Registered number
07853993

Phillips 66 UK Holdings Limited

Annual report and financial statements for the year ended

31 December 2023

Phillips 66 UK Holdings Limited
Report and accounts
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Phillips 66 UK Holdings Limited
Company information

Directors	P M Fursey R E Sherwell N A Holland N E McKnight R J Turner C R Love A T Bunn
Secretary	R M White A Janaszek S Gennings
Registered office	7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD
Registered number	07853993
Auditors	Ernst & Young LLP 1 More London Place, London SE1 2AF

The directors present their Strategic report for the year ended 31 December 2023

Principal activities

The principal activity of the company is that of an intermediate holding company. The company does not have any trading activities.

Business review

Due largely to dividends received of $803 million (2022: $870 million), the company has made a profit for the year of $781 million (2022: $837 million).

The 2022 $1,012 million 2.25% fixed rate loan, listed on the Cayman Islands Stock Exchange matured on 20 October 2023. This was partially refinanced with a new 5.57% fixed rate 5 year loan of £600 million ($731 million translated at the date of issue) also listed on the Cayman Islands Stock Exchange. The difference between the two loans was funded by dividend income from the company's subsidiary Phillips 66 Limited.

Key performance indicators

	2023 $ million	2022 $ million	% change
Interest payable	30	40	(25.0)
Shareholder's funds	2,424	2,030	19.4

The company's balance sheet, on page 23 of the financial statements, shows the company has net assets of $2,424 million (2022: $2,030 million).

Subsequent events

In 2024 to the date of this report the company had the following dividend transactions:

	Dividend income $ million	Dividend paid $ million
March	500	500
September	250	250

The conflict in Ukraine continues to be ongoing however to date there has been no significant impact on the financial performance of the company's subsidiaries.

There have been no other significant events since the balance sheet date.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are the financial risks described below.

Financial instruments and risk management

The company's principal financial instruments comprise borrowings in the form of loan notes listed on the Cayman Islands Stock Exchange. The company is exposed to the financial risk in the long term that income from shares in group undertakings may not be sufficient to fund the obligations arising from the loan notes. The current loan notes in the sum of $763 million are subject to a fixed rate of interest of 5.57%, and are due to mature in 2028.

The company manages the key financial risk of failing to fund the repayment obligations in respect of the loan notes through support from its parent undertaking and other group undertakings.

Principal risks and uncertainties (continued)

Liquidity risk
Liquidity risk is the risk that the company may encounter difficulty in meeting obligations associated with financial liabilities.

The company has received confirmation from Phillips 66 Company, its indirect parent undertaking, that it will provide such financial assistance as may be required by the company to meet its liabilities, for the period to 30 September 2025, as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

Investment risk
The company is exposed to investment valuation risk resulting from the fair value of its investment in Phillips 66 Limited falling below the carrying value of the investment.

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

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

Non-Financial and Sustainability Information Statement
The company views climate change as a potentially significant risk to the operations of its principal subsidiary. The following is a reproduction of the non-financial and sustainability information statement included in the principal subsidiary's financial statements for the year ended 31 December 2023.

Governance
Consistent with the Corporate Governance Guidelines adopted by the company in 2019 and subsequently updated, the Board of Directors maintains oversight of climate related risk and opportunities, regularly reviewing actions taken by management to monitor, control and report climate related exposures. In addition to the responsibilities of the Board, management teams across the three main operating divisions (Refining, Marketing and Commercial) are responsible for managing areas of the business which may affect or be affected by climate change. Management is informed about climate issues by engagement with internal and external networks.

Climate related risks are predominantly associated with the Humber Refinery and its associated offsites facilities. These are managed by the Lead Executive UK / General Manager Humber Refinery and the Refinery Leadership Team, which includes the Health, Safety and Environment Manager. In addition to the Humber Refinery management systems, oversight and auditing is provided by Phillips 66 corporate groups, along with UK regulators. These include the Control of Major Accident Hazards Regulations 2015 (COMAH) Competent Authority, which is comprised of the Health and Safety Executive and Environment Agency in England.

During 2023, the COMAH Competent Authority carried out routine interventions (typically one- or two-day audits), approximately once per month, on various topics related to the management of major accident hazards, including climate risks.

Non-Financial and Sustainability Information Statement (continued)

Governance (continued)

Climate related impacts are considered as the company develops business plans and strategy, ensuring potential risks are mitigated by planned actions which are appropriately funded.

Risk management

Potential impacts of climate related factors to the UK business have been categorised into short term (less than 5 years), medium term (5 to 15 years) and long term (more than 15 years).

Climate related risk management is integrated into the overall risk management framework, including the process safety / COMAH management system, which includes a number of rigorous processes to identify and quantify risks. This includes process hazards analyses and COMAH safety report updates every 5 years. COMAH representative scenarios have been developed and assessed with no serious deficiencies identified by the regulator.

As part of routine management process, business risks are identified, including climate related issues and regulatory changes. Potential impacts to the business are considered, together with how the business strategy seeks to mitigate these risks. Where relevant, an estimation of the range of potential financial outcomes of these mitigated risks are developed, including any operational or capital expenditures required. Where appropriate, metrics and timelines are established to monitor progress.

The company applies a proportionate approach to assess risks. Unmitigated severities are identified as part of risk assessment processes and more in-depth analysis of safeguards is carried out on higher severity scenarios to determine the mitigated event likelihood and risks. Risk tolerability standards have been agreed with corporate and regulatory stakeholders. Where mitigated risks do not achieve these standards, additional mitigations are put in place.

<u>Short term impacts</u>

Flood risk:

The Humber Refinery is required to undertake flood risk assessments by COMAH. These assessments include topographical modelling by specialist consultants and facilitated workshops with appropriate subject matter experts. COMAH requires a review every 5 years. The coastal installations, including the Immingham Pipeline Centre (IPC) / Immingham Propylene Storage (IPS), LPG Caverns and Dock Silos, are directly protected by flood defences. The Humber Refinery and Tetney Oil Terminal are located further inland but are also afforded protection by the aforementioned flood defences. The Humber Refinery is not vulnerable to tidal flooding in the present-day for even the most extreme tidal flood events. The Tetney Oil Terminal is situated on low lying-land behind flood defences, with tide levels in the Humber Estuary frequently exceeding ground levels on the site. The flood defences prevent flooding of the area for even the most extreme present-day events, highlighting that the coastal defence scheme is effective. Although in the past heavy rains at the Humber Refinery have flooded perimeter roads and some plant buildings, there has not been any significant flood damage within the process areas of the Humber Refinery. The current surface water flooding risk is low and there is no current risk of flooding from reservoirs, as such no significant property damage from surface water flooding at the Humber Refinery is expected. Management therefore considers the risk of adverse impacts from flood damage to the operations of the Humber Refinery to be low.

Storm risk:

Wind load design at the Humber Refinery specifies a load up to 100 mph. Previous high-speed gusts have caused only very minor damage, such as loss of equipment installation or damage to scaffolding, therefore risk from storm damage is also considered low.

Phillips 66 UK Holdings Limited
Strategic report (continued)

Non-Financial and Sustainability Information Statement (continued)

Risk management (continued)

Short term impacts (continued)

Heatwave risk:
High ambient temperature has not been identified as an initiator for any loss of containment scenarios or as the cause of any asset damage to date and it would not be expected that temperatures above 35 C would have any significant adverse impact, although high ambient temperature can necessitate Humber Refinery rate cuts. 40 C will introduce the same issues as 35 C, but with increased severity. Based on this, the risk of adverse impacts from increased temperatures is considered low.

Regulatory risk:
The UK Government has adopted a net zero consistent cap policy under the UK Emissions Trading Scheme (ETS). Free Allowances awarded to existing industrial installations will not change significantly before 2026. If the proposed level of reduction to Free Allowances (~30%), resulted in a proportionate reduction in Free Allowances awarded to the company, this could have short to medium term cost implications.

The UK Government is also progressing implementation of a Carbon Boarder Adjustment Mechanism (CBAM) which may prevent carbon leakage to international competitors, who are not subject to ETS costs. The aim of CBAM would be to ensure domestic industry can support investments to decarbonize it's assets, while remaining globally competitive.

Legislative changes such as the ban of the sale of new ICE/Hybrid vehicles in 2035 are addressed in the Product Demand section.

Industrial decarbonisation opportunities:
The UK Government is actively promoting growth in a number of areas which could provide opportunities for the company to diversify and grow business, as well as support carbon reductions. These include growth in a domestic electric vehicle supply chain, Sustainable Aviation Fuel production, hydrogen networks and deployment of carbon capture and storage. These opportunities are outlined further in the Strategy section.

Medium to long term impacts

Flood risk:
Sea level rise in the period to 2100+ may require some coastal defence upgrades to ensure that the Humber Refinery remains fully protected from these extreme events. However, the inland location ensures that even with the current defences, only minor flooding of a small portion of the south tank farm storage area would be expected in 2100+, with a minimal short term business impact. Humber 2100+, a partnership consisting of local authorities, the Humber Local Enterprise Partnership and the Environment Agency is assessing strategic approaches to manage the future tidal flood risk around the Humber Estuary.

Non-Financial and Sustainability Information Statement (continued)

Risk management (continued)

Medium to long term impacts (continued)

Product demand:
In the medium to long term, inland demand of gasoline and diesel will decline as the UK moves towards the ban of the sale of new petrol and diesel cars and vans in 2035. The decline will continue as existing gasoline/diesel engine cars reach end of life, which is currently an average of 12 years. UK diesel demand is expected to exceed UK production forecasts beyond 2030, assuming all 6 UK refineries remain operational. Based on current forecasted demand, the UK will likely begin exporting diesel in the mid-2030s, which may pressure refining margins, and it is likely low complexity refineries will shut down to balance demand. This will provide inland logistics and product placement opportunities for Humber Refinery as a high complexity refinery, which are likely to have a positive impact on earnings, from taking advantage of inland premiums on a greater volume of Humber Refinery production and as such the margin pressure is considered a low risk for the company.

Electric vehicles:
As the use of fossil fuels for road transportation declines, it is expected the electric vehicle percentage of the UK vehicle fleet will increase from around 2% today to around 20% in 2030. The company's participation in the electric vehicle market by producing battery-grade coke and providing an EV-charging service is explained further in the Strategy section.

Strategy

The company recognises that as the economy transitions to a low-carbon economy (Energy Transition), and legislative changes such as the ban of the sale of new ICE/Hybrid vehicles in 2035 are implemented, this will drive changes in the business model. The company has developed a UK Integrated Strategy to address climate-related risks, remain competitive through the Energy Transition and reduce its scope 1, 2, and 3 emissions in support of the UK Government's target to achieve net zero by 2050. Various industrial and transport decarbonization strategies and policies are implemented by, or under development with, the UK government, which could impact the company. Key scenarios that are considered are operational impacts of climate change, impact on product demand and available markets, reducing scope 1 and 2 emissions, and increasing production of lower carbon products or products that support the Energy Transition (scope 3). The company is actively working various initiatives associated with bio-feedstocks, carbon capture, hydrogen, battery coke and lower carbon fuels that will mitigate the negative financial impacts on some current activities and will maintain profitability. The company's approach is to improve the efficiency of its operations and make investments to meet the world's evolving energy needs while advancing a lower-carbon future.

Operational strategy:

The risks do not highlight any action that will be needed in the short, medium or long term, and that the risk of financial impact is low. This will be kept under annual review.

Flood risk:
The risk of flooding to Humber Refinery is low; therefore, no immediate action is required, except to monitor coastal defences. As part of COMAH, flooding risk will continue to be assessed and if future risk profiles increase, action plans will be developed, and if necessary, investments made.

Heatwave risk:
If temperatures rise to levels where Humber Refinery operations are adversely impacted, future investments would be made as part of normal business decisions to mitigate any significant financial impact.

Non-Financial and Sustainability Information Statement (continued)

Strategy (continued)

Product Demand and Markets Strategy:
The forecast and risk associated do not highlight that any specific action is needed as the risk in the short, medium and long term is considered low. This will be kept under annual review.

Regulatory Strategy:
If the Free Allowances under the UK Emissions Trading Scheme (ETS) reduce significantly this could increase cost. The company is seeking to mitigate this risk through proactive engagement with UK Government and trade associations about the potential impact for UK industry, as well as progressing initiatives to reduce its industrial carbon footprint. The company does not consider that this is likely to have a large or sudden impact due to the likelihood of unintended consequences to the UK economy, such as reduced international competitiveness, pricing to consumers and carbon leakage. This will be kept under annual review.

The refining industry is not included in the initial deployment scope of UK CBAM, however the company is working with industry associations on approaches to implementation for the refining industry.

Reduction in scope 1 and 2 emissions:

Carbon Capture:
The company is developing a plan to install post-combustion carbon capture at the Humber Refinery which will reduce the refinery's scope 1 operational emissions. This reduction in carbon dioxide emissions would reduce the number of allowances that the company will need to purchase under the UK ETS which will protect it from increasing allowance prices in the future. The company is working in collaboration with VPI Immingham LLP to jointly promote certain aspects of their respective carbon capture projects under the Humber Zero brand. The projects' captured carbon dioxide emissions will be transported and stored by a third party under the North Sea in a depleted gas field. The company is working with Viking CCS as a potential emitter to Viking's carbon dioxide transport and storage cluster and is awaiting an announcement from the government on the timeline and process for the selection of track 2 emitters. The company's carbon capture project may also potentially generate additional value through reducing the carbon intensity of some products produced at the Humber Refinery. The company's carbon capture project is subject to several certain pre-conditions being satisfied, including but not limited to, agreeing on the terms of a Revenue Support Agreement with the UK Government and final investment approval.

Hydrogen:
The company is reviewing opportunities to participate in the growth of the lower-carbon hydrogen industry. The Humber region has multiple potential carbon capture and storage enabled and electrolytic hydrogen projects that are currently being considered and developed by external parties. In March 2024 the company entered into a collaboration agreement with Uniper to work towards the potential supply of electrolytic hydrogen from Uniper's Humber H2ub® (Green) project to the company's Humber Refinery from 2029. The hydrogen would be used to replace refinery fuel gas in industrial-scale fired heaters which would reduce the Humber Refinery's scope 1 operational emissions. Uniper has applied to the UK Government's second Hydrogen Allocation Round for allocation of a Hydrogen Production Business Model Support. Uniper's project development and the supply agreement with the company are subject to financial investment approval from Uniper's and the company's management, and several pre-conditions being satisfied; including Uniper securing the necessary planning consents and environmental permit, the parties agreeing the terms for the hydrogen offtake and Uniper agreeing a Low Carbon Hydrogen Agreement with the UK Government.

Phillips 66 UK Holdings Limited
Strategic report (continued)

Non-Financial and Sustainability Information Statement (continued)

Strategy (continued)

Reduction in scope 1 and 2 emissions (continued):

Heater Refuelling:
Funding was secured by the company from the UK Government's Industrial Energy Transformation Fund (IETF) for the Humber Refinery to carry out a feasibility assessment, exploring fuel switching in the Humber Refinery's industrial fired heaters, displacing refinery fuel gas with hydrogen, which would reduce CO_2 emissions from the Humber Refinery. The outcomes of this study have now been published and have resulted in the company signing the collaboration agreement with Uniper that is outlined above.

Growth in lower carbon products and products that support the Energy Transition reduction in scope 3 emissions:

Renewable fuels:
Through co-processing waste oils and other lower-carbon feedstocks, the Humber Refinery produces lower-carbon products. This is aligned to requirements under the Renewable Transport Fuels Obligation (RTFO), which provide targets up to 2032. The RTFO provides policy certainty for development and growth in renewable fuels in the medium term. The company's strategy and alignment to policy and regulatory requirements, as well as market demand for renewable fuels, will be kept under annual review.

Used cooking oil:
Humber Refinery was the first refinery in the UK to manufacture biofuels eligible under the Renewable Transport Fuels Obligation, at scale, from waste when used cooking oil (UCO) was introduced to its refining processes in 2017. Life cycle greenhouse gas (GHG) emissions are typically 80-90% lower with UCO than with conventional fossil fuel feedstocks. In 2020, the company invested significantly, trebling this capacity.

Sustainable aviation fuel:
Sustainable Aviation Fuel (SAF) is a chemically similar alternative to fossil-derived jet fuel that can reduce lifecycle carbon emissions by more than 80% compared to traditional jet fuel. Humber Refinery is the first facility in the UK to produce SAF at scale.

Renewable diesel:
Renewable diesel imported by the company for sale in the wholesale market and, on a more limited basis, in the retail market is a paraffinic fuel that is chemically very similar to conventional fossil-fuel-based diesel, but it is derived from biomass sources such as used cooking oil, fats, greases and vegetable oils. Such renewable diesel is of significantly lower-carbon intensity than fossil fuel and meets specific sustainability and supply chain criteria that qualify it as a renewable transport fuel under the RTFO and its compliance with such criteria is independently verified.

Batteries:
Humber Refinery is the only European facility producing speciality graphite coke, which is a precursor material to synthetic graphite, which forms a critical component for lithium-ion batteries used in Electric Vehicles (EV) and consumer electronics. The company is supporting decarbonisation of the UK car fleet through the launch of JET Charge ultra-rapid charging service at JET service stations.

Non-Financial and Sustainability Information Statement (continued)

Metrics and targets

The company uses a variety of metrics to evaluate its climate related risks and opportunities. These metrics include carbon emissions, environmental impacts, legislative changes, and economic supply/demand forecasts. The company is pursuing returns-focused projects, technologies and partnerships that support the decarbonisation of its operations and provides customers with lower-carbon alternatives.

Phillips 66 has published global company-wide greenhouse gas emissions intensity reduction targets, with a 2019 baseline. For Scope 1 and 2 manufacturing related emissions, the target is an intensity reduction of 30% by 2030 and 50% by 2050. For Scope 3 product related emissions, the target is an intensity reduction of 15% by 2030. In 2023, Phillips 66 global company-wide performance was a 17% reduction in Scope 1 and 2 emissions and a 7% reduction in Scope 3 emissions intensity from products, versus the 2019 baseline.

Phillips 66 reports relevant Scope 1, 2 and 3 greenhouse gas emissions from assets over which it has operational control in accordance with the World Resource Institute Greenhouse Gas Protocol. Emissions are inclusive of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Other greenhouse gas emissions are not considered to be material to the company's operations and are, therefore, excluded. Phillips 66 also calculates and reports emissions in accordance with mandatory reporting requirements such as the UK Emissions Trading Scheme (UK ETS).

Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006

The company's Board of Directors consider they have acted prudently and in good faith and in a manner most likely to promote the success of the company having regard to the matters set out in Section 172 of the Companies Act 2006.

The company is an indirect subsidiary of Phillips 66, a diversified energy manufacturing and logistics company listed on the New York Stock Exchange. The Phillips 66 group manages its activities principally along business and functional lines to achieve overall business objectives but respects the status of the separate legal entities through which it transacts, maintaining the independence of each Board of Directors.

The company's Board of Directors has adopted Corporate Governance Guidelines consistent with the Wates Corporate Governance Principles (the "Guidelines") as a general framework to assist the Board in carrying out its responsibilities for the business and affairs of the company to be managed by or under the direction of the Board in accordance with the Companies Act 2006. The Guidelines address six principles of Purpose and Leadership, Board Composition, Board Accountability, Opportunity and Risk, Remuneration, and Stakeholder Relationships and Engagement. Since their adoption, the Board has conducted itself in accordance with the Guidelines to ensure decisions made take into account stakeholder input, the long-term consequences of decisions, and the company's reputation of high standards of business conduct.

The company's Board of Directors recognise that employee engagement underpins superior business performance and is committed to ensuring such engagement occurs with employees of subsidiary companies through periodic opinion surveys with ongoing measurement and action planning, and through other engagement events.

Phillips 66 UK Holdings Limited
Strategic report (continued)

Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006 (continued)

The company's Board of Directors understands that developing and maintaining strong mutually beneficial relationships with suppliers, customers, and other stakeholders, such as the communities in which it does business, is critical to delivering on the company's strategy, and ensures its subsidiary companies take appropriate actions to develop and maintain these relationships.

This report was approved by the Board of Directors on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

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

Phillips 66 UK Holdings Limited
Directors' report

The directors present their Annual report on the affairs of the company, together with the Strategic report and financial statements for the year ended 31 December 2023.

Going concern
The financial statements have been prepared on the going concern basis, which assumes that the company will continue in existence for the period to 30 September 2025, being the going concern period. In reaching this conclusion the directors reviewed a going concern assessment for that period which considered the forecast impact of the ongoing military conflicts in Ukraine and Gaza, which indicated that the company will have sufficient funds to meet its liabilities as they fall due. The forecast highlights half yearly debt interest payments of $21 million each, due throughout the going concern period, to be funded by cash in hand and borrowings.

In view of the relatively small net current assets position on the balance sheet, and the inherent uncertainty with respect to the receipt of dividends from subsidiaries, the company has received confirmation from Phillips 66 Company, its indirect parent undertaking, that it will provide such financial assistance as may be required by the company to meet its liabilities, including any funds required to repay or refinance its debt, throughout the going concern period of review, as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

The key activity of the company is to act as an intermediate holding company (refer to Note 7, pages 28-30). The company also holds $763 million of intercompany debt that is listed on the Cayman Islands Stock Exchange and is repayable to Phillips 66 International Investments Ltd., being another wholly owned subsidiary of the ultimate parent Phillips 66. This debt is due to mature in October 2028. Noting the significance of this amount and taking into consideration the value of the half yearly interest payments required to service this debt, the directors have considered whether this impacts on the preparation of the financial statements on a going concern basis.

The company is party to a centralised cash pooling arrangement between all the Phillips 66 pooling participants and the Bank of America and has access, if required, to surplus cash within the pool. Phillips 66 Company and Phillips 66 have each provided a cross guarantee to the Bank in respect of the obligations of the pool participants under the cash pooling arrangement. These guarantees are limited to the aggregate of (i) the credit balance on all their accounts with the Bank at any time and (ii) 2 billion US dollars ($2,000,000,000).

After making enquiries, considering the impacts of the ongoing military conflicts in Ukraine and Gaza, the servicing of the new loan debt, and the support available from the parent company, the directors have concluded that the company has adequate resources to continue in operation for the going concern period. These considerations included the impact of the ongoing military conflicts in Ukraine and Gaza on the wider Phillips 66 group, committed long-term facilities available to the group and cash flow projections for the group beyond the going concern review period. In reaching this conclusion the directors have had due regard to the financial strength of Phillips 66 Company and are satisfied that Phillips 66 Company has the willingness and ability to provide support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Streamlined energy and carbon reporting (SECR) information
Energy and carbon emissions are not disclosed as the entity is a low energy user.

Future developments
The directors are not aware, at the date of this report, of any likely change in the company's principal activity in the foreseeable future.

Financial instruments and risk management
Information relating to financial instruments and the management of financial risks is disclosed in the Strategic report.

Dividends
The company paid dividends to the ordinary shareholder during the year of $500 million (2022: $779 million).

Directors
The directors who served throughout the year and up to the date of this report, unless otherwise noted, were as follows:

G S Taylor (resigned 30 June 2024)
L L Jenkins (resigned 31 May 2023)
R E Sherwell
N A Holland
N E McKnight
R J Turner
P M Fursey (appointed 1 January 2023)
C R Love (appointed 9 January 2023)
A T Bunn (appointed 1 July 2024)

Directors indemnity provisions
In accordance with the company's articles of association each director is granted an indemnity from the company in respect of liabilities incurred as a result of their office, to the extent permitted by law. These indemnities were in force throughout the financial year and at the date of this report. In addition the company maintained a directors' and officers' liability insurance policy throughout 2023 and which has continued into 2024. Although their defence costs may be met, neither the company's indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Relationships with suppliers, customers and other stakeholders
As a holding company with no employees and no third-party commercial trading activity, the key stakeholders of the company are:

- The company's shareholders, who are all affiliated companies; and
- The company's principal subsidiary Phillips 66 Limited, which is the main Philips 66 operating company in the UK (the Operating Company).

The company's Board of Directors engages with the Operating Company through strategy reviews, establishing strategic objectives and targets, and interaction with Operating Company management to optimise the Phillips 66 value chain in the UK.

Corporate Governance Arrangements
As described in the Section 172 statement in the Strategic report, the company's Board of Directors has adopted Corporate Governance Guidelines consistent with the Wates Corporate Governance Principles (the "Guidelines") as a general framework to assist the Board in carrying out its responsibilities for the business and affairs of the company to be managed by or under the direction of the Board and the Guidelines have been applied since they were adopted.

Disclosure of information to auditor

Each person who was a director at the time this report was approved confirms that:

- So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware; and
- Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

Pursuant to section 487(2) of the Companies Act 2006, Ernst & Young LLP are deemed to continue as the auditor.

This report was approved by the Board of Directors on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

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

Phillips 66 UK Holdings Limited
Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in UK GAAP (FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company´s financial position and financial performance; 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 member of Phillips 66 UK Holdings Limited

Opinion

We have audited the financial statements of Phillips 66 UK Holdings Limited (the 'company') for the year ended 31 December 2023 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 16, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment process and the key factors and assumptions that were considered in its assessment;
- Obtaining management's going concern assessment for the period from when the financial statements are authorised for issue through to 30 September 2025;
- Checking the consistency of the factors and evaluating assumptions adopted in management's going concern assessment with other areas of our audit, including asset impairment indicator assessment;
- Evaluating the company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards;
- Considering whether there was any evidence to suggest management had exercised any bias in selecting their assumptions;
- Reviewing subsequent events after the balance sheet date, including the dividends received and dividends paid by the entity;
- Inspecting Management's letter of support from the ultimate parent company confirming its intention to support the company if required to do so; and
- Assessing whether the wider Group has significant available liquidity throughout the going concern period as well as access to an undrawn revolving credit facility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2025.

Independent auditor's report
to the member of Phillips 66 UK Holdings Limited (continued)

Conclusions relating to going concern (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Valuation of Investments
Materiality	• Overall materiality of $49.0m which represents 3% of Shareholders' Funds

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Phillips 66 UK Holdings Limited. The company has determined that the most significant future impacts from climate change on its operations will be from extreme weather conditions, transition to a low-carbon economy, and legislative changes. These are explained on pages 3 to 9 in the Non-Financial and Sustainability Information Statement in the Strategic report. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

The company has explained in the Non-Financial and Sustainability Information Statement in the Strategic report how they have reflected the impact of climate change in their financial statements. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 3-9 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures following the requirements of FRS 101 "Reduced Disclosure Framework". As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Independent auditor's report
to the member of Phillips 66 UK Holdings Limited (continued)

Climate change (continued)

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Board of Directors
Valuation of Investments (2023: $3,173.9m, 2022: $3,007.0m) Refer to the; Accounting policies (page 25); and Note 7 of the Financial Statements (page 32). The investment carrying value is assessed for impairment indicators annually. Investments are held at cost less accumulated impairment losses. There is a risk of overstatement of the investment held and failure to recognise an impairment, which would lead to an overstatement of operating profit and net assets of the company in the period.	We performed the following audit procedures with respect to the investment impairment indicator assessment: We assessed whether the carrying value and recoverable amounts, as set out in management's impairment indicator assessment, were appropriate and in accordance with IAS 36: Impairment of assets. The carrying values tested were as reported in the financial statements. Considering the indicators within paragraph 12 of IAS 36, Management's assessment concluded that that no impairment triggers arose in the current period. We have performed our own assessment of indicators, including consideration of the recoverable amount of the underlying investments relative to the assets held. Where appropriate this included analysing or testing the assets held within the underlying indirectly held investments, to assess whether the recoverable amounts are greater than the carrying value of the investment.	The value of the investment is supported by significant group assets, most notably the UK operations encompassing the Humber refinery. We have tested the analysis prepared by management, reviewed and challenged the methodology used by management in determining the recoverable amount, and considered the appropriateness of the disclosures within the financial statements. Based on the procedures performed, we have not identified any impairment triggers.

Independent auditor's report
to the member of Phillips 66 UK Holdings Limited (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £49.0 million (2022: £20.0 million), which is 3% (2022: 1%) of Shareholders' funds. We believe that Shareholders' funds provides us with the most appropriate materiality basis as the company does not trade or incur costs on a consistent basis.

During the course of our audit, we reassessed initial materiality and did not identify any factors that would require our materiality to be changed.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £36.8m (2022: £15.0m). We have set performance materiality at this percentage due to there being no history of audit differences, indicating a lower risk of misstatement in the financial statements. The significant increase year over year is the result of the percentage applied to the materiality measurement basis increasing from 1% to 3%. This is due to there being fewer risk factors that would suggest a lower percentage should be applied to the measurement basis.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of £2.4m (2022: £1.0m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Strategic report set out on pages 2 to 10 and the Directors' report set out on pages 11 to 13, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report
to the member of Phillips 66 UK Holdings Limited (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101), Companies Act 2006, Bribery Act 2010, and relevant direct and indirect tax compliance regulations in the United Kingdom. We understood how Phillips 66 UK Holdings Limited is complying with those frameworks by making inquiries of management to understand the policies and procedures in place as well as reviewing corroborative evidence as necessary. We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiring with management to understand the policies and procedures in place to detect and prevent fraud and by considering the risk of management override of controls. We addressed the risk of incorrect revenue recognition by testing specific transactions and agreeing back to source documentation or independent confirmations as appropriate. We also completed searches of journal entries to identify transactions with indicators of management override of controls and tested identified items, ensuring appropriate authorisation of the transaction.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading minutes from the Board of Directors, enquiring with key management personnel and testing journals identified by specific risk criteria. We tested specific transactions back to source documentation or independent confirmation as appropriate. We engaged tax specialists to assess compliance with UK tax regulations. We completed a financial statement disclosure checklist to assess compliance with the applicable reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jacqueline Geary (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 September 2024

Phillips 66 UK Holdings Limited
Income statement
for the year ended 31 December 2023

	Notes	2023 $ million	2022 $ million
Dividends received		802.9	869.6
Administrative expenses		(0.1)	(0.1)
Operating profit		802.8	869.5
Interest receivable	4	0.5	0.1
Interest payable	5	(29.7)	(39.9)
Profit before taxation		773.6	829.7
Tax credit	6	6.9	7.2
Profit for the financial year		780.5	836.9

All activities relate to continuing operations.

Phillips 66 UK Holdings Limited
Statement of comprehensive income
for the year ended 31 December 2023

	2023 $ million	2022 $ million
Profit for the financial year	780.5	836.9
Other comprehensive income/(expense)		
Items that cannot be reclassified to profit or loss:		
Foreign currency translation gain/(loss)	114.4	(235.5)
Total comprehensive income for the year	894.9	601.4

Phillips 66 UK Holdings Limited
Registered number: 07853993
Balance sheet
as at 31 December 2023

	Notes	2023 $ million	2022 $ million
Fixed assets			
Investments	7	3,173.9	3,007.0
Current assets			
Debtors due within one year	8	16.3	35.6
Cash at bank and in hand		5.9	30.5
		22.2	66.1
Creditors due within one year	9	(8.6)	(1,043.6)
Net current assets/(liabilities)		13.6	(977.5)
Total assets less current liabilities		3,187.5	2,029.5
Creditors due after one year	10	(763.1)	-
Net assets		2,424.4	2,029.5
Capital and reserves			
Share capital	12	876.7	876.7
Merger reserve	14	1,023.8	1,023.8
Foreign currency translation reserve	14	(220.9)	(335.3)
Retained earnings		744.8	464.3
Shareholder's funds		2,424.4	2,029.5

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

Phillips 66 UK Holdings Limited
Statement of changes in equity
for the year ended 31 December 2023

	Share capital $ million	Merger reserve $ million	Foreign currency translation reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022	876.7	1,023.8	(99.8)	406.4	2,207.1
Profit for the financial year	-	-	-	836.9	836.9
Other comprehensive expense	-	-	(235.5)	-	(235.5)
Total comprehensive income for the year	-	-	(235.5)	836.9	601.4
Equity dividends paid (Note 13)	-	-	-	(779.0)	(779.0)
At 31 December 2022	876.7	1,023.8	(335.3)	464.3	2,029.5
Profit for the financial year	-	-	-	780.5	780.5
Other comprehensive income	-	-	114.4	-	114.4
Total comprehensive income for the year	-	-	114.4	780.5	894.9
Equity dividends paid (Note 13)	-	-	-	(500.0)	(500.0)
At 31 December 2023	876.7	1,023.8	(220.9)	744.8	2,424.4

1 Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

1.1 Statement of compliance

Phillips 66 UK Holdings Limited (the "company") is a private company limited by shares incorporated and domiciled in England. These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced disclosure framework' (FRS 101) and in accordance with the Companies Act 2006.

1.2 Basis of preparation

The financial statements are prepared under the historical cost convention. The company is exempt from preparing consolidated financial statements under section 401 of the Companies Act 2006. Consolidated financial statements that include the results of the company are prepared by the company's ultimate parent company, Phillips 66, a company registered in Delaware, USA, and are available at Companies House and online at www.phillips66.com.

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

- the requirements of paragraphs 10 (d) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 1 para 16 (statement of compliance with all IFRS), IAS 1 para 38A (cash flow related), IAS 1 para 111 (cash flow related);
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions is wholly owned by such a member; and
- the requirements of IAS 24 para 17 in relation to key management compensation.

As the consolidated financial statements of Philips 66 include the equivalent disclosure, the company has also taken the exemption under FRS 101 available in respect of the following disclosure:

- The disclosures required by IFRS 7 Financial Instruments Disclosure; and
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in existence for the period to 30 September 2025, being the going concern period. In reaching this conclusion the directors reviewed a going concern assessment for that period which considered the forecast impact of the ongoing military conflicts in Ukraine and Gaza, which indicated that the company will have sufficient funds to meet its liabilities as they fall due. The forecast highlights half yearly debt interest payments of $21 million each, due throughout the going concern period, to be funded by cash in hand and borrowings.

In view of the relatively small net current assets position on the balance sheet, and the inherent uncertainty with respect to the receipt of dividends from subsidiaries, the company has received confirmation from Phillips 66 Company, its indirect parent undertaking, that it will provide such financial assistance as may be required by the company to meet its liabilities, including any funds required to repay or refinance its debt, throughout the going concern period of review, as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

1 Accounting policies (continued)

1.2 Basis of preparation (continued)

Going concern (continued)
The key activity of the company is to act as an intermediate holding company (refer to Note 7, pages 28-30). The company also holds $763 million of intercompany debt that is listed on the Cayman Islands Stock Exchange and is repayable to Phillips 66 International Investments Ltd., being another wholly owned subsidiary of the ultimate parent Phillips 66. This debt is due to mature in October 2028. Noting the significance of this amount and taking into consideration the value of the half yearly interest payments required to service this debt, the directors have considered whether this impacts on the preparation of the financial statements on a going concern basis.

The company is party to a centralised cash pooling arrangement between all the Phillips 66 pooling participants and the Bank of America and has access, if required, to surplus cash within the pool. Phillips 66 Company and Phillips 66 have each provided a cross guarantee to the Bank in respect of the obligations of the pool participants under the cash pooling arrangement. These guarantees are limited to the aggregate of (i) the credit balance on all their accounts with the Bank at any time and (ii) 2 billion US dollars ($2,000,000,000).

After making enquiries, considering the impacts of the ongoing military conflicts in Ukraine and Gaza, the servicing of the new loan debt, and the support available from the parent company, the directors have concluded that the company has adequate resources to continue in operation for the going concern period. These considerations included the impact of the ongoing military conflicts in Ukraine and Gaza on the wider Phillips 66 group, committed long-term facilities available to the group and cash flow projections for the group beyond the going concern review period. In reaching this conclusion the directors have had due regard to the financial strength of Phillips 66 Company and are satisfied that Phillips 66 Company has the willingness and ability to provide support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Judgements and key sources of estimation uncertainty
The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the amounts reported in the balance sheet and income statement for the year. However, the nature of estimation means that actual outcomes may differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Investments
Fixed asset investments are stated at cost less provisions for impairment.

Each investment is subject to an annual assessment to determine whether there are any indicators of impairment. Where these are present an estimate is made of the recoverable amount which is determined as the higher of the fair value less costs of disposal and the value in use with the value of the underlying net assets being taken as the best estimate of this. Where the carrying amount of an investment exceeds the recoverable amount, the investment is considered impaired and written down to the recoverable amount.

Deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. For more information see Note 6.

1 Accounting policies (continued)

1.4 Material accounting policies

(a) Presentation currency
The financial statements are prepared in US dollars and are rounded to the nearest million dollars.

(b) Functional currency
The functional currency of the company is British pounds.

Transactions in currencies other than the functional currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange ruling at the end of the financial period. Exchange gains or losses are taken to the Income statement.

(c) Taxation
Current taxation, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and law that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

(e) Share capital
Ordinary shares are classed as equity.

(f) Merger reserve
The merger reserve represents the excess value of the consideration received by the company over the nominal value of the shares issued in a group reconstruction.

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(g) Foreign currency translation reserve
All exchange differences arising as a result of translating the company's results and financial position from the functional currency to the presentation currency are recognised in other comprehensive income for the period. The cumulative effect of these exchange differences is recognised by the foreign currency translation reserve.

(h) Investments
Investments are held at cost less accumulated impairment losses.

The company assesses at each reporting date whether there is an indication that an investment may be impaired. Where any such indication exists an estimate is made of the investment's recoverable amount in order to determine the extent of any impairment loss. The recoverable amount is determined as the higher of the fair value less costs of disposal and the value in use based on discounted cash flows. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and written down to its recoverable amount.

(i) Financial assets
Initial recognition and measurement:
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement:
For purposes of subsequent measurement, financial assets are classified at amortised cost.

Financial assets at amortised cost:
The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company's financial assets at amortised cost includes group company receivables and cash at bank.

Phillips 66 UK Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 December 2023

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(i) Financial assets (continued)
Impairment of financial assets:
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows expected to be received.

(j) Financial liabilities
Financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities comprise loans and borrowings, and accruals.

(k) Dividends received
Dividends received are recognised as income when the right to receive payment has been established, which is when the shareholders approve the dividend.

(l) Dividends paid
Dividends are recognised when the dividend becomes legally payable, in the case of interim dividends to equity shareholders this is when paid.

(m) Cash and cash equivalents
Cash and cash equivalents comprise cash balances held at bank.

(n) Interest expense
Interest expense is recognised using the effective interest method which calculates the expense and allocates over the relevant period.

2 Information regarding directors and employees

(a) Directors' remuneration

No emoluments were paid to the directors for their qualifying services to Phillips 66 UK Holdings Limited in the current and preceding period.

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

Directors' remuneration borne by its principal subsidiary Phillips 66 Limited and reported in its financial statements for the year ended 31 December 2023 is as follows:

	2023 $ million	**2022 $ million**
Aggregate remuneration for qualifying services	4.7	6.0

Phillips 66 UK Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 December 2023

2 Information regarding directors and employees (continued)

(a) Directors' remuneration (continued)

The number of directors who:		
Are members of a defined benefit pension plan	8	7
Exercised options over shares in the ultimate parent company	-	-

Remuneration of the highest paid director:	**2023 $ million**	**2022 $ million**
Aggregate remuneration for qualifying services	2.0	2.4

The highest paid director did not exercise share options in the ultimate parent company during the year (2022: not exercised).

(b) Employees

The company had no employees in the current and preceding period. All contracts of employment are held by Phillips 66 Limited.

3 Auditor remuneration

	2023 $'000	**2022 $'000**
Fees payable to the company's auditor for the audit of the company's annual financial statements	52	41

There have been no fees payable in relation to non-audit services.

4 Interest receivable

	2023 $ million	**2022 $ million**
Bank interest	0.5	0.1

5 Interest payable

	2023 $ million	**2022 $ million**
Bank overdrafts	2.6	0.4
Loan note interest and finance charges	27.1	39.5
	29.7	39.9

Phillips 66 UK Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 December 2023

6 Taxation

(a) Tax credit in the Income statement

	2023 $ million	2022 $ million
Current income tax:		
Group relief receivable - offset in current year for current year losses	(6.9)	(7.2)
Group relief receivable - offset in current year for prior period losses carried forward	-	(1.8)
Amounts under provided in previous years	-	0.1
Total current income tax credit	(6.9)	(8.9)
Deferred tax:		
Tax losses	-	1.8
Amounts over provided in previous years	-	(0.1)
Total deferred tax expense	-	1.7
Tax credit in the Income statement	(6.9)	(7.2)

(b) Reconciliation of the total tax credit

The tax credit in the Income statement for the year varies from the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are reconciled below:

	2023 $ million	2022 $ million
Profit before taxation	773.6	829.7
Accounting profit before income tax	773.6	829.7

	2023 $ million	2022 $ million
Tax calculated at UK standard rate of corporation tax of 23.5% (2022: 19%)	182.0	157.6
Foreign currency differences	-	0.2
Non-taxable income - Dividends received	(188.9)	(165.2)
Non-deductible expense - Interest on loan	-	0.2
Total tax credit reported in the Income statement	(6.9)	(7.2)

(c) Change in corporation tax rate

The main rate of corporation tax increased from 19% to 25% from 1 April 2023. For the financial year ended 31 December 2023, the effective standard rate of corporation tax was therefore 23.5%.

(d) Deferred tax

No deferred tax is recognised in the balance sheet.

Deferred tax in the Income statement	2023 $ million	2022 $ million
Losses carried forward	-	1.7
Deferred tax expense	-	1.7

6 Taxation (continued)

(e) Pillar Two rules

In December 2021, the OECD released model rules for a new global minimum corporate tax framework applicable to multinational groups with global revenues of over €750 million ('Pillar Two' rules). Pillar Two legislation has been substantively enacted in the UK and the legislation will apply for the financial year beginning 1 January 2024.

The Company has performed an assessment of the potential exposure to Pillar Two income taxes and, based on the most recent information available, the Company does not expect a potential exposure to Pillar Two top-up taxes.

7 Investments in subsidiary undertakings

	2023 $ million
Cost and net book value	
At 1 January 2023	3,007.0
Foreign currency translation	166.9
At 31 December 2023	3,173.9

Particulars of principal subsidiary undertaking

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
Phillips 66 Limited	100%	England	1	Oil Refining company

Particulars of other subsidiaries and associated undertakings held by Phillips 66 Limited

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
Jet Petroleum Limited	100%	England	1	Dormant
JET Petrol Limited	100%	Northern Ireland	2	Dormant
Phillips 66 TS Limited	100%	England	1	Agent for Phillips 66 Limited
Phillips 66 Pension Plan Trustee Limited	100%	England	1	Trustee of Phillips 66 UK Pension Plan
Phillips 66 Treasury Limited	100%	England	1	Provide treasury management services
Phillips 66 UK Funding Limited	100%	England	1	Intermediate holding company
JET Retail UK Limited	100%	England	1	Retail sale of automotive fuel and other goods
Phillips 66 GmbH	100%	Switzerland	3	Intermediate holding company
Qingdao Phillips 66 Energy Co. Ltd.	100%	China	4	Sale, purchase and storage of hydrocarbon products
Phillips 66 Healthcare Trustee Limited	100%	England	1	Trustee of Phillips 66 Healthcare Trust
Associated Petroleum Terminals (Immingham) Limited	50%	England	5	Operation of marine terminal

Phillips 66 UK Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 December 2023

7 Investments in subsidiary undertakings (continued)

Particulars of other subsidiaries and associated undertakings held by Phillips 66 Limited (continued)

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
Humber Oil Terminals Trustee Limited	50%	England	[5]	Trustee for participants in relation to their terminal
Crude Oil Terminals (Humber) Limited	50%	England	[1]	Provide facilities for terminal
Humber LPG Terminal Limited	50%	England	[1]	Dormant
Warwickshire Oil Storage Limited	50%	England	[6]	Petroleum product storage facility
Coop Mineraloel AG	49%	Switzerland	[8]	Sale of mineral oil products, operation of petrol stations
JET H2 Energy Austria GmbH	50%	Austria	[9]	Development and operating of hydrogen filling station network

Particulars of indirect holdings held by Phillips 66 Limited

Phillips 66 UK Funding Limited direct subsidiary:

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
Phillips 66 Ireland Pension Trust Limited	100%	Republic of Ireland	[7]	Pension Fund Trustee

Phillips 66 GmbH investments in indirect undertakings:

Company	Proportion of shares and voting rights	Country of incorporation	Principal activities
Societa Italiana Per L´Oleodotto Transalpino SpA	3%	Italy	Crude oil pipeline operation
Transalpine Oelleitung in Oesterreich GmbH	3%	Austria	Crude oil pipeline operation

JET H2 Energy Austria GmbH direct subsidiaries:

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
JET H2 Energy Denmark ApS	100%	Denmark	[10]	Development and operating of hydrogen filling station network
JET H2 Energy Germany GmbH	100%	Germany	[11]	Development and operating of hydrogen filling station network

7 Investments in subsidiary undertakings (continued)

Particulars of indirect holdings held by Phillips 66 Limited (continued)

Associated Petroleum Terminals (Immingham) Limited direct subsidiary:

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
APT Pension Scheme Trustees Limited	100%	England	5	Pension Fund Trustee

Registered offices

The address of the above undertakings registered offices, where more than a 20% interest is held, are as follows:

1 7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD, UK
2 3rd Floor, 40 Linehall Street, Belfast, BT2 8BA, Ireland
3 c/o Lambrigger Treuhand AG, Industriestrasse 49, Switzerland, 6302 Zug
4 Room 301, Office Building 5, No.42 Dongjing Road, Qingdao Free Trade Zone, Shandong Province, China
5 Queens Road, Immingham, DN40 2PN, UK
6 Olympus House, Olympus Avenue, Leamington Spa, CV34 6BF, UK
7 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
8 Hegenheimermattweg 65, 4123 Allschwil, Switzerland
9 Siezenheimer Straße 35, 5020 Salzburg, Austria
10 C/O Bech-Bruun Advokatpartnerselskab Langelinie Allé 35 2100 København Ø Denmark
11 Rödingsmarkt 9, 20459 Hamburg Germany

8 Debtors due within one year

	2023 $ million	2022 $ million
Amounts owed by group companies	16.3	35.6

9 Creditors due within one year

	2023 $ million	2022 $ million
Interest due on group borrowings (2022 Principal and interest)	8.5	1,043.6
Accruals and deferred income	0.1	-
	8.6	1,043.6

Phillips 66 UK Holdings Limited
Notes to the financial statements (continued)
for the year ended 31 December 2023

10 Creditors due after one year

	2023 $ million	2022 $ million
Amounts owed to group companies	763.1	-

Creditors falling due after more than one year represent 5.57% fixed rate loan notes listed on the Cayman Islands Stock Exchange which mature in October 2028 totalling $763 million. The holder of the loan notes is Phillips 66 International Investments Ltd. which is part of the Phillips 66 group. The loan notes have been classified as financial liabilities and carried at an amortised cost of $763 million. There were no fees in respect of the loan notes included in the carrying value of $763 million.

11 Borrowings

Borrowings repayable, included within creditors, are analysed as follows:

	2023 $ million	2022 $ million
Wholly repayable within five years	763.1	1,012.2

Details of borrowings repayable within five years are as follows:

	2023 $ million	2022 $ million
600,000 £1,000 5.57% Fixed Rate Loan Notes repayable 20 October 2028	763.1	-
840,000 £1,000 2.25% Fixed Rate Loan Notes repayable 20 October 2023	-	1,012.2
	763.1	1,012.2

12 Share capital and rights attaching to the company's shares

	2023 Millions	2022 Millions	2023 $ million	2022 $ million
Authorised				
Ordinary £1 shares	652.0	652.0	876.7	876.7
Allotted, called up and fully paid:				
Ordinary £1 shares				
At 1 January and 31 December	652.0	652.0	876.7	876.7

Subject to the provisions of Companies Act 2006 and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine or, subject to and in default of such determination, as the directors shall determine. There are currently no shares with special rights.

Distribution
Subject to the provisions of Companies Act 2006, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors.

13 Dividends

	2023 $ million	2022 $ million
Declared and paid during the year:		
Equity dividends paid on ordinary shares: $0.7669 per share (2022: $1.1949 per share)	500.0	779.0

14 Reserves

Merger reserve
This reserve records the cumulative effect of the excess of consideration received over the nominal value of shares issued in a group reconstruction.

Foreign currency translation reserve
This reserve records the cumulative effect of foreign exchange differences arising on the translation of the company's results and financial position from the GBP functional currency to the USD presentation currency that are recognised in other comprehensive income.

There are no movements on reserves except as stated in the Statement of changes in equity.

15 Subsequent events

In 2024 to the date of this report the company had the following dividend transactions:

	Dividend income $ million	Dividend paid $ million
March	500.0	500.0
September	250.0	250.0

The conflict in Ukraine continues to be ongoing however to date there has been no significant impact on the financial performance of the company's subsidiaries.

There have been no other significant events since the balance sheet date.

16 Ultimate controlling party

Phillips 66, a company registered in Delaware, USA, which the directors regard as the company's ultimate parent undertaking with respect to the year ended 31 December 2023, is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of the 2023 Annual Report may be obtained from Companies House and online at www.phillips66.com.

Phillips 66 International Investments Ltd. is the immediate parent company and is registered in the Cayman Islands.

Registered number
529086

Phillips 66 Limited

Annual report and financial statements

for the year ended 31 December 2023

Phillips 66 Limited
Annual report and financial statements
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Phillips 66 Limited
Company information

Directors	P M Fursey R E Sherwell N A Holland N E McKnight R J Turner C R Love A T Bunn
Company secretaries	R M White A Janaszek E M Price S Gennings
Registered office	7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD
Registered number	529086
Auditor	Ernst & Young LLP 1 More London Place, London SE1 2AF

Phillips 66 Limited
Strategic report

The directors present their Strategic report for the year ended 31 December 2023.

Principal activities
The principal activities of the company are the purchasing, processing, storage, distribution and marketing of hydrocarbon products.

Business review
The company has three main operating divisions of Refining, Marketing and Commercial. The Refining division, comprising the Humber Refinery, refines crude oil and other feedstocks into finished petroleum products (such as gasolines, distillates, and coke) for UK consumption or export. The Marketing division sells refined products produced by the Humber Refinery as well as other purchased products, into UK inland markets. The Commercial division sources feedstocks for Phillips 66 refineries, markets and sells their production for export markets and also trades in the oil, products and other commodity markets.

The company is committed to maintaining significant production of petroleum products from its principal assets. The financial results reflect both the current market conditions and the planned operations of the company's assets. It is the intention that the principal activities of the company will continue for the foreseeable future.

The company is also committed to pursuing projects, technologies and partnerships that support decarbonisation and the net-zero emissions ambitions of the UK government.

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

	2023 $ million	**2022 $ million**	**Change %**
Turnover	23,569	29,046	-18.9%
Gross profit	561	1,411	-60.2%
Profit for the financial year	570	1,411	-59.6%
Shareholder's funds	3,215	3,259	-1.4%

	2023	**2022**	**Change**
Inventory turnover	22.5	26.6	-15.4%
Quick ratio	1.3	1.3	0.0%

The gross profit for the year was $561 million (2022: $1,411 million). The profit for the year was $570 million (2022: $1,411 million).
Refining: The reduction in refining gross margin was a reflection of market cracks returning to a more typical mid cycle range following an unusually strong 2022.
UK Marketing: Gross Profit remained strong in 2023 as the differential between FOB and CIF prices for gasoline remained above historical averages, however the differential between FOB and CIF prices for diesel returned to expected levels as Russian load ports were removed from market quotes. Volumes have now returned to pre-pandemic levels.
Commercial: Gross Profit was strong in 2023 as volatility in the market continued particularly with tensions in Ukraine and the Middle East. Global Economic pressures resulted in lower demand and increasing global stocks negatively impacting margins.

Subsequent events
In 2024 to the date of this report the company had the following dividend transactions:

	Dividend income $ million	Dividend paid $ million
March	-	500
September	-	250

In January 2024 proceeds of $0.7 million were received on the disposal of associate company Jet H2E Austria GmbH.

The conflict in Ukraine continues to be ongoing however to date there has been no significant impact on the financial performance of the company.

There have been no other significant events since the balance sheet date.

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

Risks and uncertainties which could impact the company are set out below.

- Refinery down time: Planned maintenance and regular major turnarounds are used to mitigate the risk of unplanned refinery down time.
- Health and safety: The health and safety strategy centres on eliminating injuries from serious accidents and maintaining process containment, and the company is committed to continuously trying to identify and eliminate or manage the health and safety risks of its activities.

Financial instruments and risk management

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

- Balance physical systems; in addition to cash settlement prior to contract expiration, exchange traded futures contracts may also be settled by physical delivery of the commodity, providing another source of supply to meet marketing demand.
- Manage the risk to the company's cash flows from price exposures on specific crude oil transactions.
- Enable the use of market knowledge gained from these activities to do a limited amount of trading not directly related to the company's physical business.

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

Foreign currency risk
The company is exposed to foreign currency exchange rate risk resulting from entering into certain transactions denominated in currencies other than the functional currency of the relevant business branch. The company does not comprehensively hedge its exposure to currency rate changes, although the company may selectively hedge exposures to foreign currency rate risk.

Financial instruments and risk management (continued)

Investment risk
The company is exposed to investment valuation risk resulting from the fair value of its investment in its subsidiaries falling below the carrying value of the investment.

Geopolitical risk
Events relating to Russia and the military conflict in Ukraine, including international sanctions, trade restrictions, or any other actions taken by relevant parties may adversely impact future income. Management counter this risk through strategic financial planning.

Other business risks
The business of the company is exposed to risks of terrorism, cyber-disruption and pandemic diseases. In response the company has appropriate measures in place to deter, detect and respond to security risks.

Non-Financial and Sustainability Information Statement

Governance
Consistent with the Corporate Governance Guidelines adopted by the company in 2019 and subsequently updated, the Board of Directors maintains oversight of climate related risk and opportunities, regularly reviewing actions taken by management to monitor, control and report climate related exposures. In addition to the responsibilities of the Board, management teams across the three main operating divisions (Refining, Marketing and Commercial) are responsible for managing areas of the business which may affect or be affected by climate change. Management is informed about climate issues by engagement with internal and external networks.

Climate related risks are predominantly associated with the Humber Refinery and its associated offsites facilities. These are managed by the Lead Executive UK / General Manager Humber Refinery and the Refinery Leadership Team, which includes the Health, Safety and Environment Manager. In addition to the Humber Refinery management systems, oversight and auditing is provided by Phillips 66 corporate groups, along with UK regulators. These include the Control of Major Accident Hazards Regulations 2015 (COMAH) Competent Authority, which is comprised of the Health and Safety Executive and Environment Agency in England.

During 2023, the COMAH Competent Authority carried out routine interventions (typically one- or two-day audits), approximately once per month, on various topics related to the management of major accident hazards, including climate risks.

Climate related impacts are considered as the company develops business plans and strategy, ensuring potential risks are mitigated by planned actions which are appropriately funded.

Risk management
Potential impacts of climate related factors to the UK business have been categorised into short term (less than 5 years), medium term (5 to 15 years) and long term (more than 15 years).

Climate related risk management is integrated into the overall risk management framework, including the process safety / COMAH management system, which includes a number of rigorous processes to identify and quantify risks. This includes process hazards analyses and COMAH safety report updates every 5 years. COMAH representative scenarios have been developed and assessed with no serious deficiencies identified by the regulator.

Non-Financial and Sustainability Information Statement (continued)

Risk management (continued)

As part of routine management process, business risks are identified, including climate related issues and regulatory changes. Potential impacts to the business are considered, together with how the business strategy seeks to mitigate these risks. Where relevant, an estimation of the range of potential financial outcomes of these mitigated risks are developed, including any operational or capital expenditures required. Where appropriate, metrics and timelines are established to monitor progress.

The company applies a proportionate approach to assess risks. Unmitigated severities are identified as part of risk assessment processes and more in-depth analysis of safeguards is carried out on higher severity scenarios to determine the mitigated event likelihood and risks. Risk tolerability standards have been agreed with corporate and regulatory stakeholders. Where mitigated risks do not achieve these standards, additional mitigations are put in place.

Short term impacts

Flood risk:
The Humber Refinery is required to undertake flood risk assessments by COMAH. These assessments include topographical modelling by specialist consultants and facilitated workshops with appropriate subject matter experts. COMAH requires a review every 5 years. The coastal installations, including the Immingham Pipeline Centre (IPC) / Immingham Propylene Storage (IPS), LPG Caverns and Dock Silos, are directly protected by flood defences. The Humber Refinery and Tetney Oil Terminal are located further inland but are also afforded protection by the aforementioned flood defences. The Humber Refinery is not vulnerable to tidal flooding in the present-day for even the most extreme tidal flood events. The Tetney Oil Terminal is situated on low lying-land behind flood defences, with tide levels in the Humber Estuary frequently exceeding ground levels on the site. The flood defences prevent flooding of the area for even the most extreme present-day events, highlighting that the coastal defence scheme is effective. Although in the past heavy rains at the Humber Refinery have flooded perimeter roads and some plant buildings, there has not been any significant flood damage within the process areas of the Humber Refinery. The current surface water flooding risk is low and there is no current risk of flooding from reservoirs, as such no significant property damage from surface water flooding at the Humber Refinery is expected. Management therefore considers the risk of adverse impacts from flood damage to the operations of the Humber Refinery to be low.

Storm risk:
Wind load design at the Humber Refinery specifies a load up to 100 mph. Previous high-speed gusts have caused only very minor damage, such as loss of equipment installation or damage to scaffolding, therefore risk from storm damage is also considered low.

Heatwave risk:
High ambient temperature has not been identified as an initiator for any loss of containment scenarios or as the cause of any asset damage to date and it would not be expected that temperatures above 35 C would have any significant adverse impact, although high ambient temperature can necessitate Humber Refinery rate cuts. 40 C will introduce the same issues as 35 C, but with increased severity. Based on this, the risk of adverse impacts from increased temperatures is considered low.

Regulatory risk:
The UK Government has adopted a net zero consistent cap policy under the UK Emissions Trading Scheme (ETS). Free Allowances awarded to existing industrial installations will not change significantly before 2026. If the proposed level of reduction to Free Allowances (~30%), resulted in a proportionate reduction in Free Allowances awarded to the company, this could have short to medium term cost implications.

Non-Financial and Sustainability Information Statement (continued)

Risk management (continued)

Regulatory risk (continued):
The UK Government is also progressing implementation of a Carbon Border Adjustment Mechanism (CBAM) which may prevent carbon leakage to international competitors, who are not subject to ETS costs. The aim of CBAM would be to ensure domestic industry can support investments to decarbonise its assets, while remaining globally competitive.

Legislative changes such as the ban of the sale of new ICE/Hybrid vehicles in 2035 are addressed in the Product Demand section.

Industrial decarbonisation opportunities:
The UK Government is actively promoting growth in a number of areas which could provide opportunities for the company to diversify and grow business, as well as support carbon reductions. These include growth in a domestic electric vehicle supply chain, Sustainable Aviation Fuel production, hydrogen networks and deployment of carbon capture and storage. These opportunities are outlined further in the Strategy section.

Medium to long term impacts

Flood risk:
Sea level rise in the period to 2100+ may require some coastal defence upgrades to ensure that the Humber Refinery remains fully protected from these extreme events. However, the inland location ensures that even with the current defences, only minor flooding of a small portion of the south tank farm storage area would be expected in 2100+, with a minimal short term business impact. Humber 2100+, a partnership consisting of local authorities, the Humber Local Enterprise Partnership and the Environment Agency is assessing strategic approaches to manage the future tidal flood risk around the Humber Estuary.

Product demand:
In the medium to long term, inland demand of gasoline and diesel will decline as the UK moves towards the ban of the sale of new petrol and diesel cars and vans in 2035. The decline will continue as existing gasoline/diesel engine cars reach end of life, which is currently an average of 12 years. UK diesel demand is expected to exceed UK production forecasts beyond 2030, assuming all 6 UK refineries remain operational. Based on current forecasted demand, the UK will likely begin exporting diesel in the mid-2030s, which may pressure refining margins, and it is likely low complexity refineries will shut down to balance demand. This will provide inland logistics and product placement opportunities for Humber Refinery as a high complexity refinery, which are likely to have a positive impact on earnings, from taking advantage of inland premiums on a greater volume of Humber Refinery production and as such the margin pressure is considered a low risk for the company.

Electric vehicles:
As the use of fossil fuels for road transportation declines, it is expected the electric vehicle percentage of the UK vehicle fleet will increase from around 2% today to around 20% in 2030. The company's participation in the electric vehicle market by producing battery-grade coke and providing an EV-charging service is explained further in the Strategy section.

Non-Financial and Sustainability Information Statement (continued)

Strategy

The company recognises that as the economy transitions to a low-carbon economy (Energy Transition), and legislative changes such as the ban of the sale of new ICE/Hybrid vehicles in 2035 are implemented, this will drive changes in the business model. The company has developed a UK Integrated Strategy to address climate-related risks, remain competitive through the Energy Transition and reduce its scope 1, 2, and 3 emissions in support of the UK Government's target to achieve net zero by 2050. Various industrial and transport decarbonization strategies and policies are implemented by, or under development with, the UK government, which could impact the company. Key scenarios that are considered are operational impacts of climate change, impact on product demand and available markets, reducing scope 1 and 2 emissions, and increasing production of lower carbon products or products that support the Energy Transition (scope 3). The company is actively working various initiatives associated with bio-feedstocks, carbon capture, hydrogen, battery coke and lower carbon fuels that will mitigate the negative financial impacts on some current activities and will maintain profitability. The company's approach is to improve the efficiency of its operations and make investments to meet the world's evolving energy needs while advancing a lower-carbon future.

Operational strategy:

The risks do not highlight any action that will be needed in the short, medium or long term, and that the risk of financial impact is low. This will be kept under annual review.

Flood risk:

The risk of flooding to Humber Refinery is low; therefore, no immediate action is required, except to monitor coastal defences. As part of COMAH, flooding risk will continue to be assessed and if future risk profiles increase, action plans will be developed, and if necessary, investments made.

Heatwave risk:

If temperatures rise to levels where Humber Refinery operations are adversely impacted, future investments would be made as part of normal business decisions to mitigate any significant financial impact.

Product Demand and Markets Strategy:

The forecast and risk associated do not highlight that any specific action is needed as the risk in the short, medium and long term is considered low. This will be kept under annual review.

Regulatory Strategy*:*

If the Free Allowances under the UK Emissions Trading Scheme (ETS) reduce significantly this could increase cost. The company is seeking to mitigate this risk through proactive engagement with UK Government and trade associations about the potential impact for UK industry, as well as progressing initiatives to reduce its industrial carbon footprint. The company does not consider that this is likely to have a large or sudden impact due to the likelihood of unintended consequences to the UK economy, such as reduced international competitiveness, pricing to consumers and carbon leakage. This will be kept under annual review.

The refining industry is not included in the initial deployment scope of UK CBAM, however the company is working with industry associations on approaches to implementation for the refining industry.

Non-Financial and Sustainability Information Statement (continued)

Strategy (continued)

Reduction in scope 1 and 2 emissions:

Carbon Capture:
The company is developing a plan to install post-combustion carbon capture at the Humber Refinery which will reduce the refinery's scope 1 operational emissions. This reduction in carbon dioxide emissions would reduce the number of allowances that the company will need to purchase under the UK ETS which will protect it from increasing allowance prices in the future. The company is working in collaboration with VPI Immingham LLP to jointly promote certain aspects of their respective carbon capture projects under the Humber Zero brand. The projects' captured carbon dioxide emissions will be transported and stored by a third party under the North Sea in a depleted gas field. The company is working with Viking CCS as a potential emitter to Viking's carbon dioxide transport and storage cluster and is awaiting an announcement from the government on the timeline and process for the selection of track 2 emitters. The company's carbon capture project may also potentially generate additional value through reducing the carbon intensity of some products produced at the Humber Refinery. The company's carbon capture project is subject to several certain pre-conditions being satisfied, including but not limited to, agreeing on the terms of a Revenue Support Agreement with the UK Government and final investment approval.

Hydrogen:
The company is reviewing opportunities to participate in the growth of the lower-carbon hydrogen industry. The Humber region has multiple potential carbon capture and storage enabled and electrolytic hydrogen projects that are currently being considered and developed by external parties. In March 2024 the company entered into a collaboration agreement with Uniper to work towards the potential supply of electrolytic hydrogen from Uniper's Humber H2ub® (Green) project to the company's Humber Refinery from 2029. The hydrogen would be used to replace refinery fuel gas in industrial-scale fired heaters which would reduce the Humber Refinery's scope 1 operational emissions. Uniper has applied to the UK Government's second Hydrogen Allocation Round for allocation of a Hydrogen Production Business Model Support. Uniper's project development and the supply agreement with the company are subject to financial investment approval from Uniper's and the company's management, and several pre-conditions being satisfied; including Uniper securing the necessary planning consents and environmental permit, the parties agreeing the terms for the hydrogen offtake and Uniper agreeing a Low Carbon Hydrogen Agreement with the UK Government.

Heater Refuelling:
Funding was secured by the company from the UK Government's Industrial Energy Transformation Fund (IETF) for the Humber Refinery to carry out a feasibility assessment, exploring fuel switching in the Humber Refinery's industrial fired heaters, displacing refinery fuel gas with hydrogen, which would reduce CO_2 emissions from the Humber Refinery. The outcomes of this study have now been published and have resulted in the company signing the collaboration agreement with Uniper that is outlined above.

Non-Financial and Sustainability Information Statement (continued)

Strategy (continued)

Growth in lower carbon products and products that support the Energy Transition reduction in scope 3 emissions:

Renewable fuels:
Through co-processing waste oils and other lower-carbon feedstocks, the Humber Refinery produces lower-carbon products. This is aligned to requirements under the Renewable Transport Fuels Obligation (RTFO), which provide targets up to 2032. The RTFO provides policy certainty for development and growth in renewable fuels in the medium term. The company's strategy and alignment to policy and regulatory requirements, as well as market demand for renewable fuels, will be kept under annual review.

Used cooking oil:
Humber Refinery was the first refinery in the UK to manufacture biofuels eligible under the Renewable Transport Fuels Obligation, at scale, from waste when used cooking oil (UCO) was introduced to its refining processes in 2017. Life cycle greenhouse gas (GHG) emissions are typically 80-90% lower with UCO than with conventional fossil fuel feedstocks. In 2020, the company invested significantly, trebling this capacity.

Sustainable aviation fuel:
Sustainable Aviation Fuel (SAF) is a chemically similar alternative to fossil-derived jet fuel that can reduce lifecycle carbon emissions by more than 80% compared to traditional jet fuel. Humber Refinery is the first facility in the UK to produce SAF at scale.

Renewable diesel:
Renewable diesel imported by the company for sale in the wholesale market and, on a more limited basis, in the retail market is a paraffinic fuel that is chemically very similar to conventional fossil-fuel-based diesel, but it is derived from biomass sources such as used cooking oil, fats, greases and vegetable oils. Such renewable diesel is of significantly lower-carbon intensity than fossil fuel and meets specific sustainability and supply chain criteria that qualify it as a renewable transport fuel under the RTFO and its compliance with such criteria is independently verified.

Batteries:
Humber Refinery is the only European facility producing speciality graphite coke, which is a precursor material to synthetic graphite, which forms a critical component for lithium-ion batteries used in Electric Vehicles (EV) and consumer electronics. The company is supporting decarbonisation of the UK car fleet through the launch of JET Charge ultra-rapid charging service at JET service stations.

Metrics and Targets

The company uses a variety of metrics to evaluate its climate related risks and opportunities. These metrics include carbon emissions, environmental impacts, legislative changes, and economic supply/demand forecasts. The company is pursuing returns-focused projects, technologies and partnerships that support the decarbonisation of its operations and provides customers with lower-carbon alternatives.

Non-Financial and Sustainability Information Statement (continued)

Metrics and Targets (continued)

Phillips 66 has published global company-wide greenhouse gas emissions intensity reduction targets, with a 2019 baseline. For Scope 1 and 2 manufacturing related emissions, the target is an intensity reduction of 30% by 2030 and 50% by 2050. For Scope 3 product related emissions, the target is an intensity reduction of 15% by 2030. In 2023, Phillips 66 global company-wide performance was a 17% reduction in Scope 1 and 2 emissions and a 7% reduction in Scope 3 emissions intensity from products, versus the 2019 baseline.

Phillips 66 reports relevant Scope 1, 2 and 3 greenhouse gas emissions from assets over which it has operational control in accordance with the World Resource Institute Greenhouse Gas Protocol. Emissions are inclusive of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Other greenhouse gas emissions are not considered to be material to the company's operations and are, therefore, excluded. Phillips 66 also calculates and reports emissions in accordance with mandatory reporting requirements such as the UK Emissions Trading Scheme (UK ETS).

Streamlined energy and carbon reporting (SECR)
For the purpose of SECR reporting, emissions releasing activities are categorised into 3 groups known as scopes, and these are described below:

Scope 1 (direct emissions): Emissions from activities owned or controlled by the company.

Scope 2 (energy indirect): Emissions released into the atmosphere associated with the company's consumption of purchased electricity, heat, steam and cooling.

Scope 3 (other indirect): Emissions that are a consequence of the company's actions, which occur at sources that the company does not own or control and which are not classed as scope 2 emissions.

	2023	2022
Energy consumption used to calculate emissions (gas, electricity, transport, fuel, other) (GWh)	11,138	11,419
Scope 1 emissions from combustion of gas (tCO2e)	1,208,961	1,275,392
Scope 1 emissions from consumption of fuel for transport purposes (tCO2e)	116	123
Scope 2 emissions from purchased electricity (tCO2e)	167,963	174,933
Scope 3 emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO2e)	78	98
Total gross emissions based on mandatory listed above (tCO2e)	1,377,118	1,450,546
Intensity ratio (tCO2e) (gross figure based on mandatory listed above) / Mbbl feedstock	16,498	16,989
Methodology 2023 UK ETS and EPR permit methodologies 2022 UK ETS and EPR permit methodologies		

GWh - Gigawatt hour is a unit of energy equivalent to one million kilowatt hours
kWh - Kilowatt hour (unit of measure for energy consumed commonly used as a billing unit)
tCO2e - Tonnes Carbon Dioxide Equivalent

Streamlined energy and carbon reporting (SECR) (continued)

Actions taken towards building a lower-carbon value chain:

The company undertook a major shutdown to enable maintenance activities on one third of the refinery production units. These maintenance activities included the cleansing of heat transfer surfaces to increase energy efficiency. The company aims to be as efficient as possible in its consumption of energy and monitors Refinery energy usage daily with operational changes to minimise energy usage as required (whilst at the same time preserving process safety, asset integrity and company profitability).

Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006

The company's Board of Directors consider they have acted prudently and in good faith and in a manner most likely to promote the success of the company having regard to the matters set out in Section 172 of the Companies Act 2006.

The company is an indirect subsidiary of Phillips 66, a diversified energy manufacturing and logistics company listed on the New York Stock Exchange. The Phillips 66 group manages its activities principally along business and functional lines to achieve overall business objectives but respects the status of the separate legal entities through which it transacts, maintaining the independence of each Board of Directors.

The company's Board of Directors has adopted Corporate Governance Guidelines consistent with the Wates Corporate Governance Principles (the "Guidelines") as a general framework to assist the Board in carrying out its responsibilities for the business and affairs of the company to be managed by or under the direction of the Board in accordance with the Companies Act 2006. The Guidelines address six principles of Purpose and Leadership, Board Composition, Board Accountability, Opportunity and Risk, Remuneration, and Stakeholder Relationships and Engagement. Since their adoption, the Board has conducted itself in accordance with the Guidelines to ensure decisions made take into account stakeholder input, the long-term consequences of decisions, and the company's reputation of high standards of business conduct.

Long term consequences of decisions

The nature of the industry in which the company operates requires a focused long-term approach. As a company the challenge of meeting energy needs in an environmentally responsible manner is understood. The company has an important role in the energy transition and is focused on safely delivering energy today and is pursuing projects that will reduce emissions intensity and provide growth opportunities in the future.

Personnel

Our Energy in Action (OEIA) is a set of behavioural expectations for all employees that preserves what makes the company great and challenges to become better. The principles of OEIA govern how employees work together, influence how decisions are made and help employees seek different perspectives. These principles are integrated into the company's people practices, including succession management, performance reviews, Total Rewards and recruiting.

- Work for the greater good. Living our values earns us the confidence of our business partners, communities and coworkers.
- Create an environment of trust. Trusting each other makes us more productive and agile.
- Seek different perspectives. Championing inclusion enables us to innovate and thrive.
- Achieve excellence. Continuing to improve ensures we deliver extraordinary performance.

Living the behaviours of OEIA helps foster an inclusive workplace. A diverse workforce powered by an environment of inclusion unleashes the creativity to solve challenges and drives the organisation to deliver exceptional results.

Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006 (continued)

Relationships with suppliers, customers and other stakeholders
The company's Board of Directors understands that developing and maintaining strong mutually beneficial relationships with suppliers, customers, and other stakeholders, such as the communities in which it does business, is critical to delivering on the company's strategy. In order to develop and maintain these relationships, the company's Board of Directors oversees and approves the numerous stakeholder engagement activities that are undertaken during the year.

Ways in which the company has engaged with its stakeholders (other than its affiliated company shareholders) in this financial year were as follows:

- Suppliers: The company engages with suppliers including contracting companies on safety and operational integrity, working collaboratively with them to optimize the supply chain and improve processes. The company held 2023 contractor awards to celebrate the performance of contractors on site. This is to reflect on the effort, dedication and commitment to safety whilst working on site.
- Customers: The company is committed to offering high quality products at competitive prices and continues to develop the JET brand awareness. The company's marketing team is key in retaining existing customers as well as obtaining new customers. The company's customers include JET branded and independent service stations, supermarkets and aviation companies.
- Commercial trading counterparties: The company engages with commercial trading counterparties to discuss the various petroleum markets.
- Local Communities: The company supports local communities through the Phillips 66 Community and Education Initiative, which is aimed at supporting local communities, charities, schools and organisations with donations and employees' time. The company focusses on encouraging diversity and continues to develop STEM activities to keep students engaged through a number of activities including a Sustainability Challenge delivered across the Humber region to 30 secondary schools, focused on STEM skills and also aims for the students to consider how they can make a positive impact both on the future and on the Humber journey to achieve Net Zero.

Environment
The company is conscious of how its activities can affect both the community in which it operates and the environment at large and is committed to keeping any negative environmental effects of its operations to a minimum.
It is the Company's policy to comply with all applicable environmental laws and regulations.
The company's key principles and commitments in the areas of health, safety, the environment, people and communities are consistent with those of its ultimate parent company, Phillips 66. Each year, Phillips 66 publishes a detailed and comprehensive Sustainability and People Report that provides a detailed account of its positions, actions and performance. Copies of this report can be obtained at www.phillips66.com.

Maintaining a reputation for high standards of business conduct
The Phillips 66 values of safety, honour and commitment and its Code of Conduct help guide all business decisions and reflect the company's commitment to these values.

- Safety. We protect each other, our environment and our communities.
- Honour. We stand behind our word, and you can count on us to do the right thing, always.
- Commitment. We are inspired to achieve the highest levels of performance in everything we do.

Putting these values into practice creates lasting benefits for employees, customers, suppliers, other business partners and shareholders, as well as the communities where we live and work.
The Code of Conduct describes the basic guidelines for how the company operates and ties the company's values to the way decisions are made. The company expects each employee to uphold the Code of Conduct and to set a high standard for themselves in order to be seen by peers, customers, business partners, and communities as a company that does the right thing, always.

Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006 (continued)

Shareholders
The Company is the wholly owned subsidiary of Phillips 66 UK Holdings Limited, another UK registered Phillips 66 company and ultimately of Phillips 66 as detailed in Note 28 - Ultimate controlling party.

The company is committed to enhancing the long-term value of the investment placed in the company by its shareholders.

This report was approved by the Board of Directors on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

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

The directors present their Annual report on the affairs of the company, together with the Strategic report and financial statements, for the year ended 31 December 2023.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in existence for the period to 30 September 2025, being the going concern period. In reaching this conclusion the directors reviewed a going concern assessment for that period which included the review of financial forecasts that considered the impact of the ongoing military conflict in Ukraine along with earnings assumptions based on management's view of the current and future economic environment over the forecast period. These forecasts indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

In view of the inherent uncertainty with respect to the payment of dividends to its parent, the company has received confirmation from Phillips 66 Company, its indirect parent undertaking, that it will provide such financial assistance as may be required by the company to meet its liabilities, throughout the going concern period, as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

The company is also party to a centralised cash pooling arrangement between all the Phillips 66 pooling participants and the Bank of America and has access, if required, to surplus cash within the pool. Phillips 66 Company and Phillips 66 have each provided a cross guarantee to the Bank in respect of the obligations of the pool participants under the cash pooling arrangement. These guarantees are limited to the aggregate of (i) the credit balance on all their accounts with the Bank at any time and (ii) 2 billion US dollars ($2,000,000,000).

After considering uncertainties in the current economic environment along with the support available from the parent company, and after making enquiries, the directors have concluded that the company has adequate resources to continue in operation for the going concern period. These considerations include the impact of the ongoing military conflict in Ukraine on the wider Phillips 66 group, committed long-term facilities available to the group and cash flow projections for the group beyond the going concern period. In reaching this conclusion the directors have had due regard to the financial strength of Phillips 66 Company and are satisfied that Phillips 66 Company has the willingness and ability to provide support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Streamlined energy and carbon reporting (SECR) information

Energy and carbon emissions are disclosed in the Strategic report.

Future developments

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

Financial instruments and risk management

Information relating to financial instruments and the management of financial risks is disclosed in the Strategic report.

Dividends

The company paid dividends amounting to $803 million during the year (2022: $869 million).
The directors do not recommend a final dividend for the year ended 31 December 2023 (2022 : $Nil).

Directors

The directors, who served throughout the year unless otherwise noted, were as follows:

G S Taylor (resigned 30 June 2024)
P M Fursey (appointed 1 January 2023)
L L Jenkins (resigned 31 May 2023)
R E Sherwell
N A Holland
N E McKnight
R J Turner
C R Love (appointed 9 January 2023)
A T Bunn (appointed 1 July 2024)

Directors indemnity provisions

In accordance with the company's articles of association each director is granted an indemnity from the company in respect of liabilities incurred as a result of their office, to the extent permitted by law. These indemnities were in force throughout the financial year and at the date of this report. In addition the company maintained a directors' and officers' liability insurance policy throughout 2023 and which has continued into 2024. Although their defence costs may be met, neither the company's indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons, should, as far as practicable, be identical to that of other employees.

Employee engagement and interests

The company's Board of Directors recognise that employee engagement underpins superior business performance and is committed to measuring engagement through periodic opinion surveys, with ongoing measurement and action planning.

There is no recognised trade union representing any part of the company workforce.

Examples of engagement which took place with employees during this financial year include:

- Humber Staff Forum at the company's Humber Refinery;
- Shift Staff Forum at the company's Humber Refinery;
- Newsletters;
- Town Hall meetings (updates from senior UK managers/Board members and executives from Phillips 66);
- Leaders meetings;
- Culture and communication teams;
- Inclusion and Diversity Network;
- Safety teams;
- Breakfast Briefings in the London office;
- Various departmental work team meetings; and
- Employee Resource Groups including (Early Careers Network, Veterans Network, Women's Network).

Corporate Governance Arrangements

As described in the Section 172 statement in the Strategic report, the company's Board of Directors has adopted Corporate Governance Guidelines consistent with the Wates Corporate Governance Principles (the "Guidelines") as a general framework to assist the Board in carrying out its responsibilities for the business and affairs of the company to be managed by or under the direction of the Board and the Guidelines have been applied since they were adopted.

Disclosure of information to auditor

Each person who was a director at the time this report was approved confirms that:

- So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware; and
- Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Re-appointment of auditor

Pursuant to section 487(2) of the Companies Act 2006, Ernst & Young LLP are deemed to continue as the auditor.

This report was approved by the Board of Directors on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

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

Phillips 66 Limited
Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in UK GAAP (FRS101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company´s financial position and financial performance; 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 member of Phillips 66 Limited

Opinion

We have audited the financial statements of Phillips 66 Limited for the year ended 31 December 2023 which comprise the Income statement, Statement of comprehensive income, Balance sheet, Statement of changes in equity and the related notes 1 to 28, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment and reviewing post year end trial balance of the company to identify significant changes or lack of expected changes in the financial information of the company.
- Reviewing the minutes for meetings of the Board of Directors and making inquiries of management and those charged with governance to identify events or conditions that may individually or collectively cast doubt on the company's ability to continue as a going concern.
- Assessing the ability of the parent company to provide support to the company, due to management receiving a letter of support as part of their going concern assessment.
- Reviewing the company's going concern disclosures in the financial statements to assess whether the disclosures were appropriate and in conformity with FRS 101.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report
to the member of Phillips 66 Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101), Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018, and relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how Phillips 66 Limited is complying with those frameworks by making inquiries of management to understand the policies and procedures in place as well as reviewing corroborative evidence as necessary.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiring with management to understand the policies and procedures in place to detect fraud and by considering the risk of management override. We addressed the risk of incorrect revenue recognition by testing specific transactions and agreeing back to source documentation or independent confirmations as appropriate. We also completed searches of journal entries to identify transactions with indicators of management override of controls and tested identified items, ensuring appropriate authorisation of the transaction.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing minutes from meetings of the Board of Directors, inquiring with key management personnel and testing journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Signed by:
Ernst & Young LLP
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Bilal Raja (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 September 2024

Phillips 66 Limited
Income statement
for the year ended 31 December 2023

	Notes	2023 $ million	2022 $ million
Turnover	2	23,569	29,046
Cost of sales		(23,008)	(27,635)
Gross profit		561	1,411
Impairment of investment	12	(3)	-
Gain/(Loss) on disposal of tangible fixed assets		1	(3)
Operating profit	3	559	1,408
Income from investments		-	267
Income from participating interests		110	15
Interest receivable	7	55	7
Interest payable	8	(13)	(9)
Profit before taxation		711	1,688
Tax expense	9	(141)	(277)
Profit for the financial year		570	1,411

All activities relate to continuing operations.

Phillips 66 Limited
Statement of comprehensive income
for the year ended 31 December 2023

	Notes	2023 $ million	2022 $ million
Profit for the financial year		570	1,411
Other comprehensive (expense)/income			
Items that cannot be reclassified to profit or loss:			
Remeasurement (loss)/gain on defined benefit pension plan	19	(6)	103
Remeasurement gain/(loss) due to presentation currency differences on the pension liability	19	5	(5)
Foreign currency translation (loss)/gain on pension asset	19	(8)	8
Foreign currency translation gain/(loss)		196	(322)
Tax on items relating to components of other comprehensive income	9	2	(26)
Total comprehensive income for the year		759	1,169

Phillips 66 Limited
Registered number: 529086
Balance sheet
as at 31 December 2023

	Notes	2023 $ million	2022 $ million
Non-current assets			
Property, plant and equipment	11	1,174	1,122
Right-of-use assets	17	167	162
Investments	12	268	249
		1,609	1,533
Current assets			
Inventories	13	986	1,058
Debtors due within one year	14	2,381	3,193
Debtors due after one year	14	3	1
Cash at bank and in hand		955	609
		4,325	4,861
Creditors due within one year	15	(2,546)	(2,967)
Net current assets		1,779	1,894
Total assets less current liabilities		3,388	3,427
Creditors due after one year	16	(168)	(164)
Provisions for liabilities	18	(157)	(143)
Net assets excluding pension asset		3,063	3,120
Pension asset	19	152	139
Net assets including pension asset		3,215	3,259
Capital and reserves			
Called up share capital	21	2	2
Share premium	23	93	93
Merger reserve	23	7	7
Capital reserve	23	43	43
Foreign currency translation reserve	23	(601)	(789)
Retained earnings		3,671	3,903
Shareholder's funds		3,215	3,259

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2024 and signed on its behalf by:

Signed by:
Neal Holland
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N A Holland
Director

Phillips 66 Limited
Statement of changes in equity
for the year ended 31 December 2023

	Share capital $ million	Share premium $ million	Merger reserve $ million	Capital reserve $ million	Foreign currency translation $ million	Retained earnings $ million	Total $ million
At 1 January 2022	2	93	157	43	(546)	3,210	2,959
Profit for the financial year	-	-	-	-	-	1,411	1,411
Other comprehensive (expense)/income	-	-	-	-	(314)	72	(242)
Dissolution of subsidiary	-	-	(150)	-	71	79	-
Total comprehensive income for the year	-	-	(150)	-	(243)	1,562	1,169
Equity dividends paid (Note 22)	-	-	-	-	-	(869)	(869)
At 31 December 2022	2	93	7	43	(789)	3,903	3,259
Profit for the financial year	-	-	-	-	-	570	570
Other comprehensive income	-	-	-	-	188	1	189
Total comprehensive income for the year	-	-	-	-	188	571	759
Equity dividends paid (Note 22)	-	-	-	-	-	(803)	(803)
At 31 December 2023	2	93	7	43	(601)	3,671	3,215

1 Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

1.1 Statement of compliance

Phillips 66 Limited (the "company") is a private company limited by shares incorporated and domiciled in England. These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies 2006.

1.2 Basis of preparation

The financial statements are prepared under the historical cost convention. The company is exempt from preparing consolidated financial statements under section 401 of the Companies Act 2006. Consolidated financial statements that include the results of the company are prepared by the company's ultimate parent company, Phillips 66, a company registered in Delaware, USA, and are available at Companies House and online at www.phillips66.com.

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

- the requirements of paragraphs 10 (d) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions is wholly owned by such a member;
- the requirements of IAS 24 para 17 in relation to key management compensation; and
- the requirements of IAS 1 Financial statements - capital disclosures and the requirements relating to 16, 38 A-D , 40 A-D and IAS 1 para 111 (cash flow related).

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

- The disclosures required by IFRS 7 Financial Instrument Disclosure;
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement; and
- IAS 36 Impairments - certain disclosures.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in existence for the period to 30 September 2025, being the going concern period. In reaching this conclusion the directors reviewed a going concern assessment for that period which included the review of financial forecasts that considered the impact of the ongoing military conflict in Ukraine along with earnings assumptions based on management's view of the current and future economic environment over the forecast period. These forecasts indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

In view of the inherent uncertainty with respect to the payment of dividends to its parent, the company has received confirmation from Phillips 66 Company, its indirect parent undertaking, that it will provide such financial assistance as may be required by the company to meet its liabilities, throughout the going concern period, as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

1 Accounting policies (continued)

1.2 Basis of preparation (continued)

Going concern (continued)
The company is also party to a centralised cash pooling arrangement between all the Phillips 66 pooling participants and the Bank of America and has access, if required, to surplus cash within the pool. Phillips 66 Company and Phillips 66 have each provided a cross guarantee to the Bank in respect of the obligations of the pool participants under the cash pooling arrangement. These guarantees are limited to the aggregate of (i) the credit balance on all their accounts with the Bank at any time and (ii) 2 billion US dollars ($2,000,000,000).

After considering uncertainties in the current economic environment along with the support available from the parent company, and after making enquiries, the directors have concluded that the company has adequate resources to continue in operation for the going concern period. These considerations include the impact of the ongoing military conflict in Ukraine on the wider Phillips 66 group, committed long-term facilities available to the group and cash flow projections for the group beyond the going concern period. In reaching this conclusion the directors have had due regard to the financial strength of Phillips 66 Company and are satisfied that Phillips 66 Company has the willingness and ability to provide support. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the amounts reported in the balance sheet and income statement for the year. However, the nature of estimation means that actual outcomes may differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

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

Each investment is subject to an annual assessment to determine whether there are any indicators of impairment. Where these are present an estimate is made of the recoverable amount which is determined as the higher of the fair value less costs of disposal and the value in use with the value of the underlying net assets being taken as the best estimate of this. Where the carrying amount of an investment exceeds the recoverable amount, the investment is considered impaired and written down to the recoverable amount.

Pensions
Accounting for the cost of the pension plan is based on actuarial valuations, relying on key assumptions for discount rates, expected return on plan assets, future salary increases and mortality tables.

Pension Plan assets include assets classified as Level 3 under FRED 62 regulations which use valuation techniques with non-observable inputs and/or have redemption restrictions.

Deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. For more information see Note 9.

1 Accounting policies (continued)

1.3 Judgements and key sources of estimation uncertainty (continued)

Leases

Lease liabilities recognised under IFRS 16 Leases are measured applying an incremental borrowing rate to the future remaining payments under these lease contracts. The incremental borrowing rates applied are based on the Phillips 66 group Treasury cost of debt rates which include factors subject to estimation. If a lower or higher incremental borrowing rate had been applied, the lease liability and corresponding right-of-use asset would have been higher or lower respectively.

Asset Retirement Obligation

Management consider the Humber Refinery to have an indefinite life as the intention is to transition its products over time in line with the UK's decarbonisation strategy. Consequently there is no need to recognise any decommissioning provisions or make any contingent liability disclosure in relation to asset retirement.

1.4 Material accounting policies

(a) Presentation currency

The financial statements are prepared in US dollars and are rounded to the nearest million dollars ($'million).

(b) Functional currency

The branches within the company have either British pounds or US dollars as their functional currency. A 'currency translation reserve' is created due to the British pounds functional currency branches within the entity. The company has continued to adopt US dollars as its reporting currency.

Transactions in currencies other than the functional currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange ruling at the end of the financial period. Exchange gains or losses are taken to the Income statement.

(c) Taxation

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

(d) Deferred tax

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

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

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

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

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

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

(e) Share capital
Ordinary shares are classed as equity.

(f) Share premium
The share premium account represents the excess value of the share capital received by the company above the nominal value of the shares issued.

(g) Merger reserve
The merger reserve represents the excess value of the share capital received by the company over the nominal value of the shares issued in a group reconstruction.

(h) Capital reserve
The capital reserve represents cash received from the parent undertaking without the issue of any additional shares.

(i) Foreign currency translation reserve
All exchange differences arising as a result of translating the company's results and financial position from the functional currency to the presentation currency are recognised in other comprehensive income for the period. The cumulative effect of these exchange differences is recognised by the foreign currency translation reserve.

(j) Investments
Investments are held at cost less accumulated impairment losses.

(k) Property, plant and equipment
All property, plant and equipment is initially recorded at cost. Cost of major overhaul activities are capitalised as a separate component and depreciated over the period to the next expected turnaround. Significant components of an asset are depreciated separately. Depreciation is provided on all property, plant and equipment other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful lives as follows:

Freehold buildings	15 - 50 years
Leasehold land and buildings	50 years and 15 years respectively, or over life of lease if shorter
Plant, machinery and equipment	3 - 30 years

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(k) Property, plant and equipment (continued)

Impairment of property, plant and equipment:
Assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate the carrying value of an asset may not be recoverable. Assets are assessed for impairment at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other assets. An asset's recoverable amount is the higher of its fair value or its value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Value in use is calculated by discounting the expected cash flows arising from the use of the asset at the rate of return that the market would expect from an investment of similar risk.

The expected future cash flows used for impairment reviews are based on estimated future production volumes, prices and costs, considering all available evidence at the date of review.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(l) Inventories
Trading stocks are stated at fair value less costs to sell and non-trading stocks are stated at the lower of cost and net realisable value as follows:

Raw materials	- purchase cost on a first in, first out basis
Consumables	- average purchase cost
Work in progress and finished goods	- cost of direct materials and labour plus attributable duty and overheads based on normal levels of activity, as determined on a first in, first out basis.

(m) Revenue recognition
Revenues associated with sales of crude oil, natural gas liquids (NGL), petroleum and chemical products, and other items are recognised when title passes to the customer, which is when the risk of ownership passes to the purchaser and physical delivery of goods occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry.

Revenues associated with transactions commonly called buy/sell contracts, in which the purchase and sale of inventory with the same counterparty are entered into in contemplation of one another, are combined and reported net (i.e., on the same Income statement line) in the "cost of sales" line in the Income statement.

(n) Leases
Under IFRS 16 all lease contracts, with limited exceptions, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities.

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(o) Share based payments
The company has applied the requirements of IFRS 2 "Share based payments". IFRS 2 requires that the entity receiving the benefit of service should recognise an expense relating to share based payments irrespective of the entity which holds the employees contract of service.

All UK employees are eligible to participate in the Share incentive plan. The shares purchased by the employees are eligible for matching. In accordance with IFRS 2, the company records an expense of obtaining the matching shares to satisfy the terms of the Partnership share agreement for employees who provide services to the company.

Certain eligible UK employees are awarded Restricted stock units as part of the Restricted stock programme granted by Phillips 66. The awards are held in escrow until the restrictions lapse. The company records the expense of obtaining the shares to satisfy its obligations to the employees who provide services to this company. A liability equal to the cost of obtaining the shares to satisfy the company's obligations to its employees is recognised for each cash-settled share based payment.

(p) Pension
The company is committed to providing retirement benefits in the form of a defined benefit pension plan, which is closed to new entrants and a UK based defined contribution retirement plan opened to new entrants.

The company has applied the requirements of IAS 19 for the defined benefit pension plan, under the IAS 19 requirements, the current service cost of providing pension benefits to employees, together with the cost of any benefits relating to past service, is charged to operating profit and is included in staff costs. The interest cost and the expected return on assets are shown as a net amount of finance costs or income adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of other comprehensive income. The difference between the fair value of plan assets and the present value of the defined benefit obligation is shown separately in the Balance sheet.

The majority of Plan asset valuations are classed as Level 2 under FRED 62 regulations and are based on the market quoted prices of the respective underlying securities. The remaining Plan assets are classed as Level 3 and are referred to in Note 1.3 above.

(q) Interest income
Interest income is recognised using the effective interest method which calculates the income and allocates over the relevant period.

(r) Interest expense
Interest expense is recognised using the effective interest method which calculates the expense and allocates over the relevant period.

(s) Derivative instruments
The company uses derivative instruments to hedge the effects of fluctuations in the price of crude oil. The instruments are measured at fair value. Any gains or losses arising from commodity derivative contracts are recognised in the Income statement.

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(t) Financial guarantee
The company participates in a multiparty account cash pooling arrangement operated by Bank of America, together with other wholly owned subsidiaries of Phillips 66 Company. Each company within the arrangement guarantees to the payment of the liabilities of the other companies within the arrangement as they fall due, and to make good any default by other companies within the arrangement. No value is recognised by the company in the Balance sheet for this guarantee, as it is not considered probable that there will be an outflow of resources under this guarantee.

(u) Financial assets
Initial recognition and measurement:
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement:
For purposes of subsequent measurement, financial assets are classified at either amortised cost or fair value through profit or loss.

Financial assets at amortised cost:
The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company's financial assets at amortised cost includes trade receivables and cash at bank.

Financial assets at fair value through profit or loss:
Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. This category comprises derivative instruments.

Impairment of financial assets:
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows expected to be received.

1 Accounting policies (continued)

1.4 Material accounting policies (continued)

(u) Financial assets (continued)
Impairment of financial assets (continued):
For trade receivables the company applies a simplified approach in calculating ECLs. The company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(v) Financial liabilities
Initial recognition and measurement:
Financial liabilities are initially recognised at fair value, net of directly attributable transaction costs. For interest-bearing borrowings this is typically equivalent to the fair value of the proceeds received, net of issue costs associated with the borrowing. Financial liabilities comprise borrowings, trade and other creditors.

Subsequent measurement:
After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

(w) Dividend income
Dividend income is recognised as income when the right to receive payment has been established, which is when the shareholders approve the dividend.

(x) Dividends paid
Dividends are recognised when the dividend becomes legally payable, in the case of interim dividends to equity shareholders this is when paid.

(y) Cash and cash equivalents
Cash and cash equivalents comprise cash balances held at bank.

2 Turnover

	2023 $ million	2022 $ million
UK	7,723	9,827
Europe	8,271	7,820
Rest of world	7,575	11,399
	23,569	29,046

3 Operating profit

This is stated after charging/(crediting):

	2023 $ million	2022 $ million
Foreign currency translation	35	(21)
Depreciation of property, plant and equipment	90	78
Depreciation of right-of-use assets	25	22

4 Directors' remuneration

	2023 $ million	2022 $ million
Aggregate remuneration for qualifying services	5	6

The number of directors who:	**2023**	**2022**
Are members of a defined benefit pension plan	8	7
Exercised options over shares in the ultimate parent company	-	-

Remuneration of the highest paid director:	**2023** **$ million**	**2022** **$ million**
Aggregate remuneration for qualifying services	2.0	2.4

The highest paid director did not exercise share options in the ultimate parent company during the year (2022: not exercised).

5 Staff costs

	2023 Number	2022 Number
Average number of employees during the year:		
Manufacturing and production	669	744
Marketing, operations, supply and administration	274	224
	943	968

	2023 $ million	2022 $ million
Wages and salaries	116	102
Social security costs	16	14
Other pension costs	18	30
Other employee costs	10	11
Severance costs	2	-
	162	157

6 Auditor's remuneration

	2023 $ million	2022 $ million
Fees payable to the company's auditors for the:		
Audit of the company's financial statements	0.05	0.05
Other assurance services	0.12	0.12
	0.17	0.17

Included in other assurance services is $0.05 million for the audit of the company's UK pension scheme (2022: $0.05 million) and $0.07 million for RTFO assurance services (2022: $0.07 million).

7 Interest receivable

	2023 $ million	2022 $ million
Bank interest	48	6
Interest income relating to pension plan (Note 19)	7	1
	55	7

8 Interest payable

	2023 $ million	2022 $ million
Interest on bank overdrafts	5	2
Interest on lease liabilities	8	7
	13	9

9 Taxation

(a) Tax expense in the Income statement

	2023 $ million	2022 $ million
Current income tax:		
Group relief payable and/or UK corporation tax expense	132	274
Amounts under provided in previous years	1	-
Total current income tax expense	133	274
Deferred tax:		
Origination and reversal of temporary differences	8	3
Tax expense in the Income statement	141	277

(b) Tax relating to items in the Statement of other comprehensive income

	2023 $ million	2022 $ million
Deferred tax:		
Actuarial (loss)/gain on defined benefit pension plan	(2)	26
Total deferred tax (credit)/expense	(2)	26
Tax (credit)/expense in the Statement of other comprehensive	(2)	26

9 Taxation (continued)

(c) Reconciliation of the total tax expense

The tax expense in the Income statement for the year varies from the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are reconciled below:

	2023 $ million	2022 $ million
Profit before taxation	711	1,688
Accounting profit before income tax	711	1,688
Tax calculated at UK standard rate of corporation tax of 23.5% (2022: 19%)	167	321
Foreign currency differences	(3)	8
Non-taxable income	(26)	(54)
Non-deductible expenses	4	3
Capital allowances super deduction	-	(1)
Income taxed in previous periods	(4)	(2)
Tax under provided in previous years	1	-
Change in tax laws and rate	2	2
Total tax expense reported in the Income statement	141	277

(d) Unrecognised capital losses

The company has capital losses of $7 million (2022: $7 million) and restricted trading losses of $9 million (2022: $9 million). A deferred tax asset has not been recognised in respect of these losses as their use is uncertain.

(e) Change in Corporation Tax rate

The main rate of corporation tax increased from 19% to 25% from 1 April 2023. For the Financial Year ended 31 December 2023, the effective standard rate of corporation tax was therefore 23.5%.

(f) Deferred tax

Deferred tax in the Balance sheet	2023 $ million	2022 $ million
Deferred tax liability:		
Accelerated capital allowances	(119)	(108)
Pension	(38)	(35)
	(157)	(143)
Deferred tax asset:		
Other temporary differences	1	1
	1	1
Disclosed in the Balance sheet:		
Deferred tax asset	1	1
Deferred tax liability	(157)	(143)
	(156)	(142)

9 Taxation (continued)

(f) Deferred tax (continued)

Deferred tax in the Income statement	2023 $ million	2022 $ million
Accelerated capital allowances	5	5
Pension	3	(2)
Deferred tax expense	8	3

Deferred tax in the Statement of other comprehensive income	2023 $ million	2022 $ million
Pension	(2)	26
Deferred tax (credit)/expense	(2)	26

(g) Pillar Two rules

In December 2021, the OECD released model rules for a new global minimum corporate tax framework applicable to multinational groups with global revenues of over €750 million ('Pillar Two' rules). Pillar Two legislation has been substantively enacted in the UK and the legislation will apply for the financial year beginning 1 January 2024.

The company has performed an assessment of the potential exposure to Pillar Two income taxes and, based on the most recent information available, the company does not expect a potential exposure to Pillar Two top-up taxes.

10 Share based payments

Cash settled share based payments

Share incentive plan

The company's Share incentive plan is open to all employees. Employees can contribute a portion of their pre-tax monthly salary. The employee's contributions are then used to purchase shares in the company's ultimate parent company, Phillips 66, at market value. Contributions up to 2.5% of base salary (2022: 2.5%) are eligible for company matching on a "2 for 1" basis. The matching shares must be left in the plan for at least five years to qualify for tax relief.

To satisfy the group's obligation under the Share incentive plan, the company recognised an expense of:

	2023	2022
	$ million	$ million
Matching shares	3	3
	Number	Number
Number of issued ordinary shares	26,516	30,981
	$	$
Average price of ordinary shares issued	108.99	92.54

10 Share based payments (continued)

Stock option plan

The company has a Stock option plan for certain senior executives. The options are exercisable at a price equal to the market value of the shares on the date of the grant. The vesting period of the stock options is three years. If the options remain unexercised after the tenth anniversary of the grant date, the options will expire.

The expense recognised for stock options in respect of employee services received during the year to 31 December 2023 is $0.11 million (2022: $0.09 million). The portion of that expense arising from equity-settled share-based payment transactions is $Nil (2022: $Nil).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year to 31 December 2023:

	2023		2022	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding at 1 January	30,534	85.20	29,534	82.40
Granted during the year	3,400	100.44	5,700	89.05
Exercised or settled	(2,600) [1]	72.26	(4,700) [1]	72.26
Transferred Out	-	-	-	-
Outstanding at 31 December	31,334	87.93	30,534	85.20
Vested at 31 December	31,334	87.93	30,534	85.20
Exercisable at 31 December	21,567	87.33	18,033	86.57

1 The weighted average share price at the date of exercise for the options exercised in 2023 was $112.92.

2 The weighted average share price at the date of exercise for the options exercised in 2022 was $92.04.

For vested share options outstanding as at 31 December 2023, the weighted-average remaining contractual life is 6.59 years (2022: 6.75 years).

The weighted average fair value of options granted during the year was $100.44 (2022: $89.05). The range of exercise prices for options outstanding at the end of the year was $74.70 - $100.44 (2022: $72.26 - $94.97).

The fair market values of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes-Merton option-pricing model, The following table lists the inputs to the model used for the years ending 31 December 2023 and 31 December 2022.

Assumptions used	**2023**	**2022**
Risk-free interest rate %	3.85%	1.97%
Dividend yield %	3.80%	5.10%
Volatility factor %	35.16%	33.67%
Expected life (years)	6.78	6.61

10 Share based payments (continued)

Stock option plan (continued)

After the company's separation from ConocoPhillips in 2012, and through 2015, the volatility of options granted was calculated using a formula that adjusted the pre-separation historical volatility of ConocoPhillips by the ratio of Phillips 66 implied market volatility on the grant date divided by the pre-separation implied market volatility of ConocoPhillips. From 2016, the volatility of options granted was calculated using historical Phillips 66 end-of-week closing stock prices.

The company calculates the average period of time lapsed between grant dates and exercise dates of past grants to estimate the expected life of new option grants.

Restricted stock units

The company awards certain eligible employees with Restricted stock units (RSUs). Each award is held in escrow until the restrictions on the awards lapse. When the restrictions lapse, the number of shares of unrestricted stock, equal to the number of RSUs will be registered in the name of the employee and the RSUs will be terminated.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in stock units during the year to 31 December 2023:

	2023		2022	
	Stock units	Weighted average grant date fair value	Stock units	Weighted average grant date fair value
		$		$
Outstanding as at beginning of period	190,849	82.53	175,713	83.23
Granted during the year	69,614	103.46	62,144	89.27
Forfeited during the year	(1,162)	87.65	(1,446)	84.46
Transferred out	-	-	-	-
Issued	(70,438)	81.04	(45,562)	94.35
Outstanding at 31 December	188,863	90.77	190,849	82.53
Not vested at 31 December	150,245	91.51	156,121	82.48

At 31 December 2023, the remaining unrecognised compensation cost from the unvested RSU awards held by employees of Phillips 66 was $5.9 million, which will be recognised over a weighted-average period of 20 months, the longest period being 32 months.

Performance share plan

For PSU awards with performance periods beginning before 2013, the company recognises compensation expense beginning on the date of grant and ending on the date the PSUs are scheduled to vest; however, since these awards are authorised three years prior to the grant date, the company recognises compensation expense for employees that will become eligible for retirement by or shortly after the grant date over the period beginning on the date of authorisation and ending on the date of grant. Since PSU awards with performance periods beginning in 2013 or later vest on the grant date, the company recognises compensation expense beginning on the date of authorisation and ending on the grant date for all employees participating in the PSU grant.

10 Share based payments (continued)

Performance share plan (continued)

The company settles PSUs with performance periods beginning in 2013 or later by paying cash equal to the fair value of the PSU on the grant date, which is also the date the PSU vests. Since these PSUs vest and settle on the grant date, dividend equivalents are never paid on these awards.

The following table illustrates our Performance share program activity to 31 December 2023:

	2023		2022	
	Stock units	Weighted average grant date fair value	Stock units	Weighted average grant date fair value
		$		$
Outstanding as at beginning of period	-	-	-	-
Granted during the year	1,689	102.66	1,294	71.82
Transferred out	-	-	-	-
Cash settled during the year	(1,689)	102.66	(1,294)	71.82
Issued	-	-	-	-
Outstanding at 31 December	-	-	-	-
Not vested at 31 December	-	-	-	-

At 31 December 2023, the remaining unrecognised compensation cost from unvested PSU awards held by employees of Phillips 66 was $Nil.

11 Property, plant and equipment

	Land and buildings $ million	Plant and machinery $ million	Assets under construction $ million	Total $ million
Cost				
At 1 January 2023	202	2,284	77	2,563
Foreign currency translation	11	129	4	144
Additions	-	27	54	81
Assets under construction transfers	-	51	(51)	-
Disposals	-	(2)	-	(2)
At 31 December 2023	213	2,489	84	2,786
Depreciation				
At 1 January 2023	126	1,315	-	1,441
Foreign currency translation	7	76	-	83
Charge for the year	5	85	-	90
Disposals	-	(2)	-	(2)
At 31 December 2023	138	1,474	-	1,612
Net book value				
At 31 December 2023	75	1,015	84	1,174
At 31 December 2022	76	969	77	1,122

11 Property, plant and equipment (continued)

In the directors' opinion, there is no significant difference between the book value and the market value of land.

Right-of-use assets are set out in Note 17.

12 Investments

	2023 $ million
Cost and net book value	
At 1 January 2023	249
Foreign currency translation	14
Additions	3
Associate earnings	5
Impairment	(3)
At 31 December 2023	268

The company made the following additional investment during the year:

Company	Date	Consideration
JET H2 Energy Austria GmbH	May 2023	$3 million

The impairment represents the reduction in the recoverable value of the investment in JET H2 Energy Austria GmbH.

Three of the company's subsidiaries have been dissolved in 2023. Phillips 66 CS Limited was dissolved on 7 March 2023 and both Phillips 66 European Power Limited and Phillips 66 UK Development Limited were dissolved on 13 June 2023. No gains or losses were recognised on these dissolutions.

Direct subsidiary undertakings

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
JET Petrol Limited	100%	Northern Ireland	2	Dormant
Jet Petroleum Limited	100%	England	1	Dormant
JET Retail UK Limited	100%	England	1	Retail sale of automotive fuel and other goods
Phillips 66 GmbH	100%	Switzerland	7	Intermediate holding company
Phillips 66 Healthcare Trustee Limited	100%	England	1	Trustee of Phillips 66 Healthcare Trust
Phillips 66 Pension Plan Trustee Limited	100%	England	1	Trustee of Phillips 66 Pension Plan
Phillips 66 Treasury Limited	100%	England	1	Provide treasury management services
Phillips 66 TS Limited	100%	England	1	Agent for Phillips 66 Limited
Phillips 66 UK Funding Limited	100%	England	1	Intermediate holding company
Qingdao Phillips 66 Energy Co. Ltd.	100%	China	6	Sale, purchase and storage of hydrocarbon products

12 Investments (continued)

Indirect investments

Phillips 66 UK Funding Limited:

Company	Proportion of shares and voting rights	Country of incorporation		Principal activities
Phillips 66 Ireland Pension Trust Limited	100%	Republic of Ireland	5	Pension Fund Trustee

Phillips 66 GmbH:

Company	Proportion of shares and voting	Country of incorporation	Principal activities
Societa Italiana Per L´Oleodotto Transalpino SpA	3%	Italy	Crude oil pipeline operation
Transalpine Oelleitung in Oesterreich GmbH	3%	Austria	Crude oil pipeline operation

Other investments

Company	Proportion of shares and voting	Country of incorporation		Principal activities
Associated Petroleum Terminals (Immingham) Limited	50%	England	3	Operation of marine terminal
Coop Mineraloel AG	49%	Switzerland	8	Sale of mineral oil products, operation of petrol stations and convenience stores
Crude Oil Terminals (Humber) Limited	50%	England	1	Provide facilities for terminal
Humber LPG Terminal Limited	50%	England	1	Dormant
Humber Oil Terminals Trustee Limited	50%	England	3	Trustee for participants in relation to their terminal
JET H2 Energy Austria GmbH	50%	Austria	9	Development and operating of hydrogen filling station network
Warwickshire Oil Storage Limited	50%	England	4	Petroleum product storage facility

Associated Petroleum Terminals (Immingham):

Company	Proportion of shares and voting	Country of incorporation		Principal activities
APT Pension Scheme Trustees Limited	100%	England	3	Pension Fund Trustee

12 Investments (continued)

Other investments (continued)

JET H2 Energy Austria GmbH:

Company	Proportion of shares and voting	Country of incorporation		Principal activities
JET H2 Energy Denmark ApS	100%	Denmark	10	Development and operating of hydrogen filling station network
JET H2 Energy Germany GmbH	100%	Germany	11	Development and operating of hydrogen filling station network

Registered offices
The address of the above undertakings registered offices, where more than a 20% interest is held, are as follows:

1 7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD, UK
2 3rd Floor, 40 Linehall Street, Belfast, BT2 8BA, Ireland
3 Queens Road, Immingham, DN40 2PN, UK
4 Olympus House, Olympus Avenue, Leamington Spa, CV34 6BF, UK
5 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
6 Room 301, Office Building 5, No.42 Dongjing Road, Qingdao Free Trade Zone, Shandong Province, China
7 c/o Lambrigger Treuhand AG, Industriestrasse 49, Switzerland, 6302 Zug
8 Hegenheimermattweg 65, 4123 Allschwil, Switzerland
9 Siezenheimer Straße 35, 5020 Salzburg, Austria
10 C/O Bech-Bruun Advokatpartnerselskab Langelinie Allé 35 2100 København Ø Denmark
11 Rödingsmarkt 9, 20459 Hamburg Germany

13 Inventories

	2023 $ million	2022 $ million
Raw materials and consumables	203	259
Work in progress	247	235
Finished goods and goods for resale	536	564
	986	1,058

14 Debtors

Debtors due within one year	2023 $ million	2022 $ million
Trade debtors	1,702	1,668
Amounts owed by group companies	538	1,401
Corporation tax	65	5
Other debtors	76	119
	2,381	3,193

14 Debtors (continued)

Debtors due after one year	2023 $ million	2022 $ million
Deferred tax asset (see note 9)	1	1
Other debtors	2	-
	3	1

15 Creditors due within one year

	2023 $ million	2022 $ million
Trade creditors	1,083	1,133
Amounts owed to group companies	868	859
Corporation tax	-	119
Other taxes and social security costs	418	610
Lease liabilities	25	19
Accruals and deferred income	152	227
	2,546	2,967

16 Creditors due after one year

	2023 $ million	2022 $ million
Lease liabilities	168	164

17 Leases

Right-of use assets arising out of recognition of leases under IFRS 16 are set out below:

	Land and buildings $ million	Plant and machinery $ million	Total $ million
At 1 January 2022	182	13	195
Additions	8	1	9
Depreciation charge	(18)	(4)	(22)
Foreign currency translation	(19)	(1)	(20)
At 31 December 2022	**153**	**9**	**162**
Additions	4	20	24
Depreciation charge	(19)	(6)	(25)
Foreign currency translation	8	(2)	6
At 31 December 2023	**146**	**21**	**167**

17 Leases (continued)

The movement on lease liabilities is set out below:

	2023 $ million	2022 $ million
At 1 January	**183**	**217**
Additions	24	9
Accretion of interest	8	7
Payments	(21)	(27)
Foreign currency translation	(1)	(23)
At 31 December	**193**	**183**

Lease liabilities in respect of right-of-use assets are due as follows:

	2023 $ million	2022 $ million
Not later than one year	25	19
After one year but not more than five years	70	59
After five years	98	105
	193	183

18 Provisions for liabilities

	Deferred tax (Note 9 (f)) $ million
At 1 January 2023	
Non-current	143
	143
Arising during the year	14
At 31 December 2023	157
Current	-
Non-current	157
	157

Financial Guarantee
The company participates in a multiparty account cash pooling arrangement operated by Bank of America, together with other wholly owned subsidiaries of Phillips 66 Company. Each company within the arrangement guarantees the payment of the liabilities of the other companies within the arrangement as they fall due, and to make good any default by other companies within the arrangement. No value is recognised by the company in the Balance sheet for this guarantee, as it is not considered probable that there will be an outflow of resources under this guarantee. There were 16 legal entities within the cash pool at the balance sheet date.

19 Employee benefits

Phillips 66 Limited UK Pension Plan

Phillips 66 Limited is the sponsoring employer of a final salary defined benefit pension plan; operated by the company in the UK, providing retirement benefits to all eligible employees. With effect from 1 April 2013 a new defined contribution section of the Phillips 66 UK Pension Plan was established for new hires. The defined benefit section, which was closed to new hires, continued unchanged for employees who joined the company prior to 1 April 2013.

The Defined Contribution Plan	**2023**	**2022**
Contributions at 31 December are:	**$ million**	**$ million**
Contributions by employer	4.3	3.8
Contributions by members	2.4	2.0

The Defined Benefit Plan

The Defined Benefit Pension Plan assets are held under a trust for the benefit of current and former employees. The central control and management of the trust is undertaken by a Board of Trustee Directors, comprised of three Member Nominated Directors (MND) and six Employer Appointed Directors. This complies with the requirement for one third of the trustees to be MND. The Pension Plan and Board of Trustee Directors are governed by Trust Deed and Rules.

The level of contributions are agreed between the Trustee and Phillips 66 Limited following a triennial actuarial valuation, or at any other time where deemed necessary. The company agrees a Schedule of Contributions with the Trustee which is certified by the Actuary. The Schedule of Contributions sets out the rates of employer and employee contributions and also the dates by which the contributions will be paid to the Plan. Following the most recently completed triennial valuation, as at 31 March 2021, a Schedule of Contributions was agreed on 25 April 2022.

As at 31 December 2023 the employer contribution rate to pre-fund future service accrual, as a percentage of pensionable salaries was 37.9%, there were no deficit payments as the Plan was at a $64 million surplus at the valuation date of 31 March 2021.

As a result of the strong funding level of the Plan, the Trustee and Company agreed a deferral of the Company contributions paid into the Plan, until the earlier of 1 July 2025 and the date of finalization of the 31 March 2024 valuation. This agreement was effective from 1 January 2024.

In 2024, the employer contributions to the defined benefit plan are expected to be $Nil (2023: $16 million),and $2 million employee pension contributions (2023: $2 million).

At 31 December 2023 an asset of $152 million has been recognised in the Balance sheet (2022: asset of $139 million).

19 Employee benefits (continued)

The Defined Benefit Plan (continued)

The assets and liabilities of the Plan at 31 December are:

		2023		2022
Plan assets at fair value:	%	$ million	%	$ million
Equities	28.2%	193	28.7%	179
Corporate bonds	8.5%	58	3.7%	23
Liability driven investing portfolio	25.4%	174	26.8%	167
Emerging market debt	4.2%	29	6.6%	41
High yield debt, bank loans	7.8%	53	7.6%	47
Insurance linked securities	7.9%	54	7.4%	46
Property	7.8%	53	8.7%	54
Infrastructure	9.8%	67	0.0%	-
Cash	0.4%	3	10.5%	65
Fair value of plan assets		684		622
Present value of plan liabilities		(532)		(483)
Defined benefit pension plan asset		152		139

The value of indirect employer related equity investments at 31 December 2023 is $0.1 million. No Plan investments are directly in property occupied by Phillips 66. All Plan assets are invested in units of pooled investment vehicles, including equities, bonds and alternative assets. The Plan asset portfolio is well diversified across different asset classes, regions and risk premium. The majority of Plan assets are index-tracking funds, so their valuation is based on the market quoted prices of the respective underlying securities. They are therefore classified as Level 2 under FRED 62 guidance. There are three holdings which use valuation techniques with non-observable inputs and/or have redemption restrictions and are therefore, classified as Level 3 under FRED 62 regulations. These are the 7.9% allocation to Insurance Linked securities (Securis), 7.8% allocation to Multi-Asset Credit (Oak Hill), 7.8% allocation to UK Real Estate Fund (Schroder) and 9.8% allocation to Unlisted Infrastructure (IFM).

The liability matching is done through the use of longer-dated index linked government bonds and leveraged products such as swaps and gilt repurchase agreements. The Plan risks are credit risk, currency risk, interest rate risk, and other price risk.

The amounts recognised in the Income statement and in the Statement of comprehensive income for the year are set out as follows:

Recognised in the Income statement	**2023**	**2022**
	$ million	**$ million**
Current service cost	11	24
Net interest on defined benefit asset	(7)	(1)
Total recognised in the Income statement	4	23

19 Employee benefits (continued)

The Defined Benefit Plan (continued)

Recognised in the Statement of comprehensive income	**2023 $ million**	**2022 $ million**
Return on plan assets (excluding amounts included in net interest expense)	(5)	309
Actuarial (gain)/loss due to demographic assumptions changes	(8)	9
Actuarial loss/(gain) due to financial assumptions changes	13	(449)
Actuarial loss due to experience adjustments	6	28
Remeasurement due to presentation currency differences on the pension liability	(5)	5
Net foreign currency translation on pension assets and liabilities	8	(8)
Total recognised in the Statement of comprehensive income	9	(106)

Changes in the present value of the defined benefit pension obligation are set out as follows:

	2023 $ million	**2022 $ million**
As at 1 January	483	981
Current service cost	11	24
Interest expense	24	16
Benefits paid	(27)	(34)
Participant contributions	2	2
Actuarial gains	12	(412)
Foreign currency differences	27	(94)
Defined benefit obligation at 31 December	532	483

The defined benefit obligation comprises $527 million (2022: $479 million) arising from the funded section and $5 million (2022: $4 million) from the unfunded section.

Changes in the fair value of plan assets are set out as follows:

	2023 $ million	**2022 $ million**
As at 1 January	622	1,032
Interest income	31	17
Employer contributions	16	16
Participant contributions	2	2
Benefits paid	(27)	(34)
Return on plan assets	5	(309)
Foreign currency differences	35	(102)
Fair value of plan assets at 31 December	684	622

Pension contributions are determined by the Trustee and company, with the advice of independent qualified actuaries, Capita Employee Benefits (Consulting) Limited, on the basis of triennial valuations using the projected unit method. The latest valuation for the Phillips 66 UK Pension Plan is as at 31 March 2021. The projected unit method is an accrued benefits valuation method in which the plan liabilities make allowance for future earnings. Plan assets are stated at their market values at the respective balance sheet dates and overall expected rates of return as recommended by a qualified actuary, are based on current market conditions and are approved by the company.

19 Employee benefits (continued)

The Defined Benefit Plan (continued)

Main assumptions:		**%**	**%**
Rate of salary increases	to 2026	3.00%	2.65%
(promotional scale in addition)	Post 2026	3.00%	3.05%
Rate of increase in pensions in payment			
CPI maximum 5%		2.55%	2.55%
CPI maximum 2.5%		1.75%	1.75%
Discount rate		4.75%	4.90%
Inflation assumption - RPI		2.85%	2.95%
Inflation assumption - CPI		2.60%	2.65%
Assumed life expectancy on retirement at age 65		**Years**	**Years**
Male member aged 65		22.6	23.3
Female member aged 65		24.7	25.2
Male member aged 45		23.8	24.5
Female member aged 45		26.0	26.6

The discount rate is in line with AA corporate bond yield curve, to reflect duration of Plans' liabilities (18 years), using an extended dataset rounded to the nearest 0.05% p.a. The assumptions for inflation; Retail Prices Inflation (RPI) is in line with price inflation derived from yield curve less 0.4% p.a. inflation "risk premium" rounds to the nearest 0.05% p.a. The Consumer Prices Index (CPI) is derived assuming an RPI/CPI gap of 1.0% pa before 2030 and 0% pa from 2030 due to the announced alignment of RPI to CPIH from 2030. Overall expected average gap of 0.25% pa (prior year overall gap was 0.30% pa). The assumed life expectancy rates are based on the CMI 2022 model with long term improvement rate of 1.25%p.a., a smoothing parameter of 7.0, initial addition parameter of zero and no weight to 2020 and 2021 data, and 25% weight to 2022 data.

The sensitivities regarding the principal assumptions used to measure the Plan liabilities are set out as follows:

Sensitivity analysis for significant actuarial assumptions as at 31 December showing how the defined benefit obligation would be affected:

Assumptions	**2023** **$ million**	**2022** **$ million**
Discount rate		
0.25% increase	(511)	(463)
0.25% decrease	(555)	(505)
Inflation		
0.25% increase	(540)	(492)
0.25% decrease	(525)	(474)
Life expectancy of members		
Increase by 1 year	(541)	(491)

20 Derivative exposure

The company's subsidiary Phillips 66 Treasury Limited manages foreign exchange trading on behalf of other non-US companies in the Phillips 66 group. At 31 December 2023 the company had the following open commitments in respect of currency swaps with Phillips 66 Treasury Limited:

Buy: USD 806 million
Sell: USD 176 million
Sell: GBP 528 million

The swaps are based on fixed interest rates and are for periods of less than 30 days.

21 Share capital and rights attaching to the company's shares

	Authorised	2023 $ million	2022 $ million
Allotted, called up and fully paid:			
At 1 January 2023 - 405,501 ordinary £1 shares	416,000	2	2
At 31 December 2023 - 405,501 ordinary £1 shares	416,000	2	2

Subject to the provisions of Companies Act 2006 and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine or, subject to and in default of such determination, as the directors shall determine. There are currently no shares with special rights.

Distribution
Subject to the provisions of Companies Act 2006, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors.

22 Dividends

	2023 $ million	2022 $ million
Declared and paid during the year:		
Equity dividends paid on ordinary shares: $1,980 per share (2022: $2,145 per share)	803	869

23 Reserves

Share premium
This reserve represents the premium received for new shares above their nominal value.

Merger reserve
This reserve records the cumulative effect of the excess of consideration received over the nominal value of shares issued in a group reconstruction.

Capital reserve
This reserve records the cumulative effect of cash received from the parent undertaking without the issue of any shares.

23 Reserves (continued)

Foreign currency translation reserve
This reserve records the cumulative effect of foreign exchange differences arising on the translation of the company's results and financial position from the functional currency to the presentation currency that are recognised in other comprehensive income.

There were no movements in reserves other than disclosed in the Statement of changes in equity.

24 Subsequent events

In 2024 to the date of this report the company had the following dividend transactions:

	Dividend income $ million	Dividend paid $ million
March	-	500
September	-	250

In January 2024 proceeds of $0.7 million were received on the disposal of associate company Jet H2E Austria GmbH.

The conflict in Ukraine continues to be ongoing however to date there has been no significant impact on the financial performance of the company.

There have been no other significant events since the balance sheet date.

25 Capital commitments

	2023 $ million	2022 $ million
Amounts contracted for but not provided in the accounts	24	26

26 Contingent liability

Prior to the separation of Phillips 66 from ConocoPhillips, the company held a number of UK Continental Shelf (UKCS) exploration & production licences for the benefit of ConocoPhillips Inc. Under Part IV of the Petroleum Act 1998 the Department of Energy and Climate Change may serve notice on certain persons, including licensees, requiring them to submit for approval a decommissioning programme for offshore facilities and pipelines within relevant licence areas and to comply with such programmes once approved. A number of such notices were served on the company. In all but one case, these notices have been withdrawn but it is still possible for the company to be made liable for decommissioning of those assets in certain circumstances. Under the agreements relating to the separation of Phillips 66 from ConocoPhillips it was agreed that ConocoPhillips will assume all liabilities associated with upstream assets and it is expected that ConocoPhillips will meet these decommissioning programme obligations. Therefore, the company would only have a liability in the event of default. However, for the one field where it remains subject to a notice, the company will remain formally liable to submit and comply with, the decommissioning programme. Nevertheless, the company would not expect to have any financial liability for such programme except in the event of a default of one of the current owners and in such event, the company expects to be fully indemnified by ConocoPhillips in respect of any expenditure made. It is not possible at this time to estimate the timing of any such liability or the financial value of the liability.

27 Related party transactions

In accordance with FRS101 the company has taken advantage of the exemption not to disclose related party transactions with other wholly owned members of the group.

The company's interests in associated undertakings are detailed in Note 12.

The company's transactions, in the normal course of business, with its related parties during the year and previous year are as follows:

	Sales to related party $ million	Purchases from related party $ million	Amounts owed by related party $ million	Amounts owed to related party $ million
Joint ventures				
2023	-	35	-	86
2022	-	29	1	88

28 Ultimate controlling party

Phillips 66, a company registered in Delaware, USA, which the directors regard as the company's ultimate parent undertaking with respect to the year ended 31 December 2023 is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of the 2023 Annual Report may be obtained from Companies House and online at www.phillips66.com.

Phillips 66 UK Holdings Limited is the immediate parent company and is registered in England.