

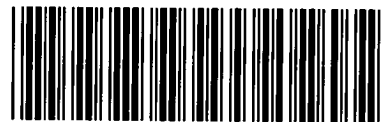
**Company Registration No. 04542769**

**Glencore Energy UK Ltd**

**Annual Report and Financial Statements**

**31 December 2020**

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# **Glencore Energy UK Ltd**

## **Annual report and financial statements 2020**

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## **Glencore Energy UK Ltd**

### **Officers and professional advisers**

#### **Directors**

W Blount  
L Bullen

#### **Secretary**

N Reid

#### **Registered office**

50 Berkeley Street  
London  
W1J 8HD

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London, United Kingdom

# Glencore Energy UK Ltd

## Strategic report

The directors present their Strategic report for the year ended 31 December 2020.

### Organisation and principal activity

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

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

### Business review

As shown in the statement of profit or loss on page 10, the profit for the year was \$101,793,000 (2019: profit of \$81,298,000). Gross profit on trading activities has increased by 33% in the year, whilst administrative expenses have decreased by 24%. The statement of financial position on page 11 shows that the Company's financial position at the year-end for net assets has increased compared with the prior year, and remains in a positive net asset position. A comprehensive analysis of the consolidated Oil division's results, which includes the Company, is included in the Glencore plc annual report, consolidating all entities in the division in addition to the Company. The results are reported within the Marketing activities segment, under the Energy products category.

There have been no significant events after the reporting period that require disclosure.

### Key performance indicators

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

### Principal risks and risk governance

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

#### *Risk management organisation*

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

#### *Market risks*

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

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

#### *Credit and performance risk*

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

## **Glencore Energy UK Ltd**

### **Strategic report (continued)**

#### *Credit and performance risk (continued)*

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.

#### *Operational and other risks*

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

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

Our legal advisers provide essential advice and guidance to senior management on relevant business issues to ensure that our business is conducted in a manner that complies with all legal and regulatory requirements. Further information is provided in the Glencore plc 2020 Annual Report and in note 17. As disclosed in note 31 of the Financial statements included in the Glencore plc 2020 Annual Report, the Glencore group is subject to a number of investigations by government and enforcement authorities in respect of which the outcome is not possible to predict and estimate.

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 oil 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](http://www.glencore.com). Further information regarding climate change and Glencore's commitment to the transition to a low-carbon economy is available within both the Sustainability and Media sections of the website.

#### *Liquidity risk management*

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

#### *Going concern*

The Group's forecasts and projections, which include the Company, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, and the impact of Covid-19, indicate it is appropriate for the Company to adopt the going concern basis in preparing these financial statements.

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

## **Glencore Energy UK Ltd**

### **Strategic report (continued)**

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

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

#### *Impact of COVID-19*

The Covid-19 pandemic is an extraordinary challenge, impacting colleagues, our families, local communities and society at large. During 2020, both financial and commodity markets were extremely volatile in the face of Covid uncertainty. Despite the heightened volatility experienced in the Oil markets, the Company's volumes and level of activity continued at a normal pace (largely unaffected) throughout 2020. The Company's adaptable and resilient business model allowed it to quickly adjust to the challenges of Covid-19. The Company adapted its working practices, seeing the majority of employees working remotely. Dislocations in commodity market pricing presented new opportunities for trading. In the first half of 2020, lower prices introduced challenges for many sectors of the Oil industry and therefore some of the counterparties we trade with. Commodity prices generally recovered in the second half of 2020, however a high level of uncertainty remains regarding the next recovery stages, both for the commodity industry and the wider global economy.

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

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

#### *Stakeholder engagement*

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

#### *Principal decisions*

Principal decisions are those that are material to the Company and also to the above stakeholder groups. During the financial year, the Company has taken a number of operational and strategic decisions which the directors consider are for the benefit of the Company, with a view to promoting its long term success and sustainability. The directors have had to react to the challenges of Covid-19 and have taken key decisions at various points during the year to ensure business continuity, whilst operating in line with UK government guidelines and regulations. Aside from Covid-19 mitigation, an additional 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.

## **Glencore Energy UK Ltd**

### **Strategic report (continued)**

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

A handwritten signature in black ink that reads "Nick Reid". The signature is written in a cursive, flowing style.

N Reid  
Secretary  
29 April 2021

# **Glencore Energy UK Ltd**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

The strategic report starting on page 2 contains details of the principal activity of the Company and provides information on the development of the Company's business during the year, details of exposure to risks and uncertainties and indications of likely future developments, 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 Petroleum (IP) Week which is a key oil and gas industry conference, held annually in London.

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

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

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

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

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

## **Glencore Energy UK Ltd**

### **Directors' report (continued)**

#### **Corporate governance**

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

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

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

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

#### **Dividends**

The directors recommend that no dividend be paid (2019: \$nil) and that the profit be transferred to reserves.

#### **Auditor**

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

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

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

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

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



N Reid  
Secretary  
29 April 2021

## **Glencore Energy UK Ltd**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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 Covid-19 has on operations and profitability
- Reviewing existing financing facilities with the ultimate parent company for short-term working capital needs
- Assessing the impact of ongoing legal cases and its potential impact on the Company

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

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

### **Other information (continued)**

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **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 Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- 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 environmental regulations,

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

## **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)**

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

- Key sources of estimation uncertainty in management's recognition and measurement of uncertain tax provisions. In response, we have reviewed and challenged management's assessment of uncertain tax positions by reviewing correspondence with local tax authorities to assess adequacy of associated assets and liabilities and disclosure having consideration of the IFRIC 23 guidance.
- Revenue transactions that occur close to period end and have a significant gross margin impact which contain complex terms and / or may be reversed subsequent to period end, including fair value measurements. In response, we have:
  - tested relevant controls surrounding the completeness and accuracy of trade capture and the revenue and trade cycle;
  - tested general IT controls surrounding major technology applications and critical interfaces involving revenue recognition and the completeness and accuracy of trade capture;
  - utilised data analytics tools to trace realised revenue to cash receipts and to enhance audit effectiveness over large transaction volumes;
  - agreed, on a sample basis, deliveries occurring on or around 31 December 2020 between the trade book system and the relevant supporting documents to assess whether the IFRS revenue recognition criteria were met for recorded sales.
  - tested the accuracy of trades entered into around the reporting date within the trade book system by tracing and agreeing a sample of trades from their source documents to the trade book system; and
  - tested relevant internal controls over management's fair value measurement processes and performed detailed substantive testing of the related fair value measurements on a sample basis.

In addition, our procedures to fraud risks identified included obtaining an understanding of the Company's business relationships with agents and intermediaries in certain high risk jurisdictions and rationale for appointment, enhancing our 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, and performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

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 the risks identified included the following:

- reviewing financial statement disclosures by 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 and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC.

### **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.

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

### **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  
29 April 2021

## Glencore Energy UK Ltd

### Statement of profit or loss For the year ended 31 December 2020

		2020 \$'000	2019 \$'000 Restated <sup>1</sup>
<b>Continuing operations</b>	<b>Note</b>		
Revenue	2	38,618,710	71,924,096
Cost of sales		(38,145,138)	(71,568,357)
<b>Gross profit on trading activities</b>		<b>473,572</b>	<b>355,739</b>
Service fees/other recharges from group companies	1	(199,621)	(124,792)
Administrative expenses		(24,340)	(31,889)
Other operating expenses		(4,869)	(36,708)
Impairment of financial assets	3,10	(64,386)	(66,591)
Impairment of non-financial assets	3,10	(71,200)	-
<b>Operating profit</b>	<b>3</b>	<b>109,156</b>	<b>95,759</b>
Interest income	5	678	5,074
Interest expense	6	(4,528)	(11,115)
<b>Profit before tax</b>		<b>105,306</b>	<b>89,718</b>
Income tax expense	7	(3,513)	(8,420)
<b>Profit for the year</b>		<b>101,793</b>	<b>81,298</b>

<sup>1</sup> Impairments of financial and non-financial assets have been presented separately and the comparative disclosures have been updated to be on a consistent basis. Impairments of financial assets were previously classified within cost of sales and other operating expenses for \$52.4 million and \$14.1 million respectively.

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

### Statement of other comprehensive income

	Note	2020 \$'000	2019 \$'000
Profit for the year		101,793	81,298
<i>Items which will not be reclassified subsequently to profit or loss</i>			
Fair value gain/(loss) on financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk	16	5,795	(1,459)
<b>Total other comprehensive income/(expense)</b>		<b>5,795</b>	<b>(1,459)</b>
<b>Total comprehensive income</b>		<b>107,588</b>	<b>79,839</b>

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

# Glencore Energy UK Ltd

Company Registration Number: 04542769

## Statement of financial position As at 31 December 2020

Assets	Note	2020 \$'000	2019 \$'000
<b>Non-current assets</b>			
Trade and other receivables	9	716,811	668,580
<b>Current assets</b>			
Inventories	8	2,158,125	1,383,456
Trade and other receivables	9	4,483,883	6,918,303
Cash and cash equivalent		77,789	72,072
<b>Total assets</b>		<u>7,436,608</u>	<u>9,042,411</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	11	(3,994)	(3,993)
Provisions	12	(64,806)	-
<b>Current liabilities</b>			
Trade and other payables	11	(6,865,964)	(8,653,308)
Provisions	12	(7,356)	-
<b>Total liabilities</b>		<u>(6,942,120)</u>	<u>(8,657,301)</u>
<b>Net assets</b>		<u>494,488</u>	<u>385,110</u>
<b>Equity</b>			
Share capital	15	10	10
Capital contribution reserve	16	23,030	21,240
Revaluation reserve	16	2,387	(3,408)
Retained earnings	16	469,061	367,268
<b>Total equity</b>		<u>494,488</u>	<u>385,110</u>

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

These financial statements were approved by the Board of Directors on 29 April 2021.

Signed on behalf of the Board of Directors



W Blount  
Director

## Glencore Energy UK Ltd

### Statement of changes in equity For the year ended 31 December 2020

	Share capital \$'000 (note 15)	Capital contribution reserve \$'000 (note 16)	Revaluation reserve \$'000 (note 16)	Retained earnings \$'000 (note 16)	Total \$'000
<b>As at 1 January 2019</b>	10	19,852	(1,949)	285,970	303,883
Profit for the year	-	-	-	81,298	81,298
Other comprehensive loss for the year (note 16)	-	-	(1,459)	-	(1,459)
<b>Total comprehensive (loss)/ income for the year</b>	-	-	(1,459)	81,298	79,839
<i>Transactions with owners</i>					
Equity-settled share-based payments (note 21)	-	1,388	-	-	1,388
<b>As at 31 December 2019</b>	10	21,240	(3,408)	367,268	385,110
Profit for the year	-	-	-	101,793	101,793
Other comprehensive income for the year (note 16)	-	-	5,795	-	5,795
<b>Total comprehensive income for the year</b>	-	-	5,795	101,793	107,588
<i>Transactions with owners</i>					
Equity-settled share-based payments (note 21)	-	1,790	-	-	1,790
<b>As at 31 December 2020</b>	10	23,030	2,387	469,061	494,488

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

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Accounting policies

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

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

#### Exemptions

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

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

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

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

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

#### Basis of preparation

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

#### Going concern

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

The Group's forecasts and projections, which include the Company, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined in the Strategic Report and the impact of Covid-19, 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.

#### Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The key changes in the period include Amendments to References to the Conceptual Framework in IFRS Standards and Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Definition of material*. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

## **Glencore Energy UK Ltd**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **1. Accounting policies (continued)**

##### **Currency of financial statements**

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

##### **Revenue**

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

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

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

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

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

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

##### **Service fees and other recharges**

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

##### **Foreign currencies**

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

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Accounting policies (continued)

##### **Inventories**

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

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

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

The Company conducts, at least annually, an internal review of commodity prices and counterparty non-performance, which is used as a source of information to assess for any indications of impairment or impairment reversal. Formal impairment tests are carried out for all non-financial instruments when events or changes in circumstances indicate the carrying value may not be recoverable. A formal impairment or reversal test involves determining whether the carrying amounts are in excess (or below, as the case may be) of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs of disposal (FVLCD) and its value in use (VIU). Such reviews are undertaken at the cash generating unit (CGU) level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the statement of profit or loss to reflect the asset at the lower amount. For those assets which were impaired in prior periods, if their recoverable amount exceeds their carrying amount, an impairment reversal is recorded in the statement of profit or loss to reflect the asset at the higher amount to the extent the increased carrying amount does not exceed the carrying value of the asset that would have been determined had no impairment previously been recognised.

##### **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.

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

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

##### **(i) Impairment of financial assets**

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

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

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Accounting policies (continued)

##### Financial instruments (continued)

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.

##### 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.

## **Glencore Energy UK Ltd**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **1. Accounting policies (continued)**

##### **Tax**

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

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

Deferred tax assets are reviewed at reporting period end and amended to the extent that it is no longer probable that the related benefit will be realised.

To the extent that a deferred tax asset not previously recognised but which subsequently fulfils the criteria for recognition, an asset is then recognised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and the Company has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis. The tax effect of certain temporary differences is not recognised principally with respect to the initial recognition of an asset or liability (other than those arising in a manner that initially impacted accounting or taxable profit).

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

##### **Derivative financial instruments**

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

The Company recognises mark-to-market movements on physical forward sales contracts that do not meet own use exemption within revenue. For physical forward purchase contracts that do meet the own use exemption, the mark-to-market movements are recognised within 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.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2020

### 1. Accounting policies (continued)

#### Equity settled share-based payments

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

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

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

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

#### Critical accounting judgements

##### *Performance and credit risk*

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

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

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

Transactions for the sale or purchase of commodities may contain a financing element such as extended payment terms. Under such an arrangement, a financial institution may issue a letter of credit on behalf of the Company and act as the paying party upon delivery of product by the supplier and the Company will subsequently settle the liability directly with the financial institution, generally up to 120 days after physical supply. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statement of financial position.

In determining the appropriate classification, management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Typically, the economic substance of the transaction is determined to be operating in nature as the financing element is insignificant and the time frame in which the original arrangement is extended by, is consistent and within supply terms commonly provided in the market.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Accounting policies (continued)

##### Critical accounting judgements (continued)

###### *Classification of transactions which contain a financing element (continued)*

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 2020, trade payables include \$1,944 million (2019: \$1,865 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 106 days (2019: 67 days) after physical supply and are due for settlement 47 days (2019: 35 days) after year end.

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

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

A similar assessment is undertaken for trade payables, and for those trade payables that contain provisional price features, the Company elected to designate the entire trade payables as at fair value through profit or loss consistent with the accounting for provisionally priced trade receivables (see note 9). The balance of trade payables are classified as at amortised cost (see note 11).

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

##### Key sources of estimation uncertainty

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

#### 2. Revenue

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

	2020 \$'000	2019 \$'000
Sale of commodities	38,742,752	70,813,084
Freight and other services	649,418	657,746
Recycling of fair value of derivative mark to market	(773,460)	453,266
	<u>38,618,710</u>	<u>71,924,096</u>

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 3. Operating profit

	2020 \$'000	2019 \$'000
Operating profit is stated after (crediting)/charging:		
Net foreign exchange gain	(12,723)	(4,632)
Impairment of trade advances (note 10)	71,200	-
Impairment of trade receivables (note 10)	17,913	59,801
Loss allowance under IFRS 9 (note 10)	46,473	6,790
Legal related costs	17,593	41,339
Auditor's remuneration – auditing of the financial statements	1,165	1,036
– tax compliance services	55	54
	<u>          </u>	<u>          </u>

During the year, claims brought against the Company by the Strategic Fuel Fund Association of South Africa (SFF) asserting that certain historical purchases of Oil from SFF were invalid were settled, with related costs and charges recognised amounting to \$18 million (2019: \$41 million). This amount is recorded in other operating expenses.

#### 4. Information regarding directors and employees

	2020 \$'000	2019 \$'000
<b>Staff costs</b>		
Wages, salaries and benefits	14,559	12,012
Social security costs	3,227	2,926
Pension costs – defined contribution	1,171	1,063
Related recharges from fellow subsidiaries	167,422	92,585
	<u>          </u>	<u>          </u>
	186,379	108,586
	<u>          </u>	<u>          </u>
<b>Monthly average number of persons employed</b>	<b>2020</b>	<b>2019</b>
Employees of the Company	43	39
Staff employed by fellow subsidiaries providing services to the Company	400	380
	<u>          </u>	<u>          </u>
Total	443	419
	<u>          </u>	<u>          </u>

The directors received no remuneration from the Company during the year (2019: \$nil). Directors' remuneration and costs for services performed in relation to the Company are paid by the immediate parent company and cannot be separately attributed to the Company from services to the parent and fellow subsidiaries. Services for the Company performed by employees of the immediate parent company are paid on the Company's behalf by the parent entity for which a service charge is made.

No director of the Company is a member of the parent company's defined benefit pension scheme (2019: nil) and two directors are members of the defined contribution scheme (2019: two).

Additional information is contained in notes 20 and 21.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 5. Interest income

	2020 \$'000	2019 \$'000
Interest income from banks	675	4,970
Interest income from group companies	3	104
	<u>678</u>	<u>5,074</u>

#### 6. Interest expense

	2020 \$'000	2019 \$'000
Interest expense on bank loans and overdrafts repayable within one year	4,528	11,081
Interest expense to others	-	34
	<u>4,528</u>	<u>11,115</u>

#### 7. Income tax expense

Legislation was originally introduced in the Finance Act 2016 and enacted at the statement of financial position date, to reduce the main rate of corporation tax to 17%, from 1 April 2020. Legislation was then introduced in the Finance Act 2020 stating that the main rate of corporation tax would instead remain at 19% for financial year 2021.

In the March 2021 Budget it was announced that legislation will be introduced in the Finance Act 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the statement of financial position date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The Company is in the process of assessing the full impact of this announcement, but if the amended tax rate had been used, it is possible that the deferred tax asset would be materially higher.

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

Prior year adjustments for the year ended 31 December 2019 relate to retrospective loss relief for eligible tax losses in fellow UK Group entities.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 7. Income tax expense (continued)

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

	2020 \$'000	2019 \$'000
United Kingdom corporation tax at 19% (2019: 19%) based on the profit for the year	-	-
Adjustment in respect of prior years	4,933	2,242
Current tax expense for the year	4,933	2,242
Deferred tax – current year	(1,420)	6,178
Deferred tax – prior year	-	-
Total tax expense for the year	3,513	8,420

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

The tax assessed for the year is lower (2019: lower) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 \$'000	2019 \$'000
Profit before tax	105,306	89,718
Tax at 19% thereon (2019: 19%)	20,008	17,046
Effects of:		
Expenses not deductible	800	74
Losses from partnership interest in QHG Trading LLP	-	(194)
Losses claimed for nil consideration	(20,808)	(10,120)
Prior year adjustment - current tax	4,933	2,242
Prior year adjustment - deferred tax on losses (note 14)	-	-
Share based payments	-	-
Effective change in tax rate	(1,420)	(628)
Total tax expense for the year	3,513	8,420

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 8. Inventories

	2020 \$'000	2019 \$'000
Inventory at fair value	2,158,125	1,383,456
	<u>2,158,125</u>	<u>1,383,456</u>

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

Carrying amount of inventories pledged as security is \$nil (2019: \$nil).

#### 9. Trade and other receivables

	2020 \$'000	2019 \$'000
<b>Amounts due within one year:</b>		
<i>Financial assets at amortised cost</i>		
Trade advances	70,189	35,653
Trade advances owed by fellow group undertakings	28,300	25,000
<i>Financial assets at fair value through profit or loss</i>		
Trade receivables	2,116,899	2,475,151
Amounts owed by fellow group undertakings	1,414,273	2,939,897
Derivative financial instruments – third parties (note 13)	228,000	775,789
Derivative financial instruments – fellow group undertakings (note 13)	169,430	86,950
<i>Non-financial assets</i>		
Advances repayable with product	150,212	297,259
Trade advances owed by fellow group undertakings repayable with product	149	65,287
Deferred income tax (note 14)	13,490	12,070
Current income tax (note 7)	273,035	184,895
Other receivables	19,906	20,352
	<u>4,483,883</u>	<u>6,918,303</u>
<b>Amounts due in more than one year:</b>		
<i>Financial assets at amortised cost</i>		
Trade advances	110,581	149,475
Trade advances owed by fellow group undertakings	28,002	-
<i>Non-financial assets</i>		
Advances repayable with product	349,505	293,669
Trade advances owed by fellow group undertakings repayable with product	228,723	225,436
	<u>716,811</u>	<u>668,580</u>
	<u>5,200,694</u>	<u>7,586,883</u>

The carrying amount of trade receivables pledged as security is \$nil (2019: \$461 million).

Of the \$2,117 million above (2019: \$2,475 million), 21% (2019: 20%) is concentrated in one counterparty with credit rating CCC+.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

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

##### Current income tax

The current income tax receivable of \$273 million (2019: \$185 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 \$107 million (2019: \$116 million) to SHT to be repaid through future oil deliveries. As at 31 December 2020, the advance is recorded net of \$714 million (2019: \$778 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, \$102 million (2019: \$107 million) is receivable after 12 months and is presented within trade receivables due in more than one year, and \$5 million (2019: \$8 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 (2019: \$65 million) to SNPC to be repaid through future oil deliveries. As at 31 December 2020, the advance is recorded net of \$498 million (2019: \$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. The full amount advanced, \$65 million (2019: \$4 million) is due after 12 months and is presented within trade receivables due in more than one year.

#### 10. Impairments

	2020 \$'000	2019 \$'000
Impairment of trade advances	71,200	-
Impairment of trade receivables	17,913	59,801
Loss allowance under IFRS 9	46,473	6,790
	<u>135,586</u>	<u>66,591</u>

As part of a regular portfolio review, 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, as required under IFRS 9.

The Company has identified the lower commodity price environment experienced in the Oil industry during the year and the restructuring of certain loans and physical advances due to various non-performance factors as an indication of impairment.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 10. Impairments (continued)

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 \$71 million (2019: \$nil) were recognised in the period. The valuation models use the most recent estimate of product repayment profiles and market forecasts of commodity prices, discounted using post-tax nominal discount rates, ranging from 9% – 12%. 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.

	2020 \$'000	2019 \$'000
Increase/(decrease) in impairment		
Discount rate:		
increase by 2%	33,000	-
decrease by 2%	(36,000)	-

#### 11. Trade and other payables

	2020 \$'000	2019 \$'000
<b>Amounts falling due within one year</b>		
<i>Financial liabilities at amortised cost</i>		
Short term loans and overdrafts	300,114	650,024
<i>Financial liabilities at fair value through profit or loss</i>		
Trade payables	4,881,528	6,952,186
Amounts owed to fellow group undertakings	1,027,962	209,457
Derivative financial instruments – third parties (note 13)	439,913	712,672
Derivative financial instruments – fellow group undertakings (note 13)	192,824	119,119
<i>Non-financial liabilities</i>		
Advances settled in product	14,790	1,025
Accruals	8,833	8,825
	<u>6,865,964</u>	<u>8,653,308</u>
<b>Amounts falling due in more than one year</b>		
<i>Financial liabilities at amortised cost</i>		
Trade payables	3,994	3,993
	<u>6,869,958</u>	<u>8,657,301</u>

Trade receivables of \$nil (2019: \$461 million) have been pledged as security against certain short term loans and overdrafts.

Trade payables are obligations to pay for goods and services. Trade payables 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. As at 31 December 2020, 22% (2019: 1%) of total trade payables of \$6,870 million (2019: \$8,657 million) include 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 2020 – 47 days (2019 – 35 days).

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 12. Provisions

	<b>Onerous contract \$'000</b>	<b>Total \$'000</b>
At 1 January 2020	-	-
Additions	72,162	72,162
At 31 December 2020	<u>72,162</u>	<u>72,162</u>
Non-current	64,806	64,806
Current	7,356	7,356

Onerous contracts represent liabilities related to contractual take or pay commitments for LNG re-gasification capacity at fixed prices and quantities 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.

#### 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:

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Trade and other receivables</b>		
Commodity trading contracts	228,000	775,789
Derivative financial instruments owed by fellow group undertakings	169,430	86,950
	<u>397,430</u>	<u>862,739</u>

Of the \$397,430,000 above, \$313,098,000 is due to mature within one year (2019: \$752,181,000), with the remaining \$84,332,000 maturing in more than one year (2019: \$110,558,000). 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.

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Trade and other payables</b>		
Commodity trading contracts	439,913	712,672
Derivative financial instruments owed to fellow group undertakings	192,824	119,119
	<u>632,737</u>	<u>831,791</u>

Of the \$632,737,000 above, \$394,287,000 is due to mature within one year (2019: \$748,762,000), with the remaining \$238,450,000 maturing in more than one year (2019: \$83,029,000). 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.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 13. Derivative financial instruments (continued)

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:

	2020 \$'000	2019 \$'000
<b>(Loss)/profit</b>		
Commodity trading contracts	(275,030)	114,582
Derivative financial instruments with fellow group undertakings	8,775	(43,327)

#### 14. Deferred income tax

Movement on deferred income tax balance in the year:

	Share based payments \$'000	Tax losses \$'000	Total \$'000
<b>At 1 January 2019</b>	2,536	15,712	18,248
Charge to profit or loss	-	(6,178)	(6,178)
Prior year adjustment to deferred tax	-	-	-
Exchange differences	-	-	-
<b>At 1 January 2020</b>	2,536	9,534	12,070
Credit to profit or loss	-	1,420	1,420
<b>At 31 December 2020</b>	2,536	10,954	13,490

At 31 December 2020, the Company has not recognised deferred tax assets on gross temporary differences relating to interest expense disallowed under the UK corporate interest restriction rules of \$340 million (net: \$65 million) and tax losses of \$46 million (net \$9 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 \$13,490,000 has been recognised on tax losses carried forward and share based payments as at 31 December 2020 (2019: \$12,070,000). 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.

## Glencore Energy UK Ltd

### Notes to the financial statements For the year ended 31 December 2020

#### 15. Share capital

	2020 \$'000	2019 \$'000
<b>Authorised</b>		
1,000,000 ordinary shares of US\$1 each	1,000	1,000
<b>Called up, allotted and fully paid</b>		
10,000 ordinary shares of US\$1 each	10	10

#### 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.

#### 17. Other contingent liabilities and commitments

As part of the Company's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for the Company's contractual obligations. As at 31 December 2020, \$2,855,651,000 (2019: \$4,275,991,000) 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 2020 recognised in cost of sales amounted to \$97,143,000 (2019: \$71,865,000); future costs will vary depending on the needs of the business and commercial decisions made at future points in time.

As disclosed in note 31 of the Financial statements included in the Glencore plc 2020 Annual Report, the Glencore group is subject to a number of investigations by government and enforcement authorities in respect of which the outcome is not possible to predict and estimate.

#### 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.

# Glencore Energy UK Ltd

## Notes to the financial statements For the year ended 31 December 2020

### 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.

#### Value of transactions

	2020 \$'000	2019 \$'000
Sales of physical commodities	1,020,799	1,467,247
Purchases of physical commodities	92,302	48,386
Other costs of trading in physical commodities	(70,146)	(38,936)

#### 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:

	2020 \$'000	2019 \$'000
Amounts owed by fellow group undertakings	392,799	713,096
Amounts owed to fellow group undertakings	24,631	24,211

### 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 2020, the number of shares underlying the awards was 3,820,562 (2019: 3,797,891). The expense recognised in the period was \$1.8 million (2019: \$1.4 million). The options outstanding as at 31 December 2020 had exercise prices of £nil (2019: £nil) and weighted average remaining contractual life of 2 years (2019: 2 years).

## **Glencore Energy UK Ltd**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **22. Events after the reporting period**

There have been no significant events after the reporting period that require disclosure.