

Company Registration No. 01788823

Glencore Commodities Ltd

Annual Report and Financial Statements

31 December 2016

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Glencore Commodities Ltd

Annual report and financial statements 2016

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Glencore Commodities Ltd

Officers and professional advisers

Directors

A Beard
A Gibson
W Blount

Secretary

N Reid

Registered office

50 Berkeley Street
London
W1J 8HD

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Glencore Commodities Ltd

Strategic report

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

Organisation and principal activity

Glencore Commodities 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 principal activity of the Company is the purchase and sale of oil derivatives. 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.

The Company is authorised and regulated by the Financial Conduct Authority to conduct oil market investment business as an Oil Market Participant under the Financial Services and Markets Act 2000.

Business review

As shown in the profit and loss account on page 9, the profit for the period, after taxation, was \$44,411,000 (2015: \$45,997,000).

Gross profit on trading activities has fallen by 6% (2015: increased by 23%) in the year, whilst service fees and administrative expenses have decreased by 18% (2015: 8%) and 24% (2015: 9%) respectively.

The balance sheet on page 10 shows that the Company's financial position at year-end has, for net assets, increased compared with the prior year.

There have been no significant events since the balance sheet date that require disclosure or would cause any of the assets or liabilities reported in these financial statements to be restated.

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 Board. 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 balance sheet and the positions are recorded and monitored in separate trading books as appropriate.

The Company 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.

Glencore Commodities Ltd

Strategic report (continued)

Principal risks and risk governance (continued)

Credit and performance risk

The Company's business is concentrated in the global oil, oil products and natural gas sector and, 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 risk management policies overseen by the Board of Directors, with the portfolio being assessed on an ongoing basis for credit quality. Exposures which exceed authorised levels are minimised through the use of letters of credit, credit insurance, bank payment guarantees and cash collateral. The Company has not suffered any significant credit loss during the current or previous period.

The Company also trades under standard industry agreements such as International Swaps and Derivatives Association (ISDA) agreements for swap transactions. Whilst these industry agreements and terms normally include netting and default provisions, the Company establishes cross commodity netting terms for its major counterparts, which as well as providing netting benefits, also standardises material adverse change and default provisions. The Company also obtains collateral against exposures where appropriate, including the execution of margining agreements.

Capital risk

The Company's objectives in managing its capital attributable to equity holders include preserving its overall financial health and strength for the benefit of all the stakeholders, maintaining an optimal capital structure in order to provide a high degree of financial flexibility at an attractive cost of capital and safeguarding its ability to continue as a going concern, while generating sustainable long term profitability.

Value at risk

One of the tools used by the Company to monitor and limit its primary market risk exposure, principally commodity price risk, is the use of a value at risk ("VaR") computation. VaR is a risk measurement technique, which estimates the potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence and based on a specific price history. The VaR methodology is a statistically defined, profitability based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets.

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.

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.

Liquidity risk management

Liquidity management within the Glencore plc Group ("Glencore"), 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.

Glencore Commodities Ltd

Strategic report (continued)

Principal risks and risk governance (continued)

Currency risk

The Company is not exposed to significant non US Dollar exposure and these positions are monitored regularly to assess the need for hedging.

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.

Going concern

Glencore's forecasts and projections, 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.

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



N Reid
Secretary
27 February 2017

Glencore Commodities Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016. The Company is incorporated in England and Wales and operates a branch located in Singapore.

The strategic report starting on page 2 contains details of the principal activity of the Company and provides detailed information on the development of the Group's business during the year and details of exposure to risks and uncertainties and indications of likely future developments.

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 period which remain in force at the date of this report.

Dividends

The directors recommend that no equity dividend be paid (2015:\$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
27 February 2017

Glencore Commodities 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 judgments 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.

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

Independent auditor's report to the members of Glencore Commodities Ltd

We have audited the financial statements of Glencore Commodities Ltd for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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 and the Directors' Report.

Independent auditor's report to the members of Glencore Commodities Ltd (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Tom Millar (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 February 2017

Glencore Commodities Ltd

Profit and loss account For the year ended 31 December 2016

		2016 \$'000	2015 \$'000
Continuing operations	Note		
Turnover			
Net trading income	2	58,673	62,544
Gross profit on trading activities		58,673	62,544
Service fees charged by group companies		(6,538)	(7,941)
Cost of service activities		(6,538)	(7,941)
Administrative expenses		(884)	(1,167)
Other operating (expense)/income		(261)	939
Operating profit	3	50,990	54,375
Interest receivable	5	116	41
Interest payable	6	(53)	(117)
Profit on ordinary activities before taxation		51,053	54,299
Tax on profit on ordinary activities	7	(6,642)	(8,302)
Profit on ordinary activities after taxation		44,411	45,997

Statement of other comprehensive income

	Note	2016 \$'000	2015 \$'000
Profit for the financial year		44,411	45,997
<i>Items which may be reclassified subsequently to profit or loss</i>			
Revaluation of fixed asset investments	8	495	39
Total other comprehensive income		495	39
Total comprehensive income		44,906	46,036

Glencore Commodities Ltd

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Balance sheet

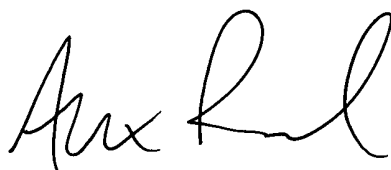
As at 31 December 2016

	Note	2016 \$'000	2015 \$'000
Fixed assets			
Investments	8	4,233	29,858
Current assets			
Debtors	9	1,494,984	800,513
Cash at bank and in hand		2,837	2,084
		1,497,821	802,597
Creditors: amounts falling due within one year	10	(1,190,027)	(565,334)
Net current assets		307,794	237,263
Total assets less current liabilities, being net assets		312,027	267,121
Capital and reserves			
Called up share capital	13	949	949
Profit and loss account	14	311,078	266,172
Total shareholders' funds		312,027	267,121

These financial statements were approved by the Board of Directors on 27 February 2017.

Signed on behalf of the Board of Directors

A Beard
Director



Glencore Commodities Ltd

Statement of changes in equity For the year ended 31 December 2016

	Share capital \$'000 (note 13)	Profit and loss account \$'000 (note 14)	Total \$'000
As at 1 January 2015	949	220,136	221,085
Profit for the year	-	45,997	45,997
<i>Other comprehensive income for the year</i>			
Revaluation of fixed asset investments (note 8)	-	39	39
As at 31 December 2015	949	266,172	267,121
Profit for the year	-	44,411	44,411
<i>Other comprehensive income for the year</i>			
Revaluation of fixed asset investments (note 8)	-	495	495
As at 31 December 2016	949	311,078	312,027

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies

Glencore Commodities Ltd is a private limited company 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 disclosing the impact of standards in issue but not yet adopted; and
- the exemption from disclosing transactions with other wholly-owned members of the group

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 Commodities Ltd:

- 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.

Basis of accounting

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

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.

Glencore's forecasts and projections, 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 are expected to continue uninterrupted for the foreseeable future, and we continue to enjoy a strong relationship with the banking community.

Adoption of new and revised Standards

In the current year, the Company has applied a number of revised IFRS standards and interpretations including those arising from the Annual Improvements to IFRSs 2012-2014 cycle, which were adopted as of 1 January 2015. There was no material change to previously reported financial position or financial performance.

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.

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Turnover

Turnover comprises net trading income, which primarily consists of recognised gains and losses from trading in oil derivatives.

Turnover is measured at fair value of the consideration received or receivable and represents amounts receivable for derivative transactions in the normal course of business, net of discounts, VAT and other related taxes.

All other 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 all significant risks and rewards of ownership of the assets sold are transferred from the seller to the buyer.

All traded instruments are evaluated with reference to market prices prevailing at the balance sheet date. Unrealised gains and losses on valuation of traded instruments are recognised in the profit and loss account.

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.

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 on the balance sheet date. Exchange adjustments are dealt with in the profit and loss account in the year in which they arise.

Fixed asset investments

Investments are classified as available-for-sale. Listed investments are measured at fair value which is determined by reference to quoted market prices. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the investment is disposed of or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the profit and loss account.

Trade receivables and trade payables

Trade receivables and trade payables (including amounts owed by and to group companies) are measured at amortised cost. Appropriate allowances for estimated irrecoverable receivable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired.

Derivative financial instruments

The Company enters into derivative financial instruments, such as commodity futures and options and commodity swaps, for trading purposes. All derivative instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date. Movements in fair value of derivative instruments are recognised in the profit and loss account.

Derivative financial instruments receivable and payable (including amounts owed by and to group companies) are measured at fair value. Receivables and payables 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.

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Taxation

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. Where it is probable that an adjustment will be made, the Company records a tax liability, including related interest charges. 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. 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 consolidated statement of income, except when they relate to items that are recognised outside the consolidated statement of income (whether in other comprehensive income or directly in equity).

Critical accounting judgements and key sources of estimation

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 a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Key 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.

Continuously, but particularly during such times judgement is required to determine whether 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 balance sheet.

Further discussion of the financial instrument risks and capital risk management policies of the Company are disclosed in the Strategic report on pages 2 to 4.

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Key sources of estimation uncertainty

Valuation of derivative instruments

Derivative instruments are carried at fair value and the company evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13 Fair Value Measurement. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring the Company to make market based assumptions (Level 3). Level 3 inputs therefore include the highest level of estimation uncertainty. Refer to note 11.

2. Turnover

Turnover includes net trading income from the Company's main business activity, buying and selling oil derivatives.

3. Operating profit

	2016 \$'000	2015 \$'000
Operating profit is stated after charging/(crediting):		
Net foreign exchange loss/(gain)	261	(939)
Auditor's remuneration – audit fees	295	371
– taxation compliance services	16	18
	<u>261</u>	<u>(939)</u>

4. Directors' and employees' remuneration

The Company has no employees (2015: none). The directors received no remuneration from the Company during the year (2015: \$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 are performed by employees of the immediate parent company, for which a service charge is made.

Two directors of the Company are members of the parent company's defined benefit pension scheme (2015: one) and one director is a member of the defined contribution scheme (2015: one).

5. Interest receivable

	2016 \$'000	2015 \$'000
Interest receivable from other loans and receivables	3	1
Income from investments	113	40
	<u>116</u>	<u>41</u>

6. Interest payable

	2016 \$'000	2015 \$'000
Interest payable on bank loans and overdrafts repayable within one year	53	117
	<u>53</u>	<u>117</u>

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

7. Tax on profit on ordinary activities

(a) Analysis of tax charge on ordinary activities

	2016 \$'000	2015 \$'000
United Kingdom corporation tax at 20% (2015: 21%/20%) based on the profit for the year	-	2,825
Foreign tax for current year	6,298	6,161
Prior year adjustments relating to UK corporation tax	344	(673)
	<hr/>	<hr/>
Current tax charge for the year	6,642	8,313
Deferred tax	-	(11)
	<hr/>	<hr/>
	6,642	8,302

(b) Factors affecting tax charge for the current year

The tax assessed for the period is lower (2015: lower) than that resulting from applying the standard rate of corporation tax in the UK of 20% (2015: 21%/20%).

	2016 \$'000	2015 \$'000
Profit on ordinary activities before tax	51,053	54,299
	<hr/>	<hr/>
Tax at 20% thereon (2015: 21%/20%)	10,211	10,994
Effects of:		
Expenses not deductible/(income not taxable)	99	-
Deferred tax previously not recognised	-	(11)
Difference in tax rates on overseas earnings	(1,132)	(2,008)
Prior year adjustments	344	(673)
Group relief claimed for nil consideration	(2,880)	-
	<hr/>	<hr/>
Total tax charge for the period	6,642	8,302

The headline rate of UK corporation tax reduced from 23% to 21% on 1 April 2014, and following enactment of the Finance Act 2013, it reduced further to 20% from 1 April 2015. On 18 November 2015, proposals to reduce the main rate of corporation tax from the current 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 were enacted into UK law. Revised legislation was introduced in the Finance Bill 2016 and enacted at the balance sheet date, to reduce the main rate of corporation tax from to 17%, instead of 18%, 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 balance sheet date.

Since the future reductions of the corporation tax rate to 19% and 17% were enacted by the balance sheet date, the deferred tax balances at 31 December 2016 have been assessed accordingly.

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

8. Investments

	Listed investments \$'000	Guarantee fund \$'000	Exchange seats \$'000	Total investments \$'000
At 1 January 2015	1,773	10,628	200	12,601
Additions	-	17,218	-	17,218
Reductions	-	-	-	-
Revaluations	39	-	-	39
At 31 December 2015	1,812	27,846	200	29,858
Additions	-	-	-	-
Reductions	-	(26,120)	-	(26,120)
Revaluations	495	-	-	495
At 31 December 2016	2,307	1,726	200	4,233

Listed investments are stated at fair value.

Guarantee fund at the end of 2015 represented cash on deposit, linked to the Company's membership of the ICE Clear Europe Ltd, with no fixed term and interest accrued at variable market rates. The Company ceased to be a member of the Guarantee fund on 21 December 2015. Consequently, guarantee fund contributions to the member following termination of its membership of the Clearing House were refunded in 2016.

Guarantee fund at the end of 2016 represents cash on deposit, linked to the Company's membership of the NASDAQ Clearing participant sponsored default fund. Clearing participant contributions to the default fund are mandatory, and the contributions are proportional to the exposures of each clearing participant. Cash contributions are normally made on a quarterly basis and interest accrues at variable market rates. Following a default fund exit, the Clearing House shall release the participant's contributed assets on the first contribution day following the default fund exit, subject to certain conditions and fund rules as defined by NASDAQ Clearing.

9. Debtors

	2016 \$'000	2015 \$'000
Amounts due within one year:		
Trade debtors	1,026,025	314,076
Amounts owed by group companies	12,332	137,860
Derivative financial instruments – third parties (note 11)	164,082	305,590
Derivative financial instruments – group companies (note 11)	292,184	42,893
Deferred tax	18	22
Other debtors	343	72
	<u>1,494,984</u>	<u>800,513</u>

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

10. Creditors: amounts falling due within one year

	2016 \$'000	2015 \$'000
Trade creditors	131,356	85,641
Amounts owed to group companies	347,011	14,039
Derivative financial instruments – third parties (note 11)	666,422	304,360
Derivative financial instruments – group companies (note 11)	34,792	150,662
UK corporation tax	10,236	3,514
Foreign corporation tax	-	6,803
Accruals	210	315
	<u>1,190,027</u>	<u>565,334</u>

11. Financial instruments

Derivative financial instruments

The Company trades derivative financial instruments including commodity futures and options and commodity swaps. The fair value of the derivative financial instruments at the balance sheet date is as follows:

	2016 \$'000	2015 \$'000
Financial assets		
Commodity futures and options	55,975	51,100
Commodity swaps	108,107	254,490
Derivative financial instruments owed by group companies	292,184	42,893
	<u>456,266</u>	<u>348,483</u>

	2016 \$'000	2015 \$'000
Financial liabilities		
Commodity futures and options	203,636	4,163
Commodity swaps	462,786	300,197
Derivative financial instruments owed to group companies	34,792	150,662
	<u>701,214</u>	<u>455,022</u>

Liquidity and credit risk

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. However, if held to maturity, of the \$456,266,000 financial assets above, \$359,226,000 is due to mature within one year (2015: \$67,620,000), with the remaining \$97,040,000 maturing after one year (2015: \$280,863,000).

Of the \$701,214,000 financial liabilities above, \$575,316,000 is due to mature within one year (2015: \$220,885,000), with the remaining \$125,898,000 maturing after one year (2015: \$234,137,000). All other financial assets and financial liabilities are due within one year.

Further information on relevant risks and how they are managed is provided in the Strategic Report on pages 2 and 3.

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Notes to the financial statements For the year ended 31 December 2016

11. Financial instruments (continued)

Credit risk disclosures have not been provided as these are not considered material. There is no concentration of financial exposure to counterparties.

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:

	2016 \$'000	2015 \$'000
(Loss)/profit		
External commodity futures and options	(194,598)	(79,641)
External commodity swaps	(308,972)	(568,675)
Derivative financial instruments with group companies	<u>365,161</u>	<u>440,285</u>

Other financial assets and liabilities

Other financial assets and liabilities comprise cash at bank, trade and other debtors, and trade and other creditors. The carrying value of these is approximately equal to the fair value.

Offsetting of financial assets and liabilities

In accordance with IAS 32 the Company reports financial assets and liabilities on a net basis in the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

It is the Company's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

Fair value of financial instruments

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

All derivative financial instruments and listed investments are measured at fair value through profit and loss. All other financial assets and financial liabilities are classified as loans and receivables and measured at amortised cost.

Fair value measurement

Quoted bid prices in an active market, have been used to determine the fair value of all types of financial instruments at the balance sheet date treated as level 1 in the IFRS 13 fair value hierarchy.

Where no active market exists for a 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 and are treated as level 2 in the IFRS 13 fair value hierarchy.

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Notes to the financial statements For the year ended 31 December 2016

11. Financial instruments (continued)

The following tables show the fair values of the derivative financial instruments including commodity futures, options and swaps by type of contract as at 31 December 2016 and 31 December 2015.

	Level 1 \$'000	Level 2 \$'000	Total \$'000
31 December 2016			
Financial assets – Commodity related contracts			
Futures	19,730	-	19,730
Options	22,530	33,670	56,200
Swaps	272,229	108,107	380,336
	<u>314,489</u>	<u>141,777</u>	<u>456,266</u>
31 December 2016			
Financial liabilities – Commodity related contracts			
Futures	203,636	-	203,636
Options	-	-	-
Swaps	374,380	123,198	497,578
	<u>578,016</u>	<u>123,198</u>	<u>701,214</u>
31 December 2015			
Financial assets – Commodity related contracts			
Futures	34,449	-	34,449
Options	19,815	-	19,815
Swaps	39,729	254,490	294,219
	<u>93,993</u>	<u>254,490</u>	<u>348,483</u>
31 December 2015			
Financial liabilities – Commodity related contracts			
Futures	38,147	-	38,147
Options	182	3,982	4,164
Swaps	132,601	280,110	412,711
	<u>170,930</u>	<u>284,092</u>	<u>455,022</u>

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

11. Financial instruments (continued)

Value at risk

One of the tools used by the Company to monitor and limit its primary market risk exposure, principally commodity price risk related to its principal activity, the purchase and sale of energy derivatives, including those with group companies, is the use of a value at risk ("VaR") computation. VaR is a risk measurement technique which estimates the potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence and based on a specific price history. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be measured consistently across all markets and commodities and risk measures can be aggregated to derive a single risk value which is applied at a division not entity level, hence the VaR measure is not disclosed for the Company. The Company has set an Oil divisional VaR limit, which was not exceeded during the year. Further explanation of the VaR approach is provided in the financial statements of the ultimate parent, Glencore plc.

12. Deferred tax

	2016 \$'000	2015 \$'000
Movement on deferred tax balance in the year		
Opening (asset)/liability	(22)	(11)
Credit to profit and loss account	(4)	(11)
Closing (asset)/liability	<u>(18)</u>	<u>(22)</u>

13. Called up share capital

	2016 \$'000	2015 \$'000
Authorised, allotted and fully paid 500,000 ordinary shares of £1 each	<u>949</u>	<u>949</u>

14. Reserves

A description of each reserve is set out below.

Profit and loss account

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

15. Guarantees, bonds and letters of credit

Guarantees, bonds and letters of credit given in the normal course of business and outstanding at the balance sheet date amounted to \$198,161,000 (2015: \$260,516,000).

Glencore Commodities Ltd

Notes to the financial statements For the year ended 31 December 2016

16. Immediate and ultimate parent company

The immediate parent company is Glencore UK Ltd, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent and controlling company is Glencore plc, a company incorporated in Jersey with registered offices at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES. The lowest level of publicly available consolidated financial statements are produced by Glencore plc.