity is under the Texaco brand.

Fair review of the business

The company made a profit after taxation for the year of £173.7m (2017: profit of £357.4m). The net assets of the company were £2,309.7m at 31 December 2018 (£2,166.0m at 31 December 2017).

There was a slight decrease in the number of Texaco branded service stations during the year as certain low volume sites were closed. The value of the sales of petroleum products increased by over 30% compared to 2017 which was mainly due to higher product prices.

On 31 January 2018, the company paid a dividend of £30 million to its parent company Valero Holdco UK Ltd.

In March 2018 the company's ultimate parent company Valero Energy Corporation gave its approval for the construction of a Combined Heat and Power Cogeneration ("COGEN") Unit at the Pembroke Refinery, following the Welsh Government's decision to grant planning permission for the planned £127 million project. This project will significantly reduce the refinery's demand on the National Grid, releasing capacity for use by other purchasers and consumers and will also deliver a reduction in CO^2 emissions. The success of this project will secure the longevity of the plant, maintain the refinery's contribution towards Welsh export GDP, provide job security for more than 1,000 employees and underpin continued support for the local supply chain, the Port of Milford Haven and local businesses both within Pembrokeshire and along the M4 corridor.

Key performance indicators

Key financial and other performance indicators relating to sales, volumes, margins and operating costs are reviewed on a monthly basis by the company's management team.

The company also monitors a number of non-financial performance indicators, one key one being refinery utilisation, which for the year was 80.3% (2017: 84.2%). Other non-financial indicators include those monitoring health and safety statistics of refinery employees and contractors.

Principal risks and uncertainties

The company is subject to various risks and uncertainties in the course of its ordinary business. Many of these risks and uncertainties are inherent in the refining of crude oil and distribution, transport and marketing of petroleum products. The company has identified risks and uncertainties relevant to its business and these include, but are not limited to the following:
- volatility of future crude and petroleum product prices;
- worldwide and domestic demand for petroleum products;
- changes in weather patterns and natural disasters;
- credit and treasury risks (liquidity/foreign exchange);
- price and availability of alternative and competing fuels; and
- general economic conditions.

Valero Energy Ltd

Strategic Report for the Year Ended 31 December 2018 (continued)

Other risks identified are:

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.

Credit risk
The company has implemented policies that require appropriate credit checks on customers before sales are made. The overall level of indebtedness is monitored closely by the company's credit group.

Liquidity risk
The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit. All cash accounts are managed at Valero Energy Corporation group level.

Cash flow risk
The company can have both interest bearing assets and liabilities which are generally held at floating rates. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments and borrowings maintained. The company does not hedge interest rate risks.

Foreign exchange risk
The company has assets and liabilities denominated in foreign currencies. To meet operational needs the company forward purchases US Dollars for periods of less than one month to match payments due for third party crude oil purchases.

Many of the risks and uncertainties as mentioned above are beyond the company's control. The company has taken steps to manage and minimise certain risks and uncertainties. These include:
- maintaining a highly experienced and professional team;
- applying procedures/controls to manage financial exposures and operational risks;
- applying procedures/controls to manage environmental and occupational health and safety matters;
- employing insurance and risk management programmes; and
- regular reviews of the company's operational results.

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

NRoberts
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N E V Roberts
Director

Valero Energy 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)

E A Fisher

N E V Roberts

E Tomp

M E Loeber (resigned 23 July 2018)

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for at least one year from the date of signing these financial statements.

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

Future developments
The directors expect the current level of business activity to continue in the future.

Financial instruments
The company's financial instruments consist of derivative financial instruments which are swaps and future contracts and 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.

Results and dividends
The company's profit after taxation for the year of £173.7m (2017: profit of £357.4m). A dividend of £30m was paid to its parent company Valero Holdco UK Ltd on 31 January 2018 (2017: £nil).
Retained profits transferred to reserves at 31 December 2018 were £173.7m (2017: retained profits of £357.4m), contributing to an increase in shareholders' funds to £2,309.7m (2017: shareholders' funds £2,166.0m).

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 section 234 of the Companies Act 2006, and was in force throughout the period and up until the date of this report.

Employment of disabled persons
It is the policy of the company and its parent, Valero Holdco UK Ltd, to ensure that all employees receive equal treatment and are judged solely on merit and capability. Group policy also aims to ensure that all job applications from disabled people receive full and fair consideration. Every effort is made to continue the employment of, and arrange appropriate training for, those employees who become disabled during their period of employment, as well as giving equal opportunities with all other employees to progress within the group.

Employee involvement

The group is committed to the principle of employee involvement and its practice is to provide employees with information on matters of concern to them. The group consults with employees and their representatives in order that their views can be taken into account on such matters as are appropriate.

The group communicates and consults with employees at the local level through regular formal meetings and as necessary by ad hoc consultation and negotiation with the employees and their representatives. In addition the group uses employee intranet and e-mails from senior management as further means of communicating items with their employees and their activities.

Employees who work for the company may be entitled to join the Valero UK Share Incentive Plan, which is sponsored by Valero Operations Support, Ltd, another group entity registered in the UK. This plan was set up on 1 August 2011 and is administered by Computershare Trustees Limited, The Pavillions, Bridgewater Road, Bristol BS13 8AE. Under the rules of the scheme Valero Operations Support, Ltd will match every share bought by an employee in Valero Energy Corporation with two matching shares (up to a certain limit). These matching shares will be held in a UK registered trust until the employee has completed 3 years of service. Further details of the plan are disclosed in the accounts of Valero Operations Support, Ltd.

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.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 2. Additionally, subsequent to the end of the financial year, the company paid a dividend of £30 million to its parent company Valero HoldCo UK Ltd on 30 January 2019, see note 23 to the Financial Statements.

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:

NRoberts

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N E V Roberts
Director

Statement of Director's 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.

Independent Auditor's Report to the members of Valero Energy Ltd

Opinion

We have audited the financial statements of Valero Energy 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The Impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and company's future prospects and performance. 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. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. 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.

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 its 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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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.

Independent Auditor's Report to the members of Valero Energy Ltd

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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, 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.

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 and for 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 these financial statements.

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

Independent Auditor's Report to the members of Valero Energy Ltd

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

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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 Energy Ltd

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ m	2017 £ m
Turnover	3	**10,443.7**	7,593.6
Cost of sales		**(9,932.6)**	(6,945.1)
Gross profit		**511.1**	648.5
Distribution costs		**(259.1)**	(247.3)
Administrative expenses		**(39.5)**	(39.1)
Other operating income		**0.0**	0.3
Operating profit	4	**212.5**	362.4
Income from shares in subsidiary undertakings		**0.0**	63.7
Income from participating interests		**1.6**	2.2
Other interest receivable and similar income	5	**3.4**	1.5
Interest payable and similar charges	6	**(3.5)**	(3.0)
Profit before tax		**214.0**	426.8
Taxation	10	**(40.3)**	(69.4)
Profit for the financial year		**173.7**	357.4

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

Valero Energy Ltd

(Registration number: 8566216)
Balance Sheet as at 31 December 2018

	Note	2018 £ m	2017 £ m
Fixed assets			
Tangible assets	11	**576.2**	562.2
Investments	12	**268.7**	268.7
		844.9	830.9
Current assets			
Stocks	13	**831.1**	863.3
Debtors	14	**1,075.4**	1,020.0
Cash at bank and in hand		**801.0**	780.2
		2,707.5	2,663.5
Creditors: amounts falling due within one year	15	**(1,171.5)**	(1,247.7)
Net current assets		**1,536.0**	1,415.8
Total assets less current liabilities		**2,380.9**	2,246.7
Creditors: amounts falling due after more than one year	15	**(8.0)**	(16.9)
Provisions for liabilities	17	**(63.2)**	(63.8)
Net assets		**2,309.7**	2,166.0
Capital and reserves			
Called up share capital	20	**1,440.6**	1,440.6
Retained earnings		**869.1**	725.4
Total equity		**2,309.7**	2,166.0

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

NRoberts

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N E V Roberts
Director

Valero Energy Ltd

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

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2018	1,440.6	725.4	**2,166.0**
Profit for the year	0.0	173.7	**173.7**
Total comprehensive income	0.0	173.7	**173.7**
Dividends	0.0	(30.0)	**(30.0)**
At 31 December 2018	1,440.6	869.1	**2,309.7**

	Share capital £ m	Retained earnings £ m	Total £ m
At 1 January 2017	1,440.6	368.0	**1,808.6**
Profit for the year	0.0	357.4	**357.4**
Total comprehensive income	0.0	357.4	**357.4**
At 31 December 2017	1,440.6	725.4	**2,166.0**

The notes on pages 13 to 28 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, 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 million.

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. On the basis of their assessment of company's financial position and the financial performance of the company since the balance sheet date, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as at the balance sheet date. However, the nature of estimation means that actual outcomes could differ from those estimates.

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' from disclosing all related party transactions with wholly owned subsidiaries of the group, and as such are not required to be disclosed.

2 Accounting policies (continued)

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.

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the sale of petroleum products and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue from petroleum product sales when title has transferred to the buyer, together with the risks and rewards of ownership. Any non-petroleum product revenue is recognised at the point at which risks and rewards are transferred to the buyer, in line with the appropriate contract terms.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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 that are 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.

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. All borrowing costs are expensed.

Depreciation

2 Accounting policies (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and properties under construction are not depreciated. The estimated useful lives are as follows:

Asset class	**Useful life**
Freehold land	Not depreciated
Leaseholds	8 to 33 years or over term of lease
Buildings	8 to 40 years
Plant and machinery	3 to 25 years
Assets under construction	Not depreciated until assets brought into use

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Significant estimates and judgements are based on management's review of the most likely outcome, having given consideration to current statutory and contractual requirements, at the reporting date. Environmental obligations are based on latest technical and other data to determine the company's most probable cost of remediation. Actual costs can differ from estimates due to future changes in legislation, market conditions and other factors.

2 Accounting policies (continued)

Defined contribution pension obligation

Valero Operations Support, Ltd operates a defined contribution plan for employees who have joined the company on or after 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss account as incurred.

Defined benefit pension obligation

Valero Operations Support, Ltd operates a defined benefit plan for employees who joined the company before 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss accounts of Valero Energy Ltd and Valero Logistics UK Ltd. Contributions made on behalf of Valero Logistics UK Ltd by Valero Energy Ltd are recovered by way of intercompany recharge.

The defined benefit obligation is recognised in the accounts of Valero Operations Support, Ltd but is reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd. Actuarial gains and losses recognised as other comprehensive income in the accounts of Valero Operations Support, Ltd are also reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd.

Share based payments

Eligible employees of the company can participate in the Valero UK Share Incentive Plan (ESIP). The ESIP enables employees to make monthly contributions out of salary up to prescribed limits. Each month the contributions are used by the trustees of the plan to acquire shares of common stock of Valero Energy Corporation on the open market (partnership shares). The company makes a matching contribution to the trustees to acquire a matching number of shares on a two for one basis (up to a certain limit). In accordance with FRS 102, the cost of the matched portion of the shares is charged to the profit and loss account over a three year vesting period.

The company also operates a restricted stock award scheme where certain employees are granted a variable number of shares in Valero Energy Corporation annually. The grant date fair value of the awards is recognised as employee expense, taking into account the terms and conditions upon which the awards were granted.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

3 Turnover

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

	2018 £ m	2017 £ m
Sale of goods	10,435.2	7,583.3
Other revenue	8.5	10.3
	10,443.7	7,593.6

The analysis of the company's revenue for the year by market is as follows:

	2018 £ m	2017 £ m
UK	10,152.1	7,406.7
Europe	273.7	173.4
Rest of world	17.9	13.5
	10,443.7	7,593.6

4 Operating profit

The operating profit is arrived at after charging/(crediting)

4 Operating profit/(loss) (continued)

	2018 £ m	2017 £ m
Depreciation expense	**46.6**	42.5
Amortisation expense	**5.9**	5.2
Write-down of stocks to net realisable value	**0.1**	0.9
Foreign exchange gains	**(24.6)**	(11.3)
Operating lease expense - plant and machinery	**3.0**	2.6
Operating lease expense - other	**15.7**	14.9
Loss on disposal of property, plant and equipment	**1.3**	1.5

5 Interest receivable and similar income

	2018 £ m	2017 £ m
Bank interest receivable	**3.4**	1.5

6 Interest payable and similar charges

	2018 £ m	2017 £ m
Interest on loans from group undertakings	**3.5**	2.9
Other interest payable	**0.0**	0.1
	3.5	3.0

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ m	2017 £ m
Wages and salaries	**61.5**	58.2
Share-based payments	**2.1**	1.9
Social security costs	**7.0**	6.8
Expenses related to defined benefit plans	**1.3**	11.1
Contributions to defined contribution plans	**1.0**	0.8
	72.9	78.8

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

	2018 No.	2017 No.
Refining	**511**	543
Marketing and other	**153**	159
	664	702

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ m	2017 £ m
Remuneration	**3.2**	3.0

8 Directors' remuneration (continued)

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

	2018 No.	2017 No.
Received or were entitled to receive shares under long term incentive schemes	4	3
Accruing benefits under defined benefit pension schemes	3	3

In respect of the highest paid director:

	2018 £ m	2017 £ m
Remuneration	1.2	1.3
Defined benefit accrued pension entitlement at the end of the period	0.0	0.0
Defined benefit accrued lump sum at the end of the period	0.0	0.4

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

9 Auditor's remuneration

	2018 £ m	2017 £ m
Audit of the financial statements	0.4	0.4
Other fees payable to the auditor		
The audit of associated companies annual accounts	0.0	0.0

10 Income tax

a) Tax expense included in profit or loss

The tax charge/(credit) is based on the profit for the year and represents:

	2018 £ m	2017 £ m
Current taxation		
UK corporation tax	40.2	67.2
Adjustments in respect of previous periods	0.1	(0.1)
Total current tax	40.3	67.1
Deferred taxation		
Origination and reversal of timing differences	0.1	1.9
Adjustment in respect of previous period	(0.1)	0.0
Assets transferred from Valero Energy UK Ltd	0.0	0.4
Total deferred taxation	0.0	2.3
Tax on profit on ordinary activities	40.3	69.4

10 Income tax (continued)

The tax charge includes £3.7m in respect of losses that have been claimed from other group companies in exchange for consideration.

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 2017 of 19% (2017: 19.25%).

The differences are explained as follows:

	2018 **£ m**	2017 £ m
Profit on ordinary activities before tax	**214.0**	426.8
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**40.6**	82.2
Expenses not deductible for tax purposes	**0.1**	0.1
Investment Income	**(0.3)**	(12.7)
Share Schemes	**(0.1)**	(0.2)
Current/Deferred tax rate differential	**0.0**	(0.3)
Deferred tax impact of assets transferred from Valero Energy UK Ltd	**0.0**	0.4
Prior period adjustment	**0.0**	(0.1)
Total current tax charge for the year	**40.3**	69.4

The aggregate current and deferred tax related to items that are recognised as items of other comprehensive income is £nil.

c) Tax rate changes

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

11 Tangible assets

	Land and buildings £ m	Plant and machinery £ m	Assets under construction £ m	Turnaround costs £ m	Total £ m
Cost					
At 1 January 2018	31.6	1,311.6	62.2	128.3	1,533.7
Additions	0.0	0.0	54.4	7.5	61.9
Disposals	0.0	(7.1)	0.0	0.0	(7.1)
Transfers	0.0	23.0	(23.0)	0.0	0.0
At 31 December 2018	31.6	1,327.5	93.6	135.8	1,588.5
Depreciation					
At 1 January 2018	13.1	885.7	0.0	72.7	971.5
Charge for the year	0.9	25.1	0.0	20.6	46.6
Eliminated on disposal	0.0	(5.8)	0.0	0.0	(5.8)
At 31 December 2018	14.0	905.0	0.0	93.3	1,012.3
Carrying amount					
At 31 December 2018	17.6	422.5	93.6	42.5	576.2
At 31 December 2017	18.5	425.9	62.2	55.6	562.2

11 Tangible assets (continued)

Leased assets

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2018 £ m	2017 £ m
	2.8	2.9

12 Investments in subsidiaries, joint ventures and associates

	2018 £ m	2017 £ m
Investments in subsidiaries	**268.6**	268.6
Investments in associates	**0.1**	0.1
	268.7	268.7

Subsidiaries	£ m
Cost or valuation	
At 1 January 2018	268.6
Carrying amount	
At 31 December 2018	268.6
At 31 December 2017	268.6

Associates	£ m
Cost	
At 1 January 2018	0.1
Carrying amount	
At 31 December 2018	0.1
At 31 December 2017	0.1

12 Investments in subsidiaries, joint ventures and associates (continued)

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 Logistics UK Ltd	England	Ordinary	100%	100%
Valero Energy UK Ltd	England	Ordinary	100%	100%
Valero Energy (Ireland) Ltd	Ireland	Ordinary	100%	100%
Associates				
Aviation Fuel Services Limited	England	Ordinary	25%	25%
H & G Contracting Services Ltd (dissolved on 10 August 2017)	England	Ordinary	0.0%	0.0%
Stansted Intoplane Company Limited	England	Ordinary	20%	20%
West London Pipeline and Storage Limited (transferred from Valero Energy UK Ltd on 30 March 2017)	England	Ordinary	21%	21%

Although the beneficial interest in all the JV shareholdings was transferred to Valero Energy Ltd on 1 January 2014, Valero Energy UK Ltd continues to hold the shareholding on behalf of Valero Energy Ltd pending legal transfer for the following shareholdings:

Aviation Fuel Services Limited
Stansted Intoplane Company Limited
Gatwick Airport Storage and Hydrant Company Limited
Heathrow Airport Fuel Company Limited
Heathrow Hydrant Operating Company Limited
Stansted Fuelling Company Limited

13 Stocks

	2018 £ m	2017 £ m
Crude oil and raw materials	289.7	331.2
Finished refined products and chemicals	535.3	525.6
Miscellaneous merchandise	11.3	11.6
Write-down to net realisable value	(5.2)	(5.1)
	831.1	863.3

14 Debtors

	2018 £ m	2017 £ m
Trade debtors	876.3	886.3
Amounts owed by parent company (see note below)	8.8	3.2
Amounts owed by group undertakings (see note below)	44.8	42.9
Amounts owed by subsidiaries (see note below)	111.5	47.9
Deferred charges	20.0	20.1
Prepayments	6.7	14.2
Other debtors (see note 21)	7.3	5.4
	1,075.4	1,020.0

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

15 Creditors

	2018 £ m	2017 £ m
Due within one year		
Trade creditors	284.7	333.8
Loan owed to subsidiary (see note below)	130.8	127.3
Amounts owed to group undertakings (see note below)	287.4	330.3
Amounts owed to subsidiaries (see note below)	1.7	1.6
Social security and other taxes	415.3	400.8
Accrued expenses	33.5	39.0
Other creditors	18.1	14.9
	1,171.5	1,247.7
Due after one year		
Amounts owed to group undertakings (see note below)	8.0	16.9

The company has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

16 Operating leases

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £ m	2017 £ m
Not later than one year	7.7	5.4
Later than one year and not later than five years	0.9	6.6
Later than five years	1.5	1.5
	10.1	13.5

During the year £18.7m was recognised as an expense in the profit and loss account in respect of operating leases (2017 : £17.5m).

17 Provisions

	Environmental £ m	Deferred tax £ m	Other provisions £ m	Total £ m
At 1 January 2018	13.1	49.4	1.3	63.8
Additional provisions	0.0	0.0	0.0	0.0
Provisions used	(0.6)	0.0	0.0	(0.6)
Increase (decrease) from transfers and other changes	0.0	0.0	0.0	0.0
At 31 December 2018	12.5	49.4	1.3	63.2

Deferred Taxation

Deferred taxation provided for at 17% (2017: 17%) in the financial statements is set out below:

	2018 £ m	2017 £ m
Deferred tax		
Accelerated Capital Allowances	53.7	51.7
Share Based Payments	0.6	0.6
Bad Debt Provisions	(0.3)	(0.2)
Intercompany Pension Asset/Liability	(1.3)	(2.9)
Provisions	(0.2)	(0.2)
Derivative Contracts	(3.1)	0.4
	49.4	49.4

The amount of the net reversal of deferred tax expected to occur in the next year is £1.6m resulting in an increased deferred tax liability, relating to the reversal of existing timing differences on tangible fixed assets.

Environmental

The environmental provision relates to an ongoing programme of environmental remediation works at the Pembroke refinery. The provision is expected to be utilised between 2019 to 2038.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,010,577 (2017 : £802,973).

Defined benefit pension scheme
Valero UK Pension Plan

Valero Energy Ltd employees hold contracts of employment with Valero Operations Support, Ltd. Valero Operation Support, Ltd operates a pension scheme providing retirement benefits based on final pensionable pay. At 31 December 2017, 555 Valero Energy Ltd employees were current members of the scheme which closed to new employees on 31 May 2013.

As part of its agreement with Valero Operations Support, Ltd, Valero Energy Ltd has agreed to make contributions to the scheme for its employees. Contributions paid to the scheme in 2018 amounted to £11.2m (2017: £11.6m). There were no outstanding contributions payable to the scheme at the end of the year. Expected contributions payable in the next year are £10.4m.

Full disclosure of the scheme detail is included in the accounts of Valero Operations Support, Ltd.

19 Commitments

Capital commitments
The company has commitments relating to the COGEN project and various upgrade projects at its Pembroke refinery.

The total amount contracted for, but not provided in the financial statements, was £39.4m (2017 : £3.3m).

20 Share capital

Allotted, called up and fully paid shares

		2018		2017
	No. m	£ m	No. m	£ m
Ordinary shares of £1 each	**1,440.6**	**1,440.6**	1,440.6	1,440.6

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.

21 Financial instruments

Categorisation of financial instruments

	2018	2017
	£ m	£ m
Financial assets measured at fair value through profit or loss	**6.5**	1.8

Financial assets measured at fair value

21 Financial instruments (continued)

Oil futures and swaps
Financial instruments open at the balance sheet date are valued at the market price at the end of the period.

The change in value included in profit or loss is £(15.2)m (2017 : £1.7m).

Foreign exchange forward purchase contracts
Foreign currency forward purchase contracts are valued at the exchange rate at the balance sheet date and the difference between the contracted price and the balance sheet date price is recognised in the profit and loss account.

The change in value included in profit or loss is £0.2m (2017 : £(1.5)m).

21 Financial instruments (continued)

Financial instruments at fair value through profit or loss that are not held as part of a trading portfolio and not derivatives

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 £ m	2017 £ m
Trade debtors	14	**876.3**	886.1
Amounts owed by parent company (see note below)	14	**8.8**	3.2
Amounts owed by group undertakings (see note below)	14	**44.8**	42.9
Amounts owed by subsidiaries (see note below)	14	**111.5**	47.9
Other debtors	14	**7.3**	5.6
		1,048.7	985.7

Amounts owed by parent company, group undertakings and subsidiaries 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 £ m	2017 £ m
Due within one year			
Trade creditors	15	**284.7**	333.8
Loan owed to subsidiary (see note below)	15	**130.8**	127.3
Amounts owed to group undertakings (see note below)	15	**287.4**	330.3
Amounts owed to subsidiaries (see note below)	15	**1.7**	1.6
Other creditors	15	**18.1**	14.9
		722.7	807.9

Financial assets that are debt instruments measured at amortised cost

	Note	2018 £m	2017 £m
Due after one year			
Amounts owed to group undertakings	15	**8.0**	16.9

The company also has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

22 Parent and ultimate parent undertaking

The company's immediate parent is Valero HoldCo UK Ltd, incorporated in United Kingdom and with its registered office at Fifth Floor, 100 Wood Street, London ECV 7EX.

The ultimate parent undertaking is Valero Energy Corporation, incorporated in the State of Delaware, USA. The consolidated financial statements of Valero Energy Corporation are available on request from One Valero Way, San Antonio, Texas 78249, USA.

23 Subsequent events

On 15 January 2019, the company declared a dividend of £30 million to its parent company Valero Holdco UK Ltd, which was paid on 30 January 2019.

Registration number: 8566216

Valero Energy Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Valero Energy Ltd

Contents

Valero Energy Ltd

Company Information

Directors	M A Dooley
	E A Fisher
	N E V Roberts
	E Tomp
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 Energy Ltd

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity
The principal activity of the company is the refining of crude oil and the distribution, transport and marketing of refined petroleum products. The company's marketing activity is under the Texaco brand.

Fair review of the business
The company made a profit after taxation for the year of £247.7m (2018: profit of £173.7m). The net assets of the company were £2,057.4m at 31 December 2019 (£2,309.7m at 31 December 2018).

There was a slight increase in the number of Texaco branded service stations during the year. The value of the sales of petroleum products decreased by about 14% compared to 2018 which was mainly due to lower product prices.

On 30 January 2019 and 18 November 2019, the company paid dividends of £30 million and £590 million respectively to its parent company Valero HoldCo UK Ltd.

Key performance indicators
Key financial and other performance indicators relating to sales, volumes, margins and operating costs are reviewed on a monthly basis by the company's management team.

The company also monitors a number of non-financial performance indicators, one key one being refinery utilisation, which for the year was 80.3% (2018: 80.3%). Other non-financial indicators include those monitoring health and safety statistics of refinery employees and contractors.

Principal risks and uncertainties

Covid-19
The Covid-19 pandemic had an unprecedented economic and social impact on the UK from mid-March 2020 onwards. Uncertainty regarding the likely strength and speed of the UK's economic recovery from the pandemic, plus the possible re-emergence of Covid-19 or similar viruses, create significant ongoing risks for the company.
As part of Valero Energy Corporation, the company's response and handling of these risks have been managed on a co-ordinated global basis.

Commercial risk
The company is subject to various risks and uncertainties in the course of its ordinary business. Many of these risks and uncertainties are inherent in the refining of crude oil and distribution, transport and marketing of petroleum products. The company has identified risks and uncertainties relevant to its business and these include, but are not limited to the following:
- volatility of future crude and petroleum product prices;
- worldwide and domestic demand for petroleum products;
- changes in weather patterns and natural disasters;
- credit and treasury risks (liquidity/foreign exchange);
- price and availability of alternative and competing fuels; and
- general economic conditions.

Liquidity risk
The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by placing surplus funds on deposit. All cash accounts are managed at Valero Energy Corporation group level.

Political risk
Subsequent to leaving the European Union ('EU') on 31 January 2020 the UK has entered a transitional period until 31 December 2020 to negotiate and agree its future trading relationship with the countries of the EU. The terms of this future arrangement with the EU together with any new agreements with non-EU countries could adversely impact the company. However, due to the uncertainty surrounding these future trading agreements at the date of this report, the directors are unable to quantify exactly the likely effects on the company.

Credit risk
The company has implemented policies that require appropriate credit checks on customers before sales are made. The overall level of indebtedness is monitored closely by the company's credit group.

Cash flow risk
The company can have both interest bearing assets and liabilities which are generally held at floating rates. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments and borrowings maintained. The company does not hedge interest rate risks.

Foreign exchange risk
The company has assets and liabilities denominated in foreign currencies. To meet operational needs the company forward purchases US Dollars for periods of less than one month to match payments due for third party crude oil purchases.

Many of the risks and uncertainties as mentioned above are beyond the company's control. The company has taken steps to manage and minimise certain risks and uncertainties. These include:
- maintaining a highly experienced and professional team;
- applying procedures/controls to manage financial exposures and operational risks;
- applying procedures/controls to manage environmental and occupational health and safety matters;
- employing insurance and risk management programmes; and
- regular reviews of the company's operational results.

Section 172 statement
The Companies (Miscellaneous Reporting) Regulations 2018 introduced a requirement for financial years beginning on or after 1 January 2019 that the directors to include a statement of how they have discharged their duties under section 172 of the Companies Act 2006. Section 172 places a duty on the directors to promote the success of the company for the benefit of its members as a whole and with regard to broader stakeholder interests.

The company is a wholly owned subsidiary of Valero Holdco Ltd and is ultimately owned by Valero Energy Corporation. Valero Energy Corporation, through its subsidiaries (collectively, "Valero"), is an international manufacturer and marketer of transportation fuels and petrochemical products, based in San Antonio, Texas, USA.

Decision making and standards of business conduct
In carrying out their responsibilities to the company's shareholder, the directors give due consideration for the likely long-term consequences of their decisions on Valero and the maintenance of Valero's reputation for the highest standards of business conduct.
The directors also have regard for the interests of the company's employees, business relationships with the company's stakeholders, the environmental impact of the company's operations and the communities in which it operates. Consideration of these factors and other relevant matters has been fundamental to all aspects of the directors' decision making process during the year and in evaluating the risks facing the company.

Interests of employees
The company is committed to providing a safe workplace and ensuring that its employees attain their full potential through training, coaching and other career development programmes. Thereby promoting individual performance and driving the long term success of the company. The directors and senior management hold regular town hall meetings with staff providing business updates and facilitating a culture of open two-way communication. Employees' interests are further aligned with the success of Valero through the provision of the UK employee share incentive programme ("ESIP") that, subject to certain limits, provides employees with two shares in Valero Energy Corporation for every one purchased.

Relationships with suppliers
Valero has established supplier vetting processes as part its procurement function, which seek to ensure the promotion and application of the highest standard of business ethics. Ensuring these high standards are adhered to is a key factor in maintaining and developing the company's relationships with its suppliers.

Relationships with customers
The company sells petroleum products to a wide spectrum of commercial and wholesale customers, ranging from other multi-national energy companies to individual service station operators. Whilst some bulk product sales are on a spot basis, most sales are to existing customers with which the company has an established relationship. Sales to commercial customers are typically on contracts of at least a year in length and the company has a history of renewing contracts and fostering on-going associations with many of its commercial customers over the years. The company establishes long-term relationships with its wholesale marketing customers, who operate either individual or groups of service stations under the Texaco brand in the UK, usually supplying them on five-year contracts. The provision of site branding and marketing support, including the Star Rewards customer loyalty programme, help to foster mutually successful commercial relationships.

Impact on communities and the environment
The company's Pembroke refinery is major employer and contributor to the economy of South Wales. In addition to the employment of over 500 staff permanent staff, the refinery directly retains several hundred contractors and provides indirect employment through its local suppliers. The refinery's economic and social impact on Pembrokeshire is replicated on a smaller scale for each of the communities in which the company's seven equity owned terminals operate and for the head office function in London.
Valero targets best-in-class environmental performance through an emphasis on reliability and operational excellence. As an example of this ongoing commitment to environmental performance, the company is currently making a £130 million capital investment in constructing a 45-megawatt cogeneration plant (COGEN) at Pembroke refinery, which is due to be completed in 2021.

Approved by the Board on 25 August 2020 and signed on its behalf by:

N Roberts

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N E V Roberts
Director

Valero Energy Ltd

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

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

M A Dooley

E A Fisher

N E V Roberts

E Tomp

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 these financial statements. As disclosed in note 2 to the financial statements the directors have considered a number of possible scenarios relating to Covid-19 in considering the appropriateness of using of the going concern basis.

Political donations

The company did not make any political donations or incur any political expenditure during the year (2018: £nil).

Financial instruments

The company's financial instruments consist of derivative financial instruments which are swaps and future contracts and 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.

Results and dividends

The company's profit after taxation for the year of £247.7m (2018: profit of £173.7m). A dividend of £30m and £590m was paid to its parent company Valero HoldCo UK Ltd on 30 January 2019 and 18 November 2019 respectively (2018: £30m).

Retained profits transferred to reserves at 31 December 2019 were £247.7m (2018: retained profits of £173.7m), contributing to an increase in shareholders' funds to £2,057.4m (2018: shareholders' funds £2,309.7m).

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 section 234 of the Companies Act 2006, and was in force throughout the period and up until the date of this report.

Employment of disabled persons

It is the policy of the company and its parent, Valero Holdco UK Ltd, to ensure that all employees receive equal treatment and are judged solely on merit and capability. Group policy also aims to ensure that all job applications from disabled people receive full and fair consideration. Every effort is made to continue the employment of, and arrange appropriate training for, those employees who become disabled during their period of employment, as well as giving equal opportunities with all other employees to progress within the group.

Employee involvement
The group is committed to the principle of employee involvement and its practice is to provide employees with information on matters of concern to them. The group consults with employees and their representatives in order that their views can be taken into account on such matters as are appropriate.

The group communicates and consults with employees at the local level through regular formal meetings and as necessary by ad hoc consultation and negotiation with the employees and their representatives. In addition the group uses employee intranet and e-mails from senior management as further means of communicating items with their employees and their activities.

Employees who work for the company may be entitled to join the Valero UK Share Incentive Plan, which is sponsored by Valero Operations Support, Ltd, another group entity registered in the UK. This plan was set up on 1 August 2011 and is administered by Computershare Trustees Limited, The Pavillions, Bridgewater Road, Bristol BS13 8AE. Under the rules of the scheme Valero Operations Support, Ltd will match every share bought by an employee in Valero Energy Corporation with two matching shares (up to a certain limit). These matching shares will be held in a UK registered trust until the employee has completed 3 years of service. Further details of the plan are disclosed in the accounts of Valero Operations Support, Ltd.

Corporate governance statement
Valero Energy Ltd is a wholly owned subsidiary company which is ultimately owned and controlled by Valero Energy Corporation ("Valero"), which is a US listed company and therefore required to comply with Corporate Governance. These governance arrangements are set out in the Valero annual report and accounts for the year ended 31 December 2019. While the directors have not specifically adopted the Wates Corporate Governance Principles for Large Private Companies, the company is subject to Valero's corporate governance policies and code of ethics.
Valero's governance policies have been consistently applied by the directors of Valero Energy Ltd during the financial year. The section 172 statement in the Strategic Review (page 3) sets out how the directors have promoted the success of the company with regard to its stakeholders, the environment and the communities in which it operates.

Individual governance policies and the code of ethics are accessible on the Valero website at: https://investorvalero.com/esg/default.aspx#corporate-governance

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.

Other information
An indication of likely future developments in the business has been included in the Strategic Report on page 2.

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.

Valero Energy Ltd

Directors' Report for the Year Ended 31 December 2019

Approved by the Board on 25 August 2020 and signed on its behalf by:

N Roberts

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N E V Roberts
Director

Valero Energy Ltd

Statement of Director's responsibilities in respect of the Strategic Report, the Directors' Report and the 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 then 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Valero Energy Ltd

Opinion

We have audited the financial statements of Valero Energy Ltd ("the company") for the year ended 31 December 2019 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 2019 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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 its 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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

Independent Auditor's Report to the members of Valero Energy Ltd

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, 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.

Directors' responsibilities
As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for 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.

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

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

Date: 25th August 2020

Valero Energy Ltd

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ m	2018 £ m
Turnover	3	**8,990.7**	10,443.7
Cost of sales		**(8,395.4)**	(9,932.6)
Gross profit		**595.3**	511.1
Distribution costs		**(310.2)**	(259.1)
Administrative expenses		**(38.5)**	(39.5)
Other operating income		**0.1**	0.0
Operating profit	4	**246.6**	212.5
Income from shares in subsidiary undertakings		**40.9**	0.0
Income from participating interests		**1.9**	1.6
Other interest receivable and similar income	5	**8.4**	3.4
Interest payable and similar charges	6	**(3.8)**	(3.5)
Profit before tax		**294.0**	214.0
Taxation	10	**(46.3)**	(40.3)
Profit for the financial year		**247.7**	173.7

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

Valero Energy Ltd

(Registration number: 8566216)
Balance Sheet as at 31 December 2019

	Note	2019 £ m	2018 £ m
Fixed assets			
Tangible assets	11	**628.2**	576.2
Investments	12	**268.7**	268.7
		896.9	844.9
Current assets			
Stocks	13	**1,051.5**	831.1
Debtors	14	**1,152.8**	1,075.4
Cash at bank and in hand		**388.5**	801.0
		2,592.8	2,707.5
Creditors: amounts falling due within one year	15	**(1,337.6)**	(1,171.5)
Net current assets		**1,255.2**	1,536.0
Total assets less current liabilities		**2,152.1**	2,380.9
Creditors: amounts falling due after more than one year	15	**(18.2)**	(8.0)
Provisions for liabilities	17	**(76.6)**	(63.2)
Net assets		**2,057.4**	2,309.7
Capital and reserves			
Called up share capital	20	**1,440.6**	1,440.6
Share premium reserve		**120.0**	0.0
Retained earnings		**496.8**	869.1
Total equity		**2,057.4**	2,309.7

Approved and authorised by the Board on 25 August 2020 and signed on its behalf by:

N Roberts

....

N E V Roberts
Director

The notes on pages 14 to 32 form an integral part of these financial statements.

Valero Energy Ltd

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2019	1,440.6	0.0	869.1	**2,309.7**
Profit for the year	0.0	0.0	247.7	**247.7**
Total comprehensive income	0.0	0.0	247.7	**247.7**
Dividends	0.0	0.0	(620.0)	**(620.0)**
New share capital subscribed	0.0	120.0	0.0	**120.0**
At 31 December 2019	1,440.6	120.0	496.8	**2,057.4**

	Share capital £ m	Share premium £ m	Retained earnings £ m	Total £ m
At 1 January 2018	1,440.6	0.0	725.4	**2,166.0**
Profit for the year	0.0	0.0	173.7	**173.7**
Total comprehensive income	0.0	0.0	173.7	**173.7**
Dividends	0.0	0.0	(30.0)	**(30.0)**
At 31 December 2018	1,440.6	0.0	869.1	**2,309.7**

1 General information

The company is a private company limited by share capital, 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 million.

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
In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2019 the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The company's business activities, together with the factors likely to affect its future development, are set out in the Business Review section of the Strategic Report. As highlighted in the Strategic Report, Covid-19 presents a significant ongoing risk to the company which is difficult to objectively quantify. Therefore, the directors have undertaken a rigorous assessment of the company's financial forecasts with specific consideration to its cashflow position in the context of the current Covid-19 pandemic in the UK. As a result of this assessment the directors have concluded that it is appropriate to adopt the going concern basis for the reasons set out below.

The business of the company and its subsidiaries, collectively "Valero UK", has been designated as a critical sector by the UK government during the current Covid-19 pandemic due to their strategic importance for the manufacture and distribution of fuel supplies. Valero UK has continued to keep its refinery, pipelines, storage terminals and all other elements of its infrastructure fully operational during the current situation. Through a comprehensive series of measures, Valero UK has taken all reasonable steps to ensure the health and wellbeing of employees, contractors, customers and other parties that are affected by its operations.

2 Accounting policies (continued)

As at 31 December 2019 the company had total assets less current liabilities of £2,152m and net assets of £2,057m. Liquidity as at that date was £388m, made up of cash and cash equivalents. Additionally, the company had and continues to have, no external debt. Despite the company's position at the end of the financial year it is now clear that the effects of Covid-19 will result in a material reduction in revenue and profit expectations for the next annual financial period ending 31 December 2020. In particular, government imposed restrictions on movement, both in the UK and abroad have resulted in a dramatic fall in demand for the company's transportation fuel products, reaching a low point in mid-April 2020.

Given the degree of uncertainty relating to the economic outlook and the ongoing situation relating to Covid-19, the company has developed financial forecasts which model a number of scenarios which the directors have reviewed covering the 12 month period from the date of approving these financial statements to 31 August 2021. From a base case which assumes sales through its wholesale channels of trade do not fully recover until April 2021, except for aviation sales which remain 60% down on historic levels out to August 2021, the company has modelled downside cases which represent increasingly severe but plausible scenarios which include assumptions relating to estimating the impact of:
A. A second UK-wide lockdown in the winter of 2020/2021 with a severe 3 month period of demand destruction. Wholesale unit margins down 75% on budget for December to February, then 50% down in March and April. Sales volumes between 40% and 30% down on budget for December to February, from March to August between 30% and 15% down on budget, not fully recovering during the forecast period. Refining margins for December to February at a similar level to that experienced during March 2020 and remaining at 25% down on base case assumptions out to August 2021.
B. There is no recovery in North West Europe refining margins, the company's refining margins are at zero for the whole of the forecast period to August 2021 and there is no management decision to cut refinery runs or take other major actions to mitigate losses. Wholesale volumes do not fully recover and are 20% down on budget out to August 2021.

Both of the scenarios detailed above are deemed by the directors to provide severe but plausible stress tests of the company's ability to adopt the going concern basis for the preparation of these financial statements, with Scenario B having the most severe downside. Due to the company's strong cash position at the end of the forecast period, neither of these scenarios result in the company being unable to continue in operation for 12 months from the date of approving these financial statements. Nor do these forecasts give any indication that after the end of such a 12 month period the company would have to seek additional funding to maintain its ongoing operations.

Unprecedented uncertainty exists in respect of the potential impact of Covid-19 in 2020/21 and its long term economic consequences. Accordingly, the directors have made their assessment based on their best view of certain severe but plausible downside scenarios that the company may face. If outcomes are unexpectedly significantly worse, the directors may need to consider what additional mitigating actions were needed which, for example, could include the partial or full shut down of certain of the company's operations which would limit losses and preserve liquidity. Consequently, the directors have concluded that to stress test to a level of increased severity (beyond Scenario B) is not currently appropriate and they do not foresee any reasonable scenario that would create a material uncertainty and which may cast significant doubt about the company's ability to continue as a going concern.

Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as at the balance sheet date. However, the nature of estimation means that actual outcomes could differ from those estimates.

2 Accounting policies (continued)

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' from disclosing all related party transactions with wholly owned subsidiaries of the group, and as such are not required to be disclosed.

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.

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the sale of petroleum products and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue from petroleum product sales when title has transferred to the buyer, together with the risks and rewards of ownership. Any non-petroleum product revenue is recognised at the point at which risks and rewards are transferred to the buyer, in line with the appropriate contract terms.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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.

2 Accounting policies (continued)

Deferred tax arises from timing differences that are 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.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation. All borrowing costs are expensed.

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and properties under construction are not depreciated. The estimated useful lives are as follows:

Asset class	Useful life
Freehold land	Not depreciated
Leaseholds	8 to 33 years or over term of lease
Buildings	8 to 40 years
Plant and machinery	3 to 25 years
Assets under construction	Not depreciated until assets brought into use

Turnaround costs : A turnaround is a planned, periodic shutdown of all or a major portion of a refinery to perform maintenance tasks needed to keep the facility in safe and efficient operating condition. The costs of performing a major turnaround are capitalised if the turnaround gives access to future economic benefits. Such costs will include the labour and materials costs of performing the turnaround and the costs of these turnarounds are amortised over the period to the next major turnaround.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Significant estimates and judgements are based on management's review of the most likely outcome, having given consideration to current statutory and contractual requirements, at the reporting date. Environmental obligations are based on latest technical and other data to determine the company's most probable cost of remediation. Actual costs can differ from estimates due to future changes in legislation, market conditions and other factors.

Defined contribution pension obligation

Valero Operations Support, Ltd operates a defined contribution plan for employees who have joined the company on or after 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss account as incurred.

Defined benefit pension obligation

Valero Operations Support, Ltd operates a defined benefit plan for employees who joined the company before 1 June 2013. Contributions to the plan are paid by Valero Energy Ltd and are recognised as an expense in the profit and loss accounts of Valero Energy Ltd and Valero Logistics UK Ltd. Contributions made on behalf of Valero Logistics UK Ltd by Valero Energy Ltd are recovered by way of intercompany recharge.

The defined benefit obligation is recognised in the accounts of Valero Operations Support, Ltd but is reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd. Actuarial gains and losses recognised as other comprehensive income in the accounts of Valero Operations Support, Ltd are also reimbursable by Valero Energy Ltd and Valero Logistics UK Ltd.

2 Accounting policies (continued)

Share based payments

Eligible employees of the company can participate in the Valero UK Share Incentive Plan (ESIP). The ESIP enables employees to make monthly contributions out of salary up to prescribed limits. Each month the contributions are used by the trustees of the plan to acquire shares of common stock of Valero Energy Corporation on the open market (partnership shares). The company makes a matching contribution to the trustees to acquire a matching number of shares on a two for one basis (up to a certain limit). In accordance with FRS 102, the cost of the matched portion of the shares is charged to the profit and loss account over a three year vesting period.

The company also operates a restricted stock award scheme where certain employees are granted a variable number of shares in Valero Energy Corporation annually. The grant date fair value of the awards is recognised as employee expense, taking into account the terms and conditions upon which the awards were granted.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

3 Turnover

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

	2019 £ m	2018 £ m
Sale of goods	**8,981.7**	10,435.2
Other revenue	**9.0**	8.5
	8,990.7	10,443.7

The analysis of the company's revenue for the year by market is as follows:

	2019 £ m	2018 £ m
UK	**8,830.3**	10,152.1
Europe	**142.1**	273.7
Rest of world	**18.3**	17.9
	8,990.7	10,443.7

4 Operating profit

The operating profit is arrived at after charging/(crediting)

	2019 £ m	2018 £ m
Depreciation expense	**49.4**	46.6
Amortisation expense	**5.8**	5.9
Write-down of stocks to net realisable value	**20.6**	0.1
Foreign exchange losses/(gains)	**10.7**	(24.6)
Operating lease expense - property	**4.1**	0.0
Operating lease expense - plant and machinery	**2.8**	3.0
Operating lease expense - other	**7.0**	15.7
Loss on disposal of property, plant and equipment	**0.8**	1.3

5 Interest receivable and similar income

	2019 £ m	2018 £ m
Bank interest receivable	**8.4**	3.4

6 Interest payable and similar charges

	2019 £ m	2018 £ m
Interest on loans from group undertakings	**3.9**	3.5
Other interest payable	**0.0**	0.0
	3.8	3.5

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ m	2018 £ m
Wages and salaries	**58.4**	60.5
Share-based payments	**3.2**	2.1
Social security costs	**7.9**	8.0
Expenses related to defined benefit plans	**19.0**	1.3
Contributions to defined contribution plans	**1.3**	1.0
	89.8	72.9

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

	2019 No.	2018 No.
Refining	**495**	511
Marketing and other	**150**	153
	645	664

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ m	2018 £ m
Remuneration	**2.7**	3.2

8 Directors' remuneration (continued)

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

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	3	4
Accruing benefits under defined benefit pension schemes	2	3

In respect of the highest paid director:

	2019 £ m	2018 £ m
Remuneration	1.1	1.2

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

9 Auditor's remuneration

	2019 £ m	2018 £ m
Audit of the financial statements	0.5	0.4
Other fees payable to the auditor		
The audit of associated companies annual accounts	0.0	0.0
All other non-audit services	0.0	0.0
	0.0	0.0

10 Income tax

a) Tax expense included in profit or loss

The tax charge/(credit) is based on the profit for the year and represents:

	2019 £ m	2018 £ m
Current taxation		
UK corporation tax	**36.4**	40.2
Adjustments in respect of previous periods	**(4.0)**	0.1
Total current tax	**32.4**	40.3
Deferred taxation		
Origination and reversal of timing differences	**10.5**	0.1
Adjustment in respect of previous period	**3.4**	(0.1)
Total deferred taxation	**13.9**	0.0
Tax on profit on ordinary activities	**46.3**	40.3

The tax charge includes £4.0m in respect of losses that have been claimed from other group companies in exchange for consideration.

b) Reconciliation of tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) for the year ended 31 December 2019 of 19% (2018: 19%).

The differences are explained as follows:

	2019 £ m	2018 £ m
Profit on ordinary activities before tax	**294.0**	214.0
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**55.9**	40.6
Expenses not deductible for tax purposes	**0.3**	0.1
Investment Income	**(8.1)**	(0.3)
Share Schemes	**(0.2)**	(0.1)
Current/Deferred tax rate differential	**(1.2)**	0.0
Fixed Asset differences	**0.2**	0.0
Prior period adjustment	**(0.6)**	0.0
Total current tax charge for the year	**46.3**	40.3

10 Income tax (continued)

The aggregate current and deferred tax related to items that are recognised as items of other comprehensive income is £nil.

c) Tax rate changes

In September 2016 a reduction to the main rate of corporation tax to 17% from 1 April 2020 was substantively enacted as part of Finance Bill 2016.
In March 2020 legislation was enacted through the Provisional Collection of Taxes Act, reversing the reduction of the rate to 17%, the 19% rate has now been substantively enacted for tax accounting purposes.
Deferred taxes continue to be measured at the enacted rate at the balance sheet date, 31 December 2019, of 17%.

11 Tangible assets

	Land and buildings £ m	Plant and machinery £ m	Assets under construction £ m	Turnaround costs £ m	Total £ m
Cost					
At 1 January 2019	31.6	1,327.5	93.6	135.8	1,588.5
Additions	0.0	0.0	91.9	10.3	102.2
Disposals	(6.0)	(3.6)	0.0	0.0	(9.6)
Transfers	14.6	29.9	(44.5)	0.0	0.0
At 31 December 2019	40.2	1,353.8	141.0	146.1	1,681.1
Depreciation					
At 1 January 2019	14.0	905.0	0.0	93.3	1,012.3
Charge for the year	2.0	26.0	0.0	21.4	49.4
Eliminated on disposal	(6.0)	(2.8)	0.0	0.0	(8.8)
At 31 December 2019	10.0	928.2	0.0	114.7	1,052.9
Carrying amount					
At 31 December 2019	30.2	425.6	141.0	31.4	628.2
At 31 December 2018	17.6	422.5	93.6	42.5	576.2

11 Tangible assets (continued)

Leased assets

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2019 £ m	2018 £ m
	10.2	2.8

12 Investments in subsidiaries, joint ventures and associates

	2019 £ m	2018 £ m
Investments in subsidiaries	**268.6**	268.6
Investments in associates	**0.1**	0.1
	268.7	268.7

Subsidiaries	£ m
Cost or valuation	
At 1 January 2019	268.6
Carrying amount	
At 31 December 2019	268.6
At 31 December 2018	268.6

Associates	£ m
Cost	
At 1 January 2019	0.1
Carrying amount	
At 31 December 2019	0.1
At 31 December 2018	0.1

12 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) 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 2019	2018
Subsidiary undertakings				
Valero Logistics UK Ltd Fifth Floor 100 Wood Street London EC2V 7EX	England	Ordinary	100%	100%
Valero Energy UK Ltd Fifth Floor 100 Wood Street London EC2V 7EX	England	Ordinary	100%	100%
Valero Energy (Ireland) Ltd First Floor, Block B Liffey Valley Office Campus Quarryvale Co. Dublin	Ireland	Ordinary	100%	100%
Associates				
Aviation Fuel Services Limited	England	Ordinary	25%	25%
Stansted Intoplane Company Limited	England	Ordinary	20%	20%
West London Pipeline and Storage Limited	England	Ordinary	21%	21%

Although the beneficial interest in all the JV shareholdings was transferred to Valero Energy Ltd on 1 January 2014, Valero Energy UK Ltd continues to hold the shareholding on behalf of Valero Energy Ltd pending legal transfer for the following shareholdings:

Aviation Fuel Services Limited
Stansted Intoplane Company Limited
Gatwick Airport Storage and Hydrant Company Limited
Heathrow Airport Fuel Company Limited
Heathrow Hydrant Operating Company Limited
Stansted Fuelling Company Limited

13 Stocks

	2019 £ m	2018 £ m
Crude oil and raw materials	**325.7**	289.7
Finished refined products and chemicals	**739.2**	535.3
Miscellaneous merchandise	**12.3**	11.3
Write-down to net realisable value	**(25.8)**	(5.2)
	1,051.5	831.1

14 Debtors

	2019 £ m	2018 £ m
Trade debtors	**953.0**	876.3
Amounts owed by parent company (see note below)	**8.5**	8.8
Amounts owed by group undertakings (see note below)	**52.5**	44.8
Amounts owed by subsidiaries (see note below)	**99.0**	111.5
Deferred charges	**21.5**	20.0
Prepayments	**11.1**	6.7
Other debtors (see note 21)	**7.2**	7.3
	1,152.8	1,075.4

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

15 Creditors

	2019 £ m	2018 £ m
Due within one year		
Trade creditors	**338.2**	284.7
Loan owed to subsidiary (see note below)	**134.6**	130.8
Amounts owed to group undertakings (see note below)	**381.9**	287.4
Amounts owed to subsidiaries (see note below)	**1.5**	1.7
Social security and other taxes	**421.9**	415.3
Accrued expenses	**43.0**	33.5
Other creditors	**16.4**	18.1
	1,337.6	1,171.5
Due after one year		
Amounts owed to group undertakings (see note below)	**18.2**	8.0

15 Creditors (continued)

The company has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

16 Operating leases

Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £ m	2018 £ m
Not later than one year	1.8	7.7
Later than one year and not later than five years	6.1	0.9
Later than five years	14.8	1.5
	22.7	10.1

During the year £14.0m was recognised as an expense in the profit and loss account in respect of operating leases (2018 : £18.7m).

17 Provisions

	Environmental £ m	Deferred tax £ m	Other provisions £ m	Total £ m
At 1 January 2019	12.5	49.4	1.3	63.2
Additional provisions	0.0	13.9	0.5	14.4
Provisions used	(0.6)	0.0	(0.3)	(0.9)
Increase (decrease) from transfers and other changes	(0.1)	0.0	0.0	(0.1)
At 31 December 2019	11.8	63.3	1.5	76.6

17 Provisions (continued)

Deferred Taxation

Deferred taxation provided for at 17% (2018: 17%) in the financial statements is set out below:

	2019 £ m	2018 £ m
Deferred tax		
Accelerated Capital Allowances	**65.7**	53.7
Share Based Payments	**0.6**	0.6
Bad Debt Provisions	**0.0**	(0.3)
Intercompany Pension Asset/Liability	**(1.9)**	(1.3)
Provisions	**(0.2)**	(0.2)
Derivative Contracts	**(0.9)**	(3.1)
	63.3	49.4

The amount of the net reversal of deferred tax expected to occur in the next year is £10.6m, including rate movement of £7.5m, resulting in an increased deferred tax liability, relating to the reversal of existing timing differences on tangible fixed assets.

Environmental

The environmental provision relates to an ongoing programme of environmental remediation works at the Pembroke refinery. The provision is expected to be utilised between 2020 to 2039.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,300,193 (2018 : £1,010,577).

Defined benefit pension scheme
Valero UK Pension Plan

Valero Energy Ltd employees hold contracts of employment with Valero Operations Support, Ltd. Valero Operation Support, Ltd operates a pension scheme providing retirement benefits based on final pensionable pay. At 31 December 2019, 498 Valero Energy Ltd employees were current members of the scheme which closed to new employees on 31 May 2013.

As part of its agreement with Valero Operations Support, Ltd, Valero Energy Ltd has agreed to make contributions to the scheme for its employees. Contributions paid to the scheme in 2019 amounted to £16.6m (2018: £11.2m). There were no outstanding contributions payable to the scheme at the end of the year. Expected contributions payable in the next year are £16.0m.

Full disclosure of the scheme detail is included in the accounts of Valero Operations Support, Ltd.

19 Commitments

Capital commitments
The company has commitments relating to the COGEN project and various upgrade projects at its Pembroke refinery.

The total amount contracted for, but not provided in the financial statements, was £24.8m (2018 : £39.4m).

20 Share capital

Allotted, called up and fully paid shares

	2019 No. m	2019 £ m	2018 No. m	2018 £ m
Ordinary shares of £1 each	**1,440.6**	**1,440.6**	1,440.6	1,440.6

On 18 November 2019 the company issued one ordinary share of £1 each to its parent company Valero HoldCo UK Ltd at a premium of £119,999,999.

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.

21 Financial instruments

Categorisation of financial instruments

	2019 £ m	2018 £ m
Financial assets measured at fair value through profit or loss	**6.6**	6.5

Financial assets measured at fair value
Oil futures and swaps
Financial instruments open at the balance sheet date are valued at the market price at the end of the period.

The change in value included in profit and loss is a gain/(loss) of £2.0m (2018 : £(15.2)m).

Foreign exchange forward purchase contracts
Foreign currency forward purchase contracts are valued at the exchange rate at the balance sheet date and the difference between the contracted price and the balance sheet date price is recognised in the profit and loss account.

The change in value included in profit and loss is a gain/(loss) of £(1.9)m (2018 : £0.2m).

Financial instruments at fair value through profit or loss that are not held as part of a trading portfolio and not derivatives

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

21 Financial instruments (continued)

Financial assets that are debt instruments measured at amortised cost

	Note	2019 £ m	2018 £ m
Trade debtors	14	**953.0**	876.3
Amounts owed by parent company (see note below)	14	**8.5**	8.8
Amounts owed by group undertakings (see note below)	14	**52.5**	44.8
Amounts owed by subsidiaries (see note below)	14	**99.0**	111.5
Other debtors	14	**7.2**	7.3
		1,120.2	1,048.7

Amounts owed by parent company, group undertakings and subsidiaries 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	2019 £ m	2018 £ m
Due within one year			
Trade creditors	15	**338.2**	284.7
Loan owed to subsidiary (see note below)	15	**134.6**	130.8
Amounts owed to group undertakings (see note below)	15	**382.1**	287.4
Amounts owed to subsidiaries (see note below)	15	**1.5**	1.7
Other creditors	15	**16.4**	18.1
		872.8	722.7

Financial assets that are debt instruments measured at amortised cost

	Note	2019 £m	2018 £m
Due after one year			
Amounts owed to group undertakings	15	**18.2**	8.0

The company also has a term loan facility with its subsidiary, Valero Energy UK Ltd. Interest accrues quarterly at a rate of 3 month sterling LIBOR plus a margin of 2%. The loan is repayable on demand.

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

22 Parent and ultimate parent undertaking

The company's immediate parent is Valero HoldCo UK Ltd, incorporated in United Kingdom and with its registered office at Fifth Floor, 100 Wood Street, London ECV 7EX.

The ultimate parent undertaking is Valero Energy Corporation, incorporated in the State of Delaware, USA. The consolidated financial statements of Valero Energy Corporation are available on request from One Valero Way, San Antonio, Texas 78249, USA.

23 Subsequent events

On 22 May 2020, the company's wholly owned subsidiary, Valero Energy (Ireland) Limited declared a dividend of €40 million, which was paid on the same date.

Subsequent to the balance sheet date the Covid-19 pandemic has substantially reduced global economic activity and resulted in a dramatic fall in demand for transportation fuels. Additionally, these events have caused abnormal volatility in the market prices for crude oil and refined petroleum products.
As disclosed in note 2 to the financial statements, this has had a significant impact on the Valero group of companies in the UK, of which the company is part, and is likely to continue.
At the date of this report many uncertainties remain with respect to how quickly the UK economy can recover once the pandemic subsides and what the longer term macro-economic outlook is. Therefore, despite the directors proactively acting where possible to mitigate its effects, the eventual financial impact of the pandemic on the company is uncertain.