

**Company Registration No. 04542769**

**Glencore Energy UK Ltd**

**Annual Report and Financial Statements**

**31 December 2019**



# **Glencore Energy UK Ltd**

## **Annual report and financial statements 2019**

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# **Glencore Energy UK Ltd**

## **Officers and professional advisors**

### **Directors**

A Beard (*resigned 30 June 2019*)

W Blount

L Bullen

### **Secretary**

N Reid

### **Registered office**

50 Berkeley Street

London

W1J 8HD

### **Auditor**

Deloitte LLP

Statutory Auditor

London, United Kingdom

# Glencore Energy UK Ltd

## Strategic report

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

### Organisation and principal activity

Glencore Energy UK Ltd (the 'Company') is a wholly-owned subsidiary of Glencore UK Ltd. The ultimate parent company is Glencore plc, a company incorporated in Jersey. The Company is a member of the Glencore plc Group (the 'Group').

The principal activity of the Company is the purchase and sale of physical oil commodities. The directors are not aware, at the date of this report, of any likely major changes in the activities of the Company in the next year.

### Business review

As shown in the statement of profit or loss on page 10, the profit for the year was \$81,298,000 (2018: profit of \$33,476,000). Gross profit on trading activities has increased by 39% in the year, whilst administrative expenses have decreased by 15%. The statement of financial position on page 11 shows that the Company's financial position at the year-end for net assets has increased compared with the prior year, and remains in a positive net asset position. A comprehensive analysis of the consolidated Oil division's results, which includes the Company, is included in the Glencore plc annual report, consolidating all entities in the division in addition to the Company. The results are reported within the Marketing activities segment, under the Energy products category.

Other than as disclosed in note 20, there have been no significant events after the reporting period that would cause any of the assets or liabilities reported in these financial statements to be restated.

### Key performance indicators

The directors of the Group manage its operations on a segmental basis, therefore the Company's directors are of the opinion that analysis using key performance indicators for the Company is not considered necessary or meaningful for an understanding of the development, performance or position of the Company's business.

### Principal risks and risk governance

The Board of Directors are responsible for approving risk management principles and policies, and ensuring that the Company's management maintains an effective system of internal controls. They are responsible for the management of risk within the framework of risk management principles and policies approved by the Board.

#### *Risk management organisation*

Compliance with all limits and control procedures is monitored by the Risk Management and Credit Management departments, which report directly to the Group's senior management team. The Risk Management and Credit Management departments are responsible for reviewing and approving pricing and risk management models, and for reporting market and credit risk exposures.

#### *Market risks*

All market risks are represented on the Company's statement of financial position and are recorded and monitored in separate trading books as appropriate.

The Group uses mark-to-market accounting for positions where there is an observable market, in accordance with the measurement requirements of EU-endorsed IFRS. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same.

#### *Credit and performance risk*

The Company's business is concentrated in the global oil, oil products and natural gas sector, consequently, its trade receivables and market exposure are predominantly with international oil and gas companies, financial institutions and other trading companies. The Company has implemented robust credit and performance risk management policies overseen by the Board of Directors, with the portfolio being assessed on an ongoing basis for credit and performance quality.

# Glencore Energy UK Ltd

## Strategic report (continued)

Exposures which exceed authorised levels are minimised through the use of letters of credit, credit insurance, bank payment guarantees and cash collateral. During the current or previous period, the Company has not suffered any significant credit loss.

### *Operational and other risks*

Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from inadequate internal processes and systems. The Company assesses the level of operational risk in its various business processes and has implemented a series of checks and backup systems based on the risk assessment. Our procedures are designed to prevent the occurrence of operational errors and, should an error occur, quickly detect its occurrence in order to minimise its impact. Any failure in business process results in a revised risk assessment and review of relevant procedures. Operational risk is considered by the Board of Directors when approving new activities and business ventures.

The Company is party to a trading facilitation agreement with a related party to eliminate all risk of loss on its trading book whilst enabling it to earn a commercial return, however the Company may be exposed to the risk of loss if the net service activities cost and administrative costs exceed the commercial return.

Our legal advisers provide essential advice and guidance to senior management on relevant business issues to ensure that our business is conducted in a manner that complies with all legal and regulatory requirements. Further information is provided in the Glencore plc 2019 Annual Report and in note 15.

At the time of signing the financial statements the UK has left the European Union on 31 January 2020 as a result of invoking Article 50 of the Lisbon Treaty ("Brexit"). The exact impact on the Company is inherently uncertain however it is likely that there will be a variety of legislative changes which may result in changes to the tariffs applied to sales and purchases for goods imported and exported to and from the UK. It is unlikely that these changes will have a significant impact on the Company due to the nature of the Company's business primarily relating to physical oil trading in international free trade zones, and import and export flows of oil outside of the UK.

### *Climate change*

The impact of climate change and the transition to a low-carbon economy are addressed by the Glencore plc Group, which includes the Company, and detailed information is disclosed in the Glencore plc annual report available at [www.glencore.com](http://www.glencore.com). Further information regarding climate change and Glencore's commitment to the transition to a low-carbon economy is available within both the Sustainability and Media sections of the website.

### *Liquidity risk management*

Liquidity management within the Group has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event. Liquidity is assessed by the Treasury Department based on criteria approved by the Board of Directors. The Company maintains adequate funding lines with banks and its parent company to ensure sufficient liquidity to meet all financial requirements on a timely basis.

### *Going concern*

The Group's forecasts and projections, which include the Company, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, indicate it is appropriate for the Company to adopt the going concern basis in preparing these financial statements.

As is customary with commodity trade finance, many bank facilities are uncommitted in nature and, consistent with prior years, are expected to continue uninterrupted for the foreseeable future, and we continue to enjoy a strong relationship with the banking community.

# Glencore Energy UK Ltd

## Strategic report (continued)

### *Operational and other risks (continued)*

#### *Interest rate and foreign exchange risk*

The Company monitors its interest rate risk, considering any material exposures. The Company is exposed to the risks of changes in foreign currency exchange rates with regard to its trading activities. The US dollar is the functional currency of the Company, as the majority of transactions are denominated in US dollars. Trading activities transacted in currencies other than US dollars (principally euros and pounds sterling) are hedged through forward foreign exchange contracts.

### **Section 172(1) statement**

During the financial year the directors have complied with their duty to have regard to the matters in section 172 (1) (a)-(f) of the Companies Act 2006. The directors believe that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

### *Stakeholder engagement*

The directors consider that the key stakeholders of the Company are those impacted by the inputs and outputs of the Company, specifically these are (in no particular order): customers, suppliers, employees, banks and financial institutions, government organisations and regulators. The Company, through the directors, engages with each stakeholder at the appropriate level of detail and frequency depending on their specific requirements and level of influence and interest. The directors use a variety of methods to do this, as described in the Directors' report.

### *Principal decisions*

Principal decisions are those that are material to the Company and also to the above stakeholder groups. During the financial year, the Company has taken a number of operational and strategic decisions which the directors consider are for the benefit of the Company, with a view to promoting its long term success and sustainability. A specific example is the preparation and review of the annual budget which drives the Company's long-term strategy. Regular reports are provided to the Glencore Group chief executive officer and chief financial officer which ensures alignment between the Company and Group in relation to operational and strategic decision making by the directors. Further information is provided in the Directors' report.

Approved by the Board of Directors  
and signed on behalf of the Board



N Reid  
Secretary  
4 March 2020

# Glencore Energy UK Ltd

## Directors' report

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

The strategic report starting on page 2 contains details of the principal activity of the Company and provides information on the development of the Company's business during the year, details of exposure to risks and uncertainties and indications of likely future developments, and any significant events after the reporting date.

### Directors

The directors who held office during the period and subsequently are shown on page 1.

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year which remain in force at the date of this report.

### Employee involvement

In order to consider the interests of employees in key decisions, regular contact and exchanges of information between directors, managers and staff are maintained through a variety of channels. These mainly take the form of departmental meetings, the formation of project teams, internal and external training, workshops, seminars and performance appraisals. Employees also have access to the Company intranet and a human resources application, which allows them to manage their employee benefits. A regular newsletter is sent to staff which provides updates on matters affecting the Company and the Group. The objective of such engagement is to maintain the best performance possible from the employees for the Company.

The Company seeks to employ the best staff in each of its departments, from trading and operations through to finance and IT. Employees are integral to the success of the Company and performance is recognised accordingly. Please refer to note 4 for further details.

### Disabled persons

The Company's attitude concerning the employment of disabled persons and for those that become disabled whilst in employment is the same as that relating to all other staff in matters of recruitment, continuing of employment, training, development and promotion.

### Engaging with suppliers, customers and others

During the financial year, the directors have endeavoured to foster the Company's mutually beneficial business relationships with suppliers, customers and others in a business relationship with the Company. This was achieved through positive interactions during meetings, written communication, telephone communications and site visits where necessary. The Company also participates in International Petroleum (IP) Week which is a key oil and gas industry conference, held annually in London.

The Company's suppliers and customers are predominantly international oil and gas companies, financial institutions and other trading companies.

The directors ensure that the Company acts responsibly, and in compliance with rules, when sourcing commodities from third-party suppliers.

The Company's supply chains include multinational, regional, national and local suppliers. Suppliers are critical partners to the Company's commitment to deliver value and to operate in a manner that is responsible, transparent and respects the human rights of all.

The Group have set out expectations for ethical business practices, safety and health, human rights and environment in supplier standards, which apply to all of the Company's suppliers and which the directors expect to incorporate into the Company's supplier contracts. The Company undertakes due diligence of current and potential suppliers to understand their business practices and their compliance with Glencore's Code of Conduct.

Further information is included on the Glencore plc website, available at [www.glencore.com](http://www.glencore.com).

# Glencore Energy UK Ltd

## Directors' report (continued)

### Corporate governance

The Company does not apply a specific corporate governance code because its ultimate parent, Glencore plc, adheres to the principles and complies with the provisions of the UK Corporate Governance Code 2018, its main applicable governance rules. This code was applied throughout the Group and further information on how the Company has applied the code is described below.

Glencore plc and its subsidiaries, which includes the Company, apply the highest standards in corporate governance. On the Glencore plc website [www.glencore.com](http://www.glencore.com), the Group sets out policies on matters of corporate governance including our statement of values, our code of conduct, sustainability and global anti-corruption.

The directors apply these Group policies to the Company. Decisions and policies affecting employees, the environment, suppliers and other stakeholders are made at a Group level with the directors. In so doing, the directors and the Company meet their obligations and duties under various new legislation addressing matters of corporate governance as well as its reporting (s.172 CA 2006, the UK Corporate Governance Code 2018 as applied by Glencore plc, the Companies (Miscellaneous Reporting) Regulations 2018).

Further information meeting our reporting obligations is disclosed in the Glencore plc annual report available at [www.glencore.com](http://www.glencore.com).

### Dividends

The directors recommend that no dividend be paid (2018: \$nil) and that the profit be transferred to reserves.

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



N Reid  
Secretary  
4 March 2020



# **Glencore Energy UK Ltd**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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), including FRS 101 "Reduced Disclosure Framework". 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# **Independent auditor's report to the members of Glencore Energy UK Ltd**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Glencore Energy UK Ltd (the 'Company'):

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **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 Financial Reporting Council's (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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# **Independent auditor's report to the members of Glencore Energy UK Ltd (continued)**

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements**

### **Opinions 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report or the Directors' Report.

### **Matters on which we are required to report by exception**

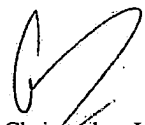
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **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.



Christopher Jones FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
5 March 2020

# Glencore Energy UK Ltd

## Statement of profit or loss For the year ended 31 December 2019

Continuing operations		2019 \$'000	2018 \$'000 Restated <sup>1</sup>
	Note		
Revenue	2	71,924,096	81,696,469
Cost of sales		(71,620,804)	(81,478,075)
<b>Gross profit on trading activities</b>		<b>303,292</b>	<b>218,394</b>
Service fees/other recharges to group companies	1	-	14,292
Service fees/other recharges from group companies	1	(124,792)	(146,331)
Cost of service activities		(124,792)	(132,039)
Administrative expenses		(31,889)	(37,637)
Other operating expense		(50,852)	(31,190)
<b>Operating profit</b>	3	<b>95,759</b>	<b>17,528</b>
Interest income	5	5,074	3,843
Interest expense	6	(11,115)	(10,310)
<b>Profit before tax</b>		<b>89,718</b>	<b>11,061</b>
Income tax (expense)/credit	7	(8,420)	22,415
<b>Profit for the year</b>		<b>81,298</b>	<b>33,476</b>

<sup>1</sup> Adjusted to present mark-to-market movements on physical forward sales contracts within revenue (see note 1).

The accompanying notes are an integral part of the financial statements.

## Statement of other comprehensive income

	Note	2019 \$'000	2018 \$'000
Profit for the year		81,298	33,476
<i>Items which will not be reclassified subsequently to profit or loss</i>			
Revaluation gain/(loss) on changes in credit risk on financial liabilities accounted for at fair value through profit or loss, or amortised cost	14	(1,459)	(1,949)
<b>Total other comprehensive (expense)</b>		<b>(1,459)</b>	<b>(1,949)</b>
<b>Total comprehensive income</b>		<b>79,839</b>	<b>31,527</b>

The accompanying notes are an integral part of the financial statements.

# Glencore Energy UK Ltd

Company Registration Number: 04542769


## Statement of financial position As at 31 December 2019

Assets	Note	2019 \$'000	2018 \$'000
<b>Non-current assets</b>			
Trade and other receivables	9	668,580	690,296
<b>Current assets</b>			
Inventories	8	1,383,456	1,269,336
Trade and other receivables	9	6,918,303	7,617,823
Cash and cash equivalent		72,072	84,267
<b>Total assets</b>		<u>9,042,411</u>	<u>9,661,722</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	10	(3,993)	(3,993)
<b>Current liabilities</b>			
Trade and other payables	10	(8,653,308)	(9,353,846)
<b>Total liabilities</b>		<u>(8,657,301)</u>	<u>(9,357,839)</u>
<b>Net assets</b>		<u>385,110</u>	<u>303,883</u>
<b>Equity</b>			
Share capital	13	10	10
Capital contribution reserve	14	21,240	19,852
Revaluation reserve	14	(3,408)	(1,949)
Retained earnings	14	367,268	285,970
<b>Total equity</b>		<u>385,110</u>	<u>303,883</u>

The accompanying notes are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 4 March 2020.

Signed on behalf of the Board of Directors



W Blount

Director

# Glencore Energy UK Ltd

## Statement of changes in equity For the year ended 31 December 2019

	Share capital \$'000 (note 13)	Capital contribution reserve \$'000 (note 14)	Revaluation reserve \$'000 (note 14)	Retained earnings \$'000 (note 14)	Total \$'000
<b>As at 1 January 2018</b>	10	16,368	-	252,494	268,872
Profit for the year	-	-	-	33,476	33,476
Other comprehensive income for the year (note 14)	-	-	(1,949)	-	(1,949)
<b>Total comprehensive income for the year</b>	-	-	(1,949)	33,476	31,527
<i>Transactions with owners</i>					
Equity-settled share-based payments (note 19)	-	3,484	-	-	3,484
<b>As at 31 December 2018</b>	10	19,852	(1,949)	285,970	303,883
Profit for the year	-	-	-	81,298	81,298
Other comprehensive income for the year (note 14)	-	-	(1,459)	-	(1,459)
<b>Total comprehensive (loss)/income for the year</b>	-	-	(1,459)	81,298	79,839
<i>Transactions with owners</i>					
Equity-settled share-based payments (note 19)	-	1,388	-	-	1,388
<b>As at 31 December 2019</b>	10	21,240	(3,408)	367,268	385,110

The accompanying notes are an integral part of the financial statements.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies

Glencore Energy UK Ltd is a private company limited by shares, incorporated in England and Wales. The address of the registered office is 50 Berkeley Street, London, W1J 8HD.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

#### Exemptions

The Company has taken advantage of the following exemptions available under FRS 101:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation;
- the exemption from providing certain comparative information;
- the exemption from providing capital management information;
- the exemption from disclosing the impact of standards in issue but not yet adopted;
- the exemption from disclosing transactions with other wholly-owned members of the group; and
- the exemption from disclosing the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*

The Company has taken advantage of the following exemptions available under FRS 101 as equivalent disclosures have been given in the consolidated financial statements of Glencore plc which include the results of Glencore Energy UK Ltd:

- the exemption from the disclosures relating to financial instruments and fair value measurement where these are not required by regulations; and
- reduced disclosures for share based payments.

The financial statements of Glencore plc are available from the registered office at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES or from the company's website at [www.glencore.com](http://www.glencore.com).

#### Basis of preparation

The financial statements are prepared on the historical cost basis of accounting, as modified by the inclusion of financial instruments and inventories at fair value.

In the current year, the directors of the Company have applied the amendments to FRS 101 made in July 2015, and have chosen to comply with the relevant provisions of IAS 1 *Presentation of Financial Statements* in relation to the format of presentation of the primary statements (i.e. Profit and loss account, Statement of other comprehensive income and Balance sheet). Under these amendments, the 'Profit and loss account' and 'Statement of other comprehensive income' is renamed as the 'Statement of profit or loss' and 'Statement of other comprehensive income', and the 'Balance sheet' is renamed as the 'Statement of financial position'. These changes have been applied retrospectively, and hence the presentation of items in the primary statements has been modified to reflect the changes. Other than the above mentioned presentation changes, there has not been any impact on profit or loss, other comprehensive income and total comprehensive income.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review.

The Group's forecasts and projections, which include the Company, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, indicate it is appropriate for the Company to adopt the going concern basis in preparing these financial statements.

As is customary with commodity trade finance, many bank facilities are uncommitted in nature and, consistent with prior years, are expected to continue uninterrupted for the foreseeable future, and we continue to enjoy a strong relationship with the banking community.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The Company has also applied IFRS 16 *Leases*. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### *IFRIC 23 – Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. Due to its global reach, including operating in high-risk jurisdictions, the Group's global tax position is subject to enhanced complexity and uncertainty, which may lead to uncertain tax treatments and the corresponding recognition and measurement of current and deferred taxes. The judgements and estimates made to separately recognise and measure the effect of each uncertain tax treatment are re-assessed whenever circumstances change or when there is new information that affects those judgements. The Company has re-assessed its tax exposure and the key estimates taken in determining the positions recorded to adopt IFRIC 23. As of 1 January 2019, the tax exposure has been determined by referencing to the uncertainty that the tax authority may not accept the Company's proposed treatment of tax positions. The adoption of the interpretation had no material impact on the Company.

#### *IFRIC agenda decision on the Physical Settlement of Contracts to Buy or Sell a Non-Financial Item*

In March 2019, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision on the Physical Settlement of Contracts to Buy or Sell a non-Financial Item. The committee concluded that, for physical commodity contracts within the scope of IFRS 9 Financial instruments, entities should not transfer previously recognised unrealised mark-to-market movements to different income statement line items upon realisation. The Company previously recognised mark-to-market movements on the re-measurement of physical forward contracts that do not meet own use exemption, net within cost of goods sold up to the point of realisation when the underlying contract is physically settled and realised either in revenue (in case of a sale contract) or inventory (in case of a purchase contract).

Following the agenda decision, the Company has revised its accounting policy to recognise mark-to-market movements on physical forward sales contracts that do not meet own use exemption within the revenue line item. For physical forward purchase contracts that do not meet the own use exemption, the mark-to-market movements continue to be recognised within cost of goods sold. In applying this change in accounting policy, the prior year figures have been restated so that revenue and cost of goods sold has increased by an equal amount of \$191 million with no impact on net income.

#### Currency of financial statements

As the Company undertakes the majority of its trading transactions in US dollars, which is its functional currency, these financial statements have been prepared in that currency.

#### Revenue

Revenue is derived from the sale of goods. In some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Company is responsible for providing these services (shipping and insurance) to the customer after the date at which the Company has lost control of the goods. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods and / or services has transferred from the Company to the buyer. Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

Revenue related to the sale of goods is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset.



# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Revenue (continued)

Where the sale of goods is connected with an agreement to repurchase goods at a later date, revenue is recognised when the repurchase terms are at prevailing market prices, the goods repurchased are readily available in the market, and the buyer gained control of the goods originally sold to them. Should it be determined that control has not transferred or the buyer does not have the ability to benefit substantially from ownership of the asset, revenue is not recognised and any proceeds received are accounted for as a financing arrangement.

For some contracts the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, up to 30 days after initial booking (provisionally priced sales). Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other related taxes. All charges for purchases, including delivery and hedging on terminal markets and all credits for sales and other charges to customers (with the exception of foreign exchange gains and losses, which are dealt with in accordance with the policy on foreign currencies below) are recognised when control of the assets sold is transferred from the seller to the buyer.

All traded instruments are evaluated with reference to market prices prevailing at the balance sheet date. Within cost of sales, unrealised gains and losses on valuation of traded instruments are recognised in the statement of profit or loss.

#### Service fees and other recharges

Service fees and other recharges to and from group companies are accounted for on accruals basis according to agreements with other group companies.

#### Foreign currencies

Transactions during the year in currencies other than US dollars are translated into US dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Exchange adjustments are dealt with in the statement of profit or loss in the year in which they arise.

#### Inventories

Inventories, consisting entirely of commodities held for resale, are held at fair value.

#### Non financial instruments (trade advances or prepayments)

The Company enters into trade advances and prepayment agreements with certain suppliers and customers. When such advances and prepayments are primarily settled in cash or another financial asset, they are classified as financial instruments (see below). When settlement is satisfied primarily through physical delivery or receipt of an underlying product they are classified as non-financial instruments.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Financial instruments (continued)

Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, other investments, provisionally priced trade receivables and derivatives are carried at fair value and trade receivables that do not contain provisional pricing features, loans and other receivables are carried at amortised cost adjusted for any loss allowance.

Trade payables, other than derivatives and those containing provisional price features, are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost. Trade payables that contain provisional pricing features and derivatives are carried at FVTPL.

#### (i) Impairment of financial assets

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The expected credit loss recognised represents a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit losses on these financial assets is estimated using a provision matrix by reference to past default experience and an equivalent credit rating, adjusted as appropriate for current observable data and forward-looking information.

For all other financial assets at amortised cost, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition, which is determined by:

- a review of overdue amounts;
- comparing the risk of default at the reporting date and at the date of initial recognition; and
- an assessment of relevant historical and forward-looking quantitative and qualitative information.

For those balances that are beyond 30 days overdue it is presumed to be an indicative indicator of a significant increase in credit risk.

If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-months expected credit loss, which comprises the expected lifetime loss from the instrument were a default to occur within 12 months of the reporting date.

The Company considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Company without taking into account any collateral held by the Company or if the financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

#### (ii) Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Financial instruments (continued)

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or have expired.

Certain bank loans are secured upon an eligible pool of trade receivables; the balances are not offset.

All assets and liabilities have been disclosed gross unless the Company currently has both a legally enforceable right of offset and intention to do so.

#### Pension costs

The pension costs charged to the profit or loss account represent contributions payable to the Group defined contributions pension scheme.

The Company is a member of a defined benefit pension plan that shares risk between wholly owned members of the Group. The net defined benefit cost is recognised in the financial statements of the sponsoring employer, Glencore UK Ltd, and related disclosures are provided in its financial statements. There is no contractual agreement to recharge the net defined benefit cost to the Company and therefore the cost is recognised solely by the sponsoring employer.

#### Tax

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted or substantively enacted tax rates at the period end on expected current taxable income, and any adjustment to tax payable in respect of previous years. The Company assesses its liabilities and contingencies for all years based upon the latest tax information available. The Company believes it has adequately provided for the outcome of all tax matters, but future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the final assessments are made. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities, although it is not considered to be appropriate to quantify any further potential exposure, and any potential materially different outcome is not expected to arise within the next financial year.

Deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, using enacted or substantively enacted income tax rates which are expected to be effective at the time of reversal of the underlying temporary difference. Deferred tax assets and unused tax losses are only recognised to the extent that their recoverability is probable.

Deferred tax assets are reviewed at reporting period end and amended to the extent that it is no longer probable that the related benefit will be realised. To the extent that a deferred tax asset not previously recognised but which subsequently fulfils the criteria for recognition, an asset is then recognised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and the Company has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis. The tax effect of certain temporary differences is not recognised principally with respect to the initial recognition of an asset or liability (other than those arising in a manner that initially impacted accounting or taxable profit).

Current and deferred tax are recognised as an expense or income in the profit or loss account, except when they relate to items that are recognised outside the profit or loss account (whether in other comprehensive income or directly in equity).

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Derivative financial instruments

The Company trades derivative financial instruments both with third parties and related parties such as commodity trading contracts and forward foreign exchange contracts and classifies them as fair value through the profit or loss account. All derivative instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date. Where derivative financial instruments are classified as fair value through profit or loss, movements in fair value of derivative instruments are recognised in the profit or loss account. Where derivatives, particularly those with related parties, cannot be valued by reference to a liquid market, the fair value is determined by performing an economic analysis to determine a fair commercial valuation.

Derivative financial instruments, receivables and payables (including amounts owed by and to Group companies) are offset and the net amount presented in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts and either intends to settle on a net basis, or to realise the receivable and settle the payable simultaneously.

#### Equity settled share-based payments

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date; fair value excludes the effect of non-market-based vesting conditions. The fair value is charged to the profit or loss account and credited to retained earnings (unless the share-based payments are settled by the Parent Company in Parent Company equity in which case it is credited as a capital contribution by the Parent Company) on a straight-line basis over the period the estimated number of awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings (or capital contribution as appropriate).

#### Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common, industry standard modelling techniques. Actual outcomes could result in adjustments to the carrying amount of assets or liabilities affected in future periods.

#### Critical accounting judgements

##### *Performance and credit risk*

The Company's marketing operations expose it to performance and credit risks; these arise particularly in markets demonstrating significant price volatility with limited liquidity and terminal markets and when global and/or regional macroeconomic conditions are weak. In applying the accounting policies for both the current and prior year, third party trade receivables of \$186 million and third party trade payables of \$229 million are presented in the statement of financial position on a gross basis. A judgement has been made that these balances are expected to be settled on a net basis in due course and therefore the performance and credit risk is deemed to be minimal, however the accounting policy only permits a net presentation when there is both the intention of net settlement and contractual right.

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Critical accounting judgements (continued)

##### *Performance and credit risk (continued)*

Continuously, but particularly during such times, judgement is required to determine whether trade receivables are recoverable and if contracted product deliveries will be received. Judgements about recoverability and contractual performance may materially impact assets as recognised on the statement of financial position. Any estimation uncertainty related to these judgements is not anticipated to result in a material change to the carrying value of these assets within the next financial year.

##### *Classification of transactions which contain a financing element*

Transactions for the sale or purchase of commodities may contain a financing element such as extended payment terms. Under such an arrangement, a financial institution may issue a letter of credit on behalf of the Company and act as the paying party upon delivery of product by the supplier and the Company will subsequently settle the liability directly with the financial institution, generally up to 90 days after physical supply. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statement of financial position. In determining the appropriate classification, management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Typically, the economic substance of the transaction is determined to be operating in nature as the financing element is insignificant and the time frame in which the original arrangement is extended by, is consistent and within supply terms commonly provided in the market. As a result, the entire cash flow is presented as operating in nature with a corresponding trade payable in the statement of financial position. As at 31 December 2019, trade payables include \$1,865 million (2018: \$2,047 million) of liabilities that have been extended through use of supplier financing arrangements, the weighted average of which have extended the settlement of the original payable to 67 days (2018: 63 days) after physical supply and are due for settlement 35 days (2018: 30 days) after year end.

##### *Classification of trade receivables and payables as amortised cost or fair value through profit or loss*

Judgement is required to determine the appropriate IFRS 9 classification of trade receivables containing provisional pricing features (i.e. the final selling price is subject to movements in market prices after the date of sale) to be measured at amortised cost or fair value through profit or loss. This requires an assessment of the exposure of the underlying trade receivables to future movements in market prices at the date of initial recognition of such receivable, which is typically the date of delivery of the goods. Those trade receivables that are exposed to future movements in market prices have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss (see note 9). For those trade receivables that are not exposed to future movements in market prices, a further assessment of the business model for managing the trade receivables is required to determine the appropriate classification and measurement. The business model pertaining to those receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at amortised cost (see note 9).

A similar assessment is undertaken for trade payables, and for those trade payables that contain provisional price features, the Company elected to designate the entire trade payables as at fair value through profit or loss consistent with the accounting for provisionally priced trade receivables (see note 9). The balance of trade payables are classified as at amortised cost (see note 10).

Differing conclusions around classification of these instruments, may impact the presentation of these financial assets or liabilities within their respective note disclosures. However, as these types of financial assets and liabilities have short maturities, any estimation uncertainty related to these judgements and / or a differing measurement criteria (i.e. an expected credit loss impairment model or fair value methodology) is not anticipated to result in a material change to the carrying value of the financial asset or liability within the next financial year.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 1. Accounting policies (continued)

#### Key sources of estimation uncertainty

There are no sources of estimation uncertainty significant enough to warrant disclosure under IAS 1 – *Presentation of Financial Statements*.

### 2. Revenue

Revenue represents the invoiced and uninvoiced value of delivered commodity contracts excluding VAT. The prior year figures have been adjusted to present mark-to-market movements on physical forward sales contracts within revenue (see note 1). All trading is carried out from the United Kingdom. Revenue for the year is comprised of the following:

	2019 \$'000	2018 \$'000
Sale of commodities	70,813,084	80,845,314
Freight and other services	657,746	659,762
Recycling of fair value of derivative mark to market	453,266	191,393
	<u>71,924,096</u>	<u>81,696,469</u>

### 3. Operating profit

	2019 \$'000	2018 \$'000
Operating profit is stated after (crediting)/charging:		
Net foreign exchange (gain)/loss	(4,632)	11,396
Impairment of trade receivables	59,801	-
Legal related costs	41,339	62,313
Loss allowance under IFRS 9	6,790	2,905
Auditor's remuneration – auditing of the financial statements	1,036	1,080
– tax compliance services	54	55
	<u></u>	<u></u>

During the prior year, the Strategic Fuel Fund Association of South Africa (SFF) brought various claims against the Company, asserting that certain purchases of oil from SFF were invalid on the basis that SFF did not comply with its necessary approval and procurement processes and that the Company is therefore not entitled to remove the inventory until the dispute is resolved. Over the period, holding and related costs incurred in relation to this inventory amounted to \$41 million (2018: \$62 million). This amount is recorded in other operating expense.

### 4. Information regarding directors and employees

	2019 \$'000	2018 \$'000
<b>Staff costs</b>		
Wages, salaries and benefits	12,012	16,189
Social security costs	2,926	8,202
Pension costs – defined contribution	1,063	1,065
Related recharges from fellow subsidiaries	92,585	108,143
	<u>108,586</u>	<u>133,599</u>

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 4. Information regarding directors and employees (continued)

Monthly average number of persons employed	2019	2018
Employees of the Company	39	41
Staff employed by fellow subsidiaries providing services to the Company	380	376
Total	419	417

The directors received no remuneration from the Company during the year (2018: \$nil). Directors' remuneration and costs for services performed in relation to the Company are paid by the immediate parent company and cannot be separately attributed to the Company from services to the parent and fellow subsidiaries. Services for the Company performed by employees of the immediate parent company are paid on the Company's behalf by the parent entity for which a service charge is made.

No director of the Company is a member of the parent company's defined benefit pension scheme (2018: one) and two directors are members of the defined contribution scheme (2018: two).

Additional information is contained in notes 18 and 19.

### 5. Interest income

	2019 \$'000	2018 \$'000
Interest income from banks	4,970	1,964
Interest income from others	-	1,879
Interest income from group companies	104	-
	5,074	3,843

### 6. Interest expense

	2019 \$'000	2018 \$'000
Interest expense on bank loans and overdrafts repayable within one year	11,081	7,482
Interest expense to others	34	4
Interest expense to group companies	-	2,824
	11,115	10,310

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 7. Income tax expense/(credit)

#### (a) Analysis of tax expense/(credit)

	2019 \$'000	2018 \$'000
United Kingdom corporation tax at 19% (2018: 19%) based on the profit for the year	-	-
Adjustment in respect of prior years	2,242	(6,703)
Current tax expense/(credit) for the year	2,242	(6,703)
Deferred tax – current year	6,178	-
Deferred tax – prior year	-	(15,712)
Total tax expense/(credit) for the year	8,420	(22,415)

#### (b) Factors affecting tax expense/(credit) for the current year

The tax assessed for the year is lower (2018: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 \$'000	2018 \$'000
Profit before tax	89,718	11,061
Tax at 19% thereon (2018:19%)	17,046	2,102
Effects of:		
Expenses not deductible	74	1,353
Interest restricted under Corporate Interest Restriction rules	-	10,082
Losses from partnership interest in QHG Trading LLP	(194)	(5,550)
Losses from partnership interest in QHG Holdings LLP	-	(14,475)
Losses (claimed)/surrendered for nil consideration	(10,120)	6,488
Prior year adjustment - current tax	2,242	(6,703)
Prior year adjustment - deferred tax on losses (note 12)	-	(15,712)
Share based payments	-	-
Effective change in tax rate.	(628)	-
Total tax expense/(credit) for the year	8,420	(22,415)

Legislation was introduced in the Finance Bill 2016 and enacted at the statement of financial position date, to reduce the main rate of corporation tax to 17%, from 1 April 2020.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences to which they relate unwind based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Since the reductions of the corporation tax rate to 19% and 17% were enacted by the statement of financial position date, the deferred tax balances at 31 December 2019 have been assessed accordingly.

Prior year adjustments for the year ended 31 December 2018 relate to retrospective loss relief for eligible tax losses in fellow UK Group entities.



# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 8. Inventories

	2019 \$'000	2018 \$'000
Inventory at fair value	1,383,456	1,269,336
	<u>1,383,456</u>	<u>1,269,336</u>

There are no material differences between the carrying value of inventories on the statement of financial position and their replacement cost.

Carrying amount of inventories pledged as security is \$nil (2018: \$nil).

### 9. Trade and other receivables

	2019 \$'000	2018 \$'000
<b>Amounts due within one year:</b>		
<i><b>Financial assets at amortised cost</b></i>		
Trade advances	35,653	221,042
Trade advances owed by fellow group undertakings	25,000	20,000
<i><b>Financial assets at fair value through profit or loss</b></i>		
Trade receivables	2,475,151	2,615,200
Amounts owed by fellow group undertakings	2,939,897	3,821,061
Derivative financial instruments – third parties (note 11)	775,789	348,035
Derivative financial instruments – fellow group undertakings (note 11)	86,950	57,387
<i><b>Non-financial assets</b></i>		
Advances repayable with product	297,259	386,269
Trade advances owed by fellow group undertakings repayable with product	65,287	53,044
Deferred income tax (note 12)	12,070	18,248
Current income tax (note 7)	184,895	52,903
Other receivables	20,352	24,634
	<u>6,918,303</u>	<u>7,617,823</u>
<b>Amounts due in more than one year:</b>		
<i><b>Financial assets at amortised cost</b></i>		
Trade advances	149,475	40,087
Trade advances owed by fellow group undertakings	-	34,086
<i><b>Non-financial assets</b></i>		
Advances repayable with product	293,669	337,643
Trade advances owed by fellow group undertakings repayable with product	225,436	278,480
	<u>668,580</u>	<u>690,296</u>
	<u>7,586,883</u>	<u>8,308,119</u>

The carrying amount of trade receivables pledged as security is \$461 million (2018: \$580 million).

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 9. Trade and other receivables (continued)

#### Current income tax

The current income tax receivable of \$185 million (2018: \$53 million) primarily relates to amounts paid to Her Majesty's Revenue & Customs ("HMRC"). These payments were made in respect of charges levied in respect of financial years 2015, 2016 and 2017 under the diverted profits tax legislation which was introduced in the Finance Act 2015. The Company believes its profits taxed in the UK correctly reflects tax arising on its economic activity in the UK, and believes the amounts paid to date under the diverted profits tax legislation are recoverable in full from HMRC. In December 2018, HMRC issued formal transfer pricing, permanent establishment and diverted profits tax assessments for the 2008 – 2017 tax years, amounting to \$680 million. The Group intends to appeal and vigorously contest these assessments, following, over the years, various legal opinions received and detailed analysis conducted, supporting its positions and policies applied, and therefore the Company has not provided for the amount assessed. Management does not anticipate a significant risk of material changes in estimates in this matter in the next financial year.

Trade advances have been paid to various counterparties; significant trade advances are disclosed below:

#### Société des Hydrocarbures du Tchad ("SHT")

The Company has advanced a net \$116 million (2018: \$120 million) to SHT to be repaid through future oil deliveries. As at 31 December 2019, the advance is recorded net of \$778 million (2018: \$805 million) provided by a syndicate of banks, the repayment terms of which are contingent upon and connected to the receipt of oil due from SHT under the prepayment. Of the net amount advanced, \$107 million (2018: \$120 million) is receivable after 12 months and is presented within trade receivables due in more than one year, and \$8 million (2018: \$nil) is due within 12 months and is presented within trade receivables due in less than one year.

#### Société Nationale des Pétroles du Congo ("SNPC")

The Company has advanced a net \$65 million (2018: \$71 million) to SNPC to be repaid through future oil deliveries. As at 31 December 2019, the advance is recorded net of \$498 million (2018: \$530 million) provided by a syndicate of banks, the repayment terms of which are contingent upon and connected to the future receipt of oil contractually due from SNPC. Of the net amount advanced, \$4 million (2018: \$19 million) is due after 12 months and is presented within trade receivables due in more than one year, and \$62 million (2018: \$52 million) is due within 12 months and included within trade receivables due in less than one year. SNPC has indicated to the Company and the syndicate of banks that it wishes to restructure the terms of this arrangement. Whilst no agreement has been reached at the reporting date, a future restructuring may materially impact the portion of this advance that is realised within one year.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 10. Trade and other payables

	2019 \$'000	2018 \$'000
<b>Amounts falling due within one year</b>		
<i>Financial liabilities at amortised cost</i>		
Short term loans and overdrafts	650,024	1,039,453
<i>Financial liabilities at fair value through profit or loss</i>		
Trade payables	6,952,186	7,185,911
Amounts owed to fellow group undertakings	209,457	666,635
Derivative financial instruments – third parties (note 11)	712,672	399,500
Derivative financial instruments – fellow group undertakings (note 11)	119,119	46,229
<i>Non-financial liabilities</i>		
Advances settled in product	1,025	4,130
Accruals	8,825	11,988
	<u>8,653,308</u>	<u>9,353,846</u>
<b>Amounts falling due in more than one year</b>		
<i>Financial liabilities at amortised cost</i>		
Trade payables	3,993	3,993
	<u>8,657,301</u>	<u>9,357,839</u>

Trade receivables of \$461 million (2018: \$580 million) have been pledged as security against certain short term loans and overdrafts.

Trade payables are obligations to pay for goods and services. Trade payables have a variety of maturities depending on the type of material and the geographic area in which the purchase transaction occurs and the agreed terms. There are no amounts falling due in more than five years.

Trade payables days for the year ended 31 December 2019 – 35 days (2018 – 32 days).

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 11. Derivative financial instruments

The Company trades derivative financial instruments including commodity trading contracts and forward foreign exchange contracts. The fair value of the derivative financial instruments at the statement of financial position date is as follows:

	2019 \$'000	2018 \$'000
<b>Trade and other receivables</b>		
Commodity trading contracts	775,789	348,035
Derivative financial instruments owed by fellow group undertakings	86,950	57,387
	<u>862,739</u>	<u>405,422</u>

Of the \$862,739,000 above, \$752,181,000 is due to mature within one year (2018: \$340,511,000), with the remaining \$110,558,000 maturing in more than one year (2018: \$64,911,000). In the normal course of trading activities, derivative financial instruments are often settled before maturity date and therefore classified as current assets or current liabilities.

	2019 \$'000	2018 \$'000
<b>Trade and other payables</b>		
Commodity trading contracts	712,672	399,500
Derivative financial instruments owed to fellow group undertakings	119,119	46,229
	<u>831,791</u>	<u>445,729</u>

Of the \$831,791,000 above, \$748,762,000 is due to mature within one year (2018: \$417,189,000), with the remaining \$83,029,000 maturing in more than one year (2018: \$28,540,000). In the normal course of trading activities, derivative financial instruments are often settled before maturity date and therefore classified as current assets or current liabilities.

There is no difference between fair value and the value at which the Company could have settled their financial assets and liabilities at year end.

For both commodity trading contracts and derivative financial instruments owed to group companies, quoted market values, as adjusted to take into account such factors as exchange closing prices and over-the-counter quotations, have been used to determine the fair value of derivative financial instruments at the balance sheet date. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same.

The following changes in the fair value of derivative financial instruments, including commodity trading contracts and forward foreign exchange contracts have been charged to profit and loss in the year:

	2019 \$'000	2018 \$'000
<b>Profit/(loss)</b>		
Commodity trading contracts	114,582	(90,043)
Derivative financial instruments with fellow group undertakings	(43,327)	24,400
	<u></u>	<u></u>

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 12. Deferred income tax

Movement on deferred income tax balance in the year:

	Share based payments \$'000	Tax losses \$'000	Total \$'000
At 1 January 2018	2,536	-	2,536
Credit/(charge) to profit or loss	-	-	-
Prior year adjustment to deferred tax	-	15,712	15,712
Exchange differences	-	-	-
At 1 January 2019	2,536	15,712	18,248
Charge to profit or loss	-	(6,178)	(6,178)
At 31 December 2019	2,536	9,534	12,070

At 31 December 2019, the Company has not recognised deferred tax assets on gross temporary differences relating to interest expense disallowed under the UK corporate interest restriction rules of \$306m (net: \$52m) and tax losses of \$99m (net \$17m), as it is not probable that there will be sufficient interest capacity for the use of the disallowed interest in future periods based on the rules.

A deferred tax asset of \$12,070,000 has been recognised on tax losses carried forward and share based payments as at 31 December 2019 (2018: \$18,248,000). The directors are of the opinion that, based on recent and forecast activities, there will be sufficient future taxable profits against which the asset could be utilised.

### 13. Share capital

	2019 \$'000	2018 \$'000
<b>Authorised</b>		
1,000,000 ordinary shares of US\$1 each	1,000	1,000
<b>Called up, allotted and fully paid</b>		
10,000 ordinary shares of US\$1 each	10	10

### 14. Reserves

A description of each reserve is set out below.

#### Capital contribution reserve

This reserve relates to the cumulative equity settled share based payment charge relating to shares of the ultimate parent, Glencore plc.

#### Revaluation reserve

This reserve relates to the cumulative revaluation due to changes in credit risk under IFRS 9 on financial liabilities accounted for at fair value through profit or loss or amortised cost.

#### Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 15. Other contingent liabilities and commitments

As part of the Company's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for the Company's contractual obligations. As at 31 December 2019, \$4,275,991,000 (2018: \$5,884,205,000) of procurement commitments have been guaranteed with letters of credit issued on behalf of the Company which will generally be settled simultaneously with the payment for such commodity, often occurring up to 90 days after physical supply. The trade payable for the purchase of such commodity for which these procurement commitments support are included in the statement of financial position as trade and other payables.

In the ordinary course of business, the Company enters into storage agreements with service providers, who provide the Company with storage and handling services at a variety of locations for a variety of time periods. The cost of this storage and handling service for 2019 recognised in cost of sales amounted to \$71,865,000 (2018: \$97,822,000); future costs will vary depending on the needs of the business and commercial decisions made at future points in time.

As disclosed in note 31 of the Financial statements included in the Glencore plc 2019 Annual Report, the Glencore group is subject to a number of investigations by government and enforcement authorities in respect of which the outcome is not possible to predict and estimate.

### 16. Immediate and ultimate parent company

The immediate parent company is Glencore UK Ltd, a company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent and controlling company is Glencore plc, a company incorporated in Jersey with registered office at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES. Glencore plc is the smallest and largest group into which the Company is consolidated, and produces publicly available consolidated financial statements.

### 17. Related party transactions and balances

Group balances disclosed in the financial statements include wholly owned subsidiaries, associates and joint ventures of Glencore plc. Transactions with related parties that are group companies which are not wholly owned are shown below.

#### Nature of transactions

All related party transactions were executed on normal commercial terms and conditions. The nature of the transactions with related parties was sales and purchases of physical commodities and derivative instruments.

#### Value of transactions

	2019 \$'000	2018 \$'000
Sales of physical commodities	1,467,247	268,733
Purchases of physical commodities	48,386	661,395
Other costs of trading in physical commodities	(38,936)	(111,516)

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2019

### 17. Related party transactions and balances (continued)

#### Balances with related parties

The following were the balances with related parties at the end of the year. They are shown on an aggregate basis:

	2019 \$'000	2018 \$'000
Amounts owed by fellow group undertakings	713,096	439,226
Amounts owed to fellow group undertakings	24,211	20,820

### 18. Pension commitments

The pension costs charged to the profit or loss account represent contributions payable to the Group defined contributions pension scheme.

The Company is a member of a defined benefit pension plan that shares risk between wholly owned members of the Group. There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, Glencore UK Ltd, which is the sponsoring employer of the scheme, recognises the whole of the scheme surplus or deficit in its financial statements.

Further details of the Glencore UK Ltd defined benefit scheme are disclosed in its financial statements.

### 19. Share-based payments

#### Performance Share Plan

Under the Glencore Performance Share Plan (PSP), participants are awarded PSP awards which vest in annual tranches over a specified period, subject to continued employment and forfeiture for malus events. At grant date, each PSP award is equivalent to one ordinary share of Glencore plc.

The awards vest in three or five equal tranches on 30 June, 31 December or 31 January of the years following the year of grant. The fair value of the awards is determined by reference to the market price of Glencore plc's ordinary shares at grant date. The PSP awards may be satisfied, at Glencore's option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash, with a value equal to the market value of the award at vesting, including dividends paid between award and vesting. The Company currently intends to settle these awards in shares. As at 31 December 2019, the number of shares underlying the awards was 3,797,891 (2018: 7,587,466). The expense recognised in the period was \$1.4 million (2018: \$3.5 million).

The options outstanding as at 31 December 2019 had exercise prices of £nil (2018: £nil) and weighted average remaining contractual life of 2 years (2018: 2 years).

### 20. Events after the reporting period

Her Majesty's Revenue & Customs ("HMRC") have issued a Diverted Profits Tax ("DPT") charging notice to the Company for 2018 with a DPT charge of c. £60.7 million (\$80.6 million). The Company was required to pay the amount in the charging notice in February 2020. However, we also consider that the payment made under this charging notice will be fully recoverable on the basis that we consider it unlikely that HMRC will ultimately be successful in challenging the transactions between Glencore International AG and the Company on the grounds of the DPT legislation.

Other than as disclosed above, there have been no significant events after the reporting period that would cause any of the assets or liabilities reported in these financial statements to be restated.