Company Registration No. 04542769

Glencore Energy UK Ltd.

Annual Report and Financial Statements

31 December 2022

Glencore Energy UK Ltd

Annual report and financial statements 2022

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Glencore Energy UK Ltd

Officers and professional advisers

Directors

W Blount
L Bullen
A Figeac

Secretary

N Reid

Registered office

18 Hanover Square
London
W1S 1JY

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ
United Kingdom
Statutory Auditor

Strategic report

The directors present their Strategic report for the year ended 31 December 2022.

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 crude oil, oil products, natural gas, liquefied natural gas ('LNG'), power and carbon. 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 13, the profit for the year was $169,923,000 (2021: loss of $383,445,000). Gross profit on trading activities has increased by 256% in the year, whilst administrative expenses have increased significantly; see note 4. During the year, the Serious Fraud Office ('SFO') investigation was resolved and a settlement was made by the Company to the SFO; see note 12. The statement of financial position on page 14 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.

There have been no significant events after the reporting period that require disclosure, other than the proposed merger with Teck Resources Limited, which is described in note 22.

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

The Company's business model is to trade physical commodities, rather than to act primarily as a physical distributor / wholesaler, and has a past practice of net settling certain contracts. Accordingly, forward physical commodity contracts and inventory positions are carried at their fair value as required by IFRS. Fair value is determined by reference to active market prices where available. Where no active market exists, fair value is determined using valuation techniques, which give preference to observable inputs, and include the 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, natural gas, and power sectors. Consequently, its trade receivables and market exposure are predominantly with international oil and gas companies, financial institutions and other trading companies.

Strategic report (continued)

Credit and performance risk (continued)

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. Exposures 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.

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 Oil division, which includes 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, probability 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.

The Company is party to a trading facilitation agreement with another Glencore group entity 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 supporting the group's internal legal and regulatory compliance procedures, in which the Group continues to invest. There have been various on-going investigations by regulatory and enforcement authorities within the Group, some of which were resolved in 2022 including the Serious Fraud Office ('SFO') investigation, which involved the Company. Further information is included within note 23 and note 32 of the financial statements included in the Glencore plc 2022 Annual Report, and in note 12 below.

Following a trade agreement with the European Union, a variety of legislative changes have been introduced resulting in changes to the tariffs applied to sales and purchases for goods imported and exported to and from the UK. Overall the impact of Brexit on the Company is limited due to the nature of the Company's business primarily relating to physical commodities trading in international free trade zones, and import and export flows of oil outside of the UK. However, certain minor administrative changes have occurred to ensure the Company is fully compliant with the changes in legislations and tariffs.

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. 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.

Strategic report (continued)

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

Through the existing trading facilitation agreements, which the Directors expect to continue for the foreseeable future, the Company has access to the Group's committed funding and liquidity lines. 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.

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 typically hedged through forward foreign exchange contracts.

Impact of the war in Ukraine and future developments in the business of the Company

The Russia / Ukraine war, commencing in February 2022, with its associated sanctions regimes, intensified supply-side shocks in energy, agricultural products and commodities trading markets in general. Material trade flows needed to adjust for the now non-availability of Russian material into many of its traditional routes and/or flows through Russia itself. Furthermore, many western companies meaningfully withdrew from legal Russian trade (self-sanctioning). In this environment, commodity prices and volatility, particularly in the energy sector, surged in the first half of the year. The Company has no operational footprint in Russia and no material trading exposure.

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.

Strategic report (continued)

Section 172(1) statement (continued)

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 of a principal decision 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.

Glencore plc has included in its annual report for the year a statement in respect of section 172(1) matters concerning the Group as a whole.

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

DocuSigned by:
Nick Reid
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N Reid
Secretary
28 April 2023

Glencore Energy UK Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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 principal risks and uncertainties and indications of likely future developments, going concern, 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' insurance

The Company has maintained Directors' & Officers' liability insurance for the benefit of its directors during the year which remains 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 Energy (IE) Week which is a key energy sector 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.

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, 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 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.

Dividends

The directors recommend that no dividend be paid (2021: $nil) and that the loss be transferred to reserves.

Research and development

The Company conducts limited activities in the field of research and development.

Energy and carbon reporting

The Company has taken the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the Glencore plc 2022 annual report.

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 auditor in the absence of an Annual General Meeting.

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

DocuSigned by:
Nick Reid
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N Reid
Secretary
28 April 2023

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.

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 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 state of the Company's affairs as at 31 December 2022 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 and loss;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 22.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the business model and the impact Russia sanctions have on operations and profitability; and
- Reviewing existing financing facilities with the ultimate parent company for short-term working capital needs as well as the Company's ability to access letters of credits and other financing structures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

Other information (continued)

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

We have nothing to report in this regard.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the industry, sector and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of senior management and members of the legal, risk and compliance functions about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax laws.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the UK Bribery Act 2010 and applicable environmental regulations.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team and relevant internal specialists including forensic, tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of these procedures, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

(a) Use of agents and intermediaries in certain higher risk jurisdictions, and other higher risk transaction types. We:
- obtained an understanding of the Group's business relationships with agents and intermediaries in certain high risk jurisdictions and rationale for appointment;
- scrutinised higher risk expense accounts for evidence of improper payments in high risk jurisdictions; and
- enhanced our audit procedures to identify and investigate suspicious payments to government officials, agents and intermediaries by means of adding search parameters to our journal entry testing for key words relevant to potential fraudulent payments.

(b) Key sources of estimation uncertainty in the recognition and measurement of uncertain tax positions. We assessed management's key judgements and assumptions for the provisioning for uncertain tax positions.

(c) The use of supply chain finance arrangements and their classifications and disclosure within trade creditors. We used analytical tools to assess the completeness of management's identification of transactions that may indicate contain supply chain financing features, and challenged the nature of such supply chain financing arrangements and whether they qualify for separate disclosure or classification as debt.

(d) Valuation of unrealised forward physical positions. We used analytical tools to identify unrealised forward physical positions of increased audit interest and assessed the method and inputs to those valuations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, General Counsel and the Group's external legal counsel concerning actual and potential litigation and claims and whether the Group is in compliance with laws and regulations relating to fraud, money laundering, bribery and corruption;
- working with our Deloitte forensic specialists to audit the contingent liability disclosures in relation to the ongoing regulatory investigations; and
- reading minutes of meetings of those charged with governance reviewing internal audit reports and reviewing correspondence with relevant regulatory and taxation authorities, where applicable.

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

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

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 Thomas FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 April 2023

Glencore Energy UK Ltd

Statement of profit or loss
For the year ended 31 December 2022

Continuing operations	Note	2022 $'000	2021 $'000
Revenue	2	76,949,093	65,647,225
Cost of sales		(75,914,087)	(65,356,384)
Gross profit on trading activities		1,035,006	290,841
Service fees/other recharges from group companies	1	(311,465)	(282,996)
Administrative expenses		(558,390)	(22,984)
Other operating expenses		(40,046)	(4,284)
(Impairment)/reversal of impairment of assets	3,10	(13,763)	39,055
Regulatory and enforcement authority release/(expense)	3,12	102,578	(410,000)
Operating profit/(loss)	3	213,920	(390,368)
Interest income	5	10,965	75
Interest expense	6	(45,685)	(1,772)
Profit/(loss) before tax		179,200	(392,065)
Income tax (expense)/credit	7	(9,277)	8,620
Profit/(loss) for the year		169,923	(383,445)

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

Statement of other comprehensive income

	Note	2022 $'000	2021 $'000
Profit/(loss) for the year		169,923	(383,445)
Items which will not be reclassified subsequently to profit or loss			
Fair value gain/(loss) on financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk	16	126	(1,913)
Total other comprehensive income/(expense)		126	(1,913)
Total comprehensive income		170,049	(385,358)

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 2022

Assets	Note	2022 $'000	2021 $'000
Non-current assets			
Trade and other receivables	9	180,824	214,508
Current assets			
Inventories	8	1,924,729	1,783,592
Trade and other receivables	9	13,632,239	10,515,508
Cash and cash equivalent		115,079	606,946
Total assets		15,852,871	13,120,554
Liabilities			
Non-current liabilities			
Trade and other payables	11	(3,994)	(3,994)
Provisions	12	-	(52,875)
Current liabilities			
Trade and other payables	11	(15,565,536)	(12,539,605)
Provisions	12	-	(413,506)
Total liabilities		(15,569,530)	(13,009,980)
Net assets		283,341	110,574
Equity			
Share capital	15	10	10
Capital contribution reserve	16	27,192	24,474
Revaluation reserve	16	600	474
Retained earnings	16	255,539	85,616
Total equity		283,341	110,574

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

These financial statements were approved by the Board of Directors on 28 April 2023.

Signed on behalf of the Board of Directors

DocuSigned by:

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W Blount

Director

Glencore Energy UK Ltd

Statement of changes in equity
For the year ended 31 December 2022

	Share capital $'000 (note 15)	Capital contribution reserve $'000 (note 16)	Revaluation reserve $'000 (note 16)	Retained earnings $'000 (note 16)	Total $'000
As at 1 January 2021	10	23,030	2,387	469,061	494,488
Loss for the year	-	-	-	(383,445)	(383,445)
Other comprehensive expense for the year (note 16)	-	-	(1,913)	-	(1,913)
Total comprehensive expense for the year	-	-	(1,913)	(383,445)	(385,358)
Transactions with owners					
Equity-settled share-based payments (note 21)	-	1,444	-	-	1,444
As at 31 December 2021	10	24,474	474	85,616	110,574
Profit for the year	-	-	-	169,923	169,923
Other comprehensive income for the year (note 16)	-	-	126	-	126
Total comprehensive income for the year	-	-	126	169,923	170,049
Transactions with owners					
Equity-settled share-based payments (note 21)	-	2,718	-	-	2,718
As at 31 December 2022	10	27,192	600	255,539	283,341

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

Notes to the financial statements
For the year ended 31 December 2022

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 18 Hanover Square, London, W1S 1JY.

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.

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost basis of accounting, as modified by the inclusion of financial instruments and inventories 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.

Through the existing trading facilitation agreements, which the Directors expect to continue for the foreseeable future, the Company has access to the Group's committed funding and liquidity lines. 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 in the Strategic Report 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.

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.

1. Accounting policies (continued)

Adoption of new and revised standards

The following clarification revisions to existing accounting pronouncements became effective as of 1 January 2022 and have been adopted by the Company.

(i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – effective for year ends beginning on or after 1 January 2022. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company has applied the amendments to contracts for which the Company has not yet fulfilled all its obligations as at 1 January 2022.

(ii) Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16) – effective for year ends beginning on or after 1 January 2022. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment, any proceeds received from selling items produced while preparing the assets for its intended use. Instead, any entity recognises the proceeds from selling such items, and the costs of producing those items, in the statement of income.

(iii) Reference to the Conceptual Framework (Amendments to IFRS 3) – effective for year ends beginning on or after 1 January 2022. The amendments update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

These amendments did not have a material impact on the Company.

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 the fair value of the 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.

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.

1. **Accounting policies (continued)**

Revenue (continued)

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.

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 less costs of disposal. Unrealised gains and losses from changes in fair value are reported in costs of goods sold.

Advances repayable with product

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 assets.

Such advances and prepayments are initially recorded at the amount of the cash paid or received and are subsequently reduced by the relevant contractual volumes of physical deliveries made.

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. The financial assets at amortised cost predominantly relate to structured finance trade advances.

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.

Notes to the financial statements
For the year ended 31 December 2022

1. **Accounting policies (continued)**

Financial instruments (continued)

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

Trade receivables at amortised cost: 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.

Trade advances and other receivables at amortised cost: 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.

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

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

1. **Accounting policies (continued)**

Derivatives

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or using models and other valuation techniques, the key inputs for which include current market and contractual prices for the underlying instrument, time to expiry, yield curves, volatility of the underlying instrument and counterparty risk.

Gains and losses on derivative instruments, other than the revenue adjustment mechanism embedded within provisionally priced sales and mark-to-market movements on physical forward sales contracts, are recognised in cost of goods sold.

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.

In the current year, the Company has revised its accounting for certain exchange-traded instruments transacted via clearing brokers from collateralized-to-market to settled-to-market. Previously margin posted was not treated as settlement of the related open derivative positions and both were recognised and presented gross within trade and other receivables and trade and other payables, whereas now the margin posted is appropriately recognised as partial settlement of the related open derivative position. This results in a reduction in gross financial assets and financial liabilities but has no net impact on the statement of financial position. The comparative balances have not been adjusted as the amounts were immaterial.

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.

1. **Accounting policies (continued)**

Tax (continued)

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).

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 net settlement (or a linked resolution) is the most likely outcome and therefore the measurement of the receivables and payables at fair value has been performed together as a group of financial assets and liabilities.

Classification of transactions which contain a financing element

Transactions for the 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.

1. **Accounting policies (continued)**

Critical accounting judgements (continued)

Classification of transactions which contain a financing element (continued)

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 2022, trade payables include $1,910 million (2021: $1,641 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 72 days (2021: 75 days) after physical supply and are due for settlement 20 days (2021: 44 days) after year end. There was no significant exposure to any individual financial institution under these arrangements.

Classification of physical liquefied natural gas (LNG) purchase and sale contracts at amortised cost or fair value through profit and loss (note 13)

Judgement is required to determine the appropriate IFRS 9 classification of physical LNG purchase and sale contracts as being measured within the scope of IFRS9 at fair value through profit and loss or as executory contracts. This requires an assessment of whether the contracts to buy or sell LNG (a non-financial item) can be settled net in cash or with another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, and whether there is a past practise of net settling similar contracts. Those physical LNG contracts that can be net settled are considered to be derivatives, measured at fair value through profit or loss (see note 13). Contracts that do not meet the definition of derivative are considered own use contracts and are to be accounted for as executory contracts.

Differing conclusions around classification of these contracts, may materially impact their presentation as financial assets or liabilities and any fair value adjustments recognised through profit and loss. As at 31 December 2022, the net fair value of physical LNG contracts on the statement of financial position is $1,498 million ($2,322 million forward physical asset and $824 million forward physical liability).

Key sources of estimation uncertainty

Valuation of Level 3 forward physical derivatives

Given the extent to which the Group recognises financial instrument assets and liabilities at fair value, the preparation of the Company's financial statements requires management to consider on an on-going basis, the key valuation metrics and judgements involved in the determination of the fair value of financial instruments. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Management reviewed the key valuation metrics, assumptions and methodologies involved in the determination of the level 3 fair value of financial instruments and determined that the valuations were materially reasonable.

As at 31 December 2022, physical forward Level 3 assets relating to LNG contracts amount to $1,701 million (2021: $230 million) and liabilities of $nil (2021: $12 million). Valuation of these contracts is based on observable Oil and Global Gas prices that are adjusted by unobservable differentials which collectively represent, but are not limited to, transportation, storage, liquification and regasification premiums.

The value of our Level 3 long term LNG physical supply contracts reflects the price dislocation between Europe and other international markets and uncertainty of pricing inputs beyond the observable range. There is limited observable LNG pricing data beyond 2025 and an estimation uncertainty exists over global gas supply and demand and to extent to which the current dislocation impacts long term LNG pricing.

Notes to the financial statements
For the year ended 31 December 2022

1. Accounting policies (continued)

Key sources of estimation uncertainty (continued)

Valuation of Level 3 forward physical derivatives (continued)

For the longer dated portion of the curve, complex modelling techniques are also required where there is limited observable market data. Extrapolation of observable pricing is applied and correlated to third party long term forecast macro pricing assumptions for various Oil and Global Gas indices, on which the long term LNG prices are based. Given the resulting inherent estimation uncertainty, reasonable valuation ranges are developed to reflect the expected transfer value of these arrangements to another market participant in accordance with IFRS 13.

The Group considers the risks associated with realising market value from unobservable long term prices in selecting pricing from within those ranges. The potential impact of a 10% favourable and unfavourable change in the unobservable valuation inputs could result in a gain of $0.1 billion and loss of $0.1 billion respectively, both of which would be reflected in the statement of profit or loss.

2. Revenue

Revenue represents the invoiced and uninvoiced value of delivered commodity contracts excluding VAT. All trading is carried out from the United Kingdom. Revenue for the year is comprised of the following:

	2022 $'000	2021 $'000
Sale of commodities	76,282,661	66,308,193
Freight and other services	653,867	409,824
Recycling of fair value of derivative mark to market	12,565	(1,070,792)
	76,949,093	65,647,225

Revenue is derived principally from the sale of commodities, recognised once control of the goods has transferred from the Company to the buyer. Revenue from sale of commodities includes $12 million (2021: $1,071 million) of mark-to-market related adjustments on provisionally priced sales arrangements. Revenue derived from freight, storage and other services is recognised over time as the service is rendered. Revenue is measured based on consideration specified in the contract with the customer and is presented net of amounts prepaid as incentives and/or rebates paid to customers, and excludes amounts collected on behalf of third parties.

3. Operating profit

	2022 $'000	2021 $'000
Operating profit is stated after charging/(crediting):		
Net foreign exchange loss/(gain)	40,046	4,275
Movement in expected credit loss allowance of trade advances (note 10)	25,782	(28,937)
Movement in credit valuation adjustment on trade receivables (note 10)	(12,020)	(10,118)
Onerous contracts (utilised) (note 12)	(14,490)	(15,781)
Unused provision reversed (note 12)	(120,759)	16,912
Auditor's remuneration – auditing of the financial statements	1,728	1,455

Notes to the financial statements
For the year ended 31 December 2022

4. Information regarding directors and employees

	2022 $'000	2021 $'000
Staff costs		
Wages, salaries and benefits	481,208	13,412
Social security costs	66,804	2,242
Pension costs – defined contribution	1,164	1,320
Related recharges from fellow subsidiaries	261,376	231,603
	810,552	248,577

Monthly average number of persons employed	**2022**	**2021**
Employees of the Company	46	44
Staff employed by fellow subsidiaries providing services to the Company	446	430
Total	492	474

Wages, salaries and benefits increased significantly in 2022 due to a change in estimation and recognition of costs for services provided in 2022 to be paid in future years. In previous years these costs were provided and settled by a fellow Glencore subsidiary. These costs are approved by the Group's Remuneration Committee.

The directors received no remuneration from the Company during the year (2021: $nil). Directors' remuneration and costs for services performed in relation to the Company are paid by the immediate parent company, Glencore UK Ltd. It is not considered meaningful to separately attribute services to the Company from services to the parent, fellow subsidiaries, and broader Glencore Group companies, therefore the directors consider the qualifying services are most appropriately presented as fully relating to Glencore UK Ltd and are disclosed within note 4 of its financial statements.

The directors participate in the Glencore Performance Share Plan in relation to the ordinary shares of Glencore plc for which the aggregate expense is recognised in Glencore UK Ltd and further disclosures are included in note 20 to the Glencore plc 2022 Annual Report. The disclosures in note 21 below relate to certain other employees of Glencore Energy UK Ltd. No director of the Company is a member of the parent company's defined benefit pension scheme (2021: nil) and three directors are members of the defined contribution scheme (2021: two). Additional information is contained in notes 20 and 21.

5. Interest income

	2022 $'000	2021 $'000
Interest income from banks	4,920	75
Interest income from others	6,045	-
	10,965	75

6. Interest expense

	2022 $'000	2021 $'000
Interest expense on bank loans and overdrafts repayable within one year	22,883	1,772
Interest expense to others	22,802	-
	45,685	1,772

Notes to the financial statements
For the year ended 31 December 2022

7. Income tax (income)/expense

(a) Analysis of tax (income)/expense

	2022 $'000	2021 $'000
United Kingdom corporation tax at 19% (2021: 19%) based on the profit/(loss) for the year	14,922	-
Adjustment in respect of prior years	4,208	(2,619)
Current tax expense/(credit) for the year	19,130	(2,619)
Deferred tax – current year	16,569	(3,462)
Deferred tax – prior year	(26,422)	(2,539)
Total tax expense/(income) for the year	9,277	(8,620)

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

The tax assessed for the year is higher (2021: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 $'000	2021 $'000
Profit/(loss) before tax	179,200	(392,065)
Tax at 19% thereon (2021: 19%)	34,048	(74,492)
Effects of:		
Income not taxable	(1,538)	-
Non deductible investigation costs	(1,461)	77,900
Losses claimed for nil consideration	(20)	(3,683)
Prior year adjustment - current tax	4,208	(2,618)
Prior year adjustment - deferred tax on losses (note 14)	(26,421)	(2,539)
Share based payments	461	274
Effective change in tax rate	-	(3,462)
Total tax expense/(income) for the year	9,277	(8,620)

Legislation was introduced in the Finance Bill 2021 and enacted by the statement of financial position date, to increase the main rate of corporation tax to 25% and introduce the small companies rate of 19%, from 1 April 2023. 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 positions date.

Prior year adjustments for the year ended 31 December 2022 relate to the reversal of a prior year provision for the utilisation of eligible tax losses, on the basis that the entity claimed group relief from fellow UK Group entities for nil consideration.

When the tax accounting for 2021 took place, the expectation was that group relief would not be required and therefore the tax accounting was a reasonably supportable position that has since been amended as a result of subsequent changes in the factual position.

Notes to the financial statements
For the year ended 31 December 2022

8. Inventories

	2022 $'000	2021 $'000
Inventory at fair value	1,924,729	1,783,592
	1,924,729	1,783,592

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 (2021: $nil).

9. Trade and other receivables

		2022 $'000	2021 $'000
Amounts due within one year:			
Financial assets at amortised cost			
Trade advances		41,667	51,031
Trade advances owed by fellow group undertakings		-	-
Financial assets at fair value through profit or loss			
Trade receivables		4,896,298	4,274,247
Amounts owed by fellow group undertakings		2,676,157	2,963,864
Derivative financial instruments – third parties	(note 13)	1,549,340	1,315,671
Derivative financial instruments – fellow group undertakings	(note 13)	4,156,471	1,464,882
Non-financial assets			
Advances repayable with product		37,855	117,746
Trade advances owed by fellow group undertakings repayable with product		-	-
Deferred income tax	(note 14)	26,965	19,491
Current income tax	(note 7)	229,033	273,380
Other receivables		18,453	35,196
		13,632,239	10,515,508
Amounts due in more than one year:			
Financial assets at amortised cost			
Trade advances		86,725	89,624
Trade advances owed by fellow group undertakings		9,975	-
Non-financial assets			
Advances repayable with product		84,124	124,884
Trade advances owed by fellow group undertakings repayable with product		-	-
		180,824	214,508
		13,813,063	10,730,016

The carrying amount of trade receivables pledged as security is $158 million (2021: $nil).

Notes to the financial statements
For the year ended 31 December 2022

9. Trade and other receivables (continued)

Current income tax

The current income tax receivable of $229 million (2021: $273 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, 2017 and 2018 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 presented net

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

Société des Hydrocarbures du Tchad ("SHT")

The Company has advanced a net $62 million (2021: $92 million) to SHT to be repaid through future oil deliveries. As at 31 December 2022, the advance is recorded net of $394 million (2021: $604 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, $48 million (2021: $80 million) is due after 12 months and is presented within trade receivables due in more than one year, and $14 million (2021: $12 million) 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 (2021: $65 million) to SNPC to be repaid through future oil deliveries. As at 31 December 2022, the advance is recorded net of $386 million (2021: $498 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, $43 million (2021: $53 million) is due after 12 months and is presented within trade receivables due in more than one year, and $22 million (2021: $12 million) is due within 12 months and is presented within trade receivables due in less than one year.

10. Impairments

The following amounts were recognised in the statement of profit or loss:	**2022 $'000**	**2021 $'000**
Movement in expected credit loss allowance of trade advances	25,782	(28,937)
Movement in credit valuation adjustment on trade receivables	(12,020)	(10,118)
	13,762	(39,055)

10. Impairments (continued)

As part of a regular portfolio review of non-financial assets, the Company carries out an assessment of whether there are indicators of asset impairment or whether a previously recorded impairment may no longer be required. The Company also recognises an expected credit loss allowance for financial assets, as required under IFRS 9.

Certain trade advances were repaid during the year, and as a result previous impairments of $6,974,000 (2021: $28,937,000) were reversed. The Company analysed various non-performance factors for indicators of impairment to assess whether a further impairment should be booked or if any previous impairment on remaining trade advances should be reversed. The recoverable amounts of its portfolio of trade advances repayable with product were measured based on their value in use using discounted cash-flow models and impairments of $nil (2021: $nil) were recognised in the period. The valuation models use the most recent estimate of oil repayment profiles and market forecasts of commodity prices, discounted using post-tax nominal discount rates, ranging from 16% – 17%. The valuation is most sensitive to the discount factor used.

Assuming that all other assumptions are held constant and the effect of interrelationships is excluded, the impact of changes in discount rate are shown below.

Increase/(decrease) in impairment	**2022 $'000**	**2021 $'000**
Discount rate:		
increase by 2%	2,700	2,400
decrease by 2%	(1,400)	(2,600)

11. Trade and other payables

		2022 $'000	**2021 $'000**
Amounts falling due within one year			
Financial liabilities at amortised cost			
Short term loans and overdrafts		600,021	1
Financial liabilities at fair value through profit or loss			
Trade payables		5,731,430	6,404,791
Amounts owed to fellow group undertakings		3,456,288	3,427,363
Derivative financial instruments – third parties	(note 13)	2,022,274	2,183,014
Derivative financial instruments – fellow group undertakings	(note 13)	3,140,342	511,000
Non-financial liabilities			
Advances settled in product		76,198	6,300
Accruals		538,983	7,136
		15,565,536	12,539,605
Amounts falling due in more than one year			
Financial liabilities at amortised cost			
Trade payables		3,994	3,994
		15,569,530	12,543,599

Trade receivables of $158 million (2021: $nil) have been pledged as security against certain short term loans and overdrafts. Trade payables are obligations to pay for goods and services. Trade payables typically have maturities up to 90 days depending on the type of material and the geographic area in which the purchase transaction occurs and the agreed terms.

Notes to the financial statements
For the year ended 31 December 2022

11. Trade and other payables (continued)

As at 31 December 2022 and 2021, no trade payables included liabilities under supplier financing arrangements with maturities beyond 91 days (refer to note 1 for critical judgements associated with classification of liabilities which contain a financing element). The carrying value of trade payables approximates fair value.

Trade payables days for the year ended 31 December 2022: 28 days (2021: 36 days).

12. Provisions

	Onerous contracts $'000	Legal investigations $'000	Total $'000
As at 1 January 2022	56,381	410,000	466,381
(Utilised)	(14,490)	(331,132)	(345,622)
(Unused amount reversed)	(41,891)	(78,868)	(120,759)
As at 31 December 2022	-	-	-
Non-current	-	-	-
Current	-	-	-
As at 1 January 2021	72,162	-	72,162
(Utilised)/additions	(15,781)	410,000	394,219
As at 31 December 2021	56,381	410,000	466,381
Non-current	52,875	-	52,875
Current	3,506	410,000	413,506

Onerous contracts represent liabilities related to contractual take or pay commitments for LNG re-gasification capacity at fixed prices higher than the acquisition date forecasted usage and prevailing market price. The provision is released to costs of goods sold as the underlying commitments are incurred, or such that market prevailing prices exceed the contractual levels. The provision was released during the year as due to market movements, the value of the Company's contractual capacity at the Gate Terminal Storage Facility exceeded the costs required to maintain access, meaning the contract was no longer considered onerous.

Legal investigations represents provisions, as advised by the Group's Investigations Committee, in relation to various investigations by regulatory and enforcement authorities. Further information is included within note 23 of the financial statements included in the Glencore plc 2022 Annual Report. On 24 May 2022 the Group announced that it had resolved the previously disclosed investigations by authorities in the United States, the United Kingdom and Brazil. On 3 November 2022, the Company was sentenced to pay a financial penalty and costs of £281 million ($331 million) in the Serious Fraud Office ('SFO') investigation. This resulted in a reversal of unutilised amounts previously provided of $79 million. This reversal is included in regulatory and enforcement authority release/(expense) in the statement of profit or loss. Accordingly, no provision is held by the Company at 31 December 2022 – see also note 17.

Notes to the financial statements
For the year ended 31 December 2022

13. 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:

	2022 $'000	2021 $'000
Trade and other receivables		
Commodity trading contracts	1,549,340	1,315,671
Derivative financial instruments owed by fellow group undertakings	4,156,471	1,464,882
	5,705,811	2,780,553

Of the $5,705,811,000 above, $3,679,288,000 is due to mature within one year (2021: $1,984,741,000), with the remaining $2,026,523,000 maturing in more than one year (2021: $795,812,000). 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.

	2022 $'000	2021 $'000
Trade and other payables		
Commodity trading contracts	2,022,274	2,183,014
Derivative financial instruments owed to fellow group undertakings	3,140,342	511,000
	5,162,616	2,694,014

Of the $5,162,616,000 above, $2,880,120,000 is due to mature within one year (2021: $1,982,049,000), with the remaining $2,282,498,000 maturing in more than one year (2021: $711,965,000). 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:

	2022 $'000	2021 $'000
Profit/(loss)		
Commodity trading contracts	394,409	(655,430)
Derivative financial instruments with fellow group undertakings	62,247	977,276

Notes to the financial statements
For the year ended 31 December 2022

14. Deferred income tax

Movement on deferred income tax balance in the year:

	Share based payments $'000	Tax losses $'000	Total $'000
At 1 January 2021	2,536	10,954	13,490
Credit to profit or loss	-	-	-
Prior year adjustment to deferred tax	-	2,539	2539
Exchange differences	802	2,660	3,462
At 1 January 2022	3,338	16,153	19,491
Credit to profit or loss	(461)	(16,108)	(16,569)
Charge direct to equity	228	(2,606)	(2,378)
Prior year adjustment to deferred tax	19,182	7,239	26,421
Effect of change in tax rate	-	-	-
At 31 December 2022	22,287	4,678	26,965

At 31 December 2022, the Company has not recognised deferred tax assets on gross temporary differences relating to tax losses of $41 million (net $10 million), 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 $6,520,000 has been recognised on tax losses carried forward and share based payments as at 31 December 2022 (2021: $19,491,000). 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.

15. Share capital

	2022 $'000	2021 $'000
Authorised		
1,000,000 ordinary shares of US$1 each	1,000	1,000
Called up, allotted and fully paid		
10,000 ordinary shares of US$1 each	10	10

16. 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.

Notes to the financial statements
For the year ended 31 December 2022

17. Other contingent liabilities and commitments

Future 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 2022, \$3,603,705,000 (2021: \$4,554,140,000) 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 2022 recognised in cost of sales amounted to \$67,285,000 (2021: \$82,934,000); future costs will vary depending on the needs of the business and commercial decisions made at future points in time.

Investigations by regulatory and enforcement authorities

As described in note 32 of the financial statements included in the Glencore plc 2022 Annual Report, other authorities may commence investigations in connection with the resolved investigations and there may be further legal claims brought by other parties in connection with the Government Investigations, including collective, group or representative actions. In respect of these potential investigations and claims, taking into account all available evidence, the Investigations Committee does not consider it probable that a present obligation existed in relation to these potential investigations and claims as at the balance sheet date, and the amount of any financial effects, which could be material, is not currently possible to predict or estimate.

18. 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.

19. 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.

Notes to the financial statements
For the year ended 31 December 2022

19. Related party transactions and balances (continued)

Value of transactions

	2022 $'000	2021 $'000
Sales of physical commodities	1,872,586	1,678,312
Purchases of physical commodities	-	428,024
Other costs of trading in physical commodities	18,508	(45,653)

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:

	2022 $'000	2021 $'000
Amounts owed by fellow group undertakings	85,728	280,276
Amounts owed to fellow group undertakings	37,839	18,026

20. 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.

21. 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 2022, the number of shares underlying the awards was 1,491,996 (2021: 288,818). The expense recognised in the period was $2.5 million (2021: $1.4 million).

The options outstanding as at 31 December 2022 had exercise prices of £nil (2021: £nil) and weighted average remaining contractual life of 2 years (2021: 2 years).

Notes to the financial statements
For the year ended 31 December 2022

22. Events after the reporting period

Other than mentioned below, there have been no significant events after the reporting period that require disclosure.

On 26 March 2023, Glencore plc submitted a proposal to the Board of Directors of Teck Resources Limited ("Teck") to merge with Teck and to simultaneously demerge their combined metals and coal businesses (the "Proposed Merger Demerger"). Teck rejected the proposal. On 11 April 2023, Glencore plc proposed certain modifications to the terms of the Proposed Merger Demerger. Teck again rejected this proposal. At this stage the impact on the Glencore Group and the Company is unknown.