

**Company Registration No. 04415728**

**SUNCOR ENERGY UK HOLDINGS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



# **SUNCOR ENERGY UK HOLDINGS LIMITED**

## **CONTENTS**

## **Page**

STRATEGIC REPORT	2
DIRECTORS' REPORT	3
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNCOR ENERGY UK HOLDINGS LIMITED	5
INCOME STATEMENT	8
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

# SUNCOR ENERGY UK HOLDINGS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report on the Company for the year ended 31 December 2018.

### Principal activities

Suncor Energy UK Holdings Limited ("the Company") is a limited liability company, incorporated and domiciled in England.

The Company's registered office is 3<sup>rd</sup> Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The immediate parent company is Suncor Energy International Holdings Inc., the ultimate parent company is Suncor Energy Inc., which is incorporated in Canada.

Suncor Energy Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2018. The consolidated financial statements of Suncor Energy Inc. are available from:

Suncor Energy Inc. 150 – 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 3ES

The principal activity of the Company is to act as a holding company to Suncor Energy UK Limited, Suncor Energy International Trading Limited and Suncor Energy Treasury Services Limited, its three wholly owned subsidiaries, and to Petro-Canada Energy North Sea Limited, a wholly owned subsidiary of Suncor Energy UK Limited. The Company has no trading activities and only generates income and expenses from loans and dividends from its subsidiaries.

### Business Review

The results of the Company show a profit before taxation for the year of 371,743 (2017: 479,356). The revolving credit facility with Suncor Energy UK Limited was repaid during the year. There have been no other changes in 2018 to the loans issued in prior years and they continue to be held for the same value throughout 2018.

### Performance indicators

The directors of Suncor Energy Inc., the Parent company of Suncor Energy UK Holdings Limited manage the operations on a Group basis. For this reason the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development or position of this business.

The development and position of the parent company of Suncor Energy UK Holdings Limited, is discussed in the Group's annual report and financial statements.

### Principal risks and uncertainties

The Company's' main activities expose it to the financial risks of foreign exchange. This is discussed in further detail in the Directors' Report.

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



A. Campbell  
Director  
26 August 2019

# SUNCOR ENERGY UK HOLDINGS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors submit their report on the affairs of the Company, together with the audited financial statements and independent auditors' report, for the year ended 31 December 2018.

### Results and dividends

The Company's profit for the financial year was £371.8 million (2017: £479.5 million). Dividends of £270.0 million were paid during the year to the Company's immediate parent company, Suncor Energy International Holdings Inc. (2017: £480.0 million). No further dividend is proposed by the directors.

### Financial risk management objectives and policies

The Company's main activities expose it to the financial risks of foreign exchange. The Board will, however, continue to closely monitor the risks associated with the currency fluctuations and manage these with regard to the Company's commitments.

#### *Foreign Exchange risk*

The Company's activities expose it primarily to the financial risks in changes of foreign currency exchange rates. Any foreign currency exposure is managed at corporate level in compliance with Suncor group policies.

#### *Price risk*

The Company is exposed to commodity price risk through its investment in its subsidiaries. The Company does not manage its exposure to commodity prices separately due to cost benefit considerations. Instead, the commodity price risk associated with the Company is managed as part of a broader portfolio at a corporate level.

### Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R. Davie (resigned 30 April 2019)  
D. Zeller (resigned 20 June 2019)  
A. Campbell (appointed 4 June 2019)  
S. Trueman

The directors who held office at the end of the financial year do not have any interests in the shares of the Company or any other UK group company nor received any remuneration from the Company.

### Going concern

The Company's business activities are set out in the Strategic Report and the factors likely to affect its future development and performance are set out above in the Directors' Report.

The directors believe that the Company is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Charitable and political contributions

The Company did not make any charitable or political contributions.

### Statement of directors' responsibilities in respect of the financial statements

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

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

## **SUNCOR ENERGY UK HOLDINGS LIMITED**

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Independent Auditors**

PricewaterhouseCoopers LLP (PwC) will resign as auditors of the company, which will be completed following the sign-off of the Company's financial statements for the year ended 31 December 2018. The Board of Directors will appoint KPMG LLP as auditor to fill the vacancy that will be created by PwC's resignation.

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



A. Campbell  
Director  
26 August 2019

## SUNCOR ENERGY UK HOLDINGS LIMITED

### *Independent auditors' report to the members of Suncor Energy UK Holdings Limited*

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

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##### **Opinion**

In our opinion, Suncor Energy UK Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

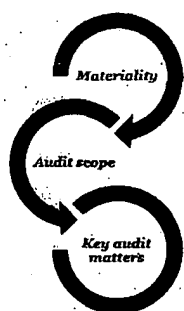
##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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##### **Our audit approach**

###### *Overview*



Overall materiality: £10.6 million (2017: £10.6 million), based on 1% of total assets.

We conducted a full scope audit. The engagement audit team performed all of the audit procedures.

We have no key audit matters to report.

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##### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

##### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the

## SUNCOR ENERGY UK HOLDINGS LIMITED

engagement team. We determined that there were no key audit matters applicable to the company to communicate in our report.

### *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The principal activity of the Company is to act as a holding company to Suncor Energy UK Limited, Suncor Energy International Trading Limited and Suncor Energy Treasury Services Limited, its three wholly owned subsidiaries, and to Petro-Canada Energy North Sea Limited, a wholly owned subsidiary of Suncor Energy UK Limited. The Company has no trading activities and only generates income and expenses from loans and dividends its subsidiaries.

### *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£10.6 million (2017: £10.6 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, as its principal activity is a wholly owned, intermediate holding company with no significant trading activities, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (2017: £0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

## **SUNCOR ENERGY UK HOLDINGS LIMITED**

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### ***Auditors' 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 auditors' 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 auditors' report.

### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kevin Reynard (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen

26 August 2019

# SUNCOR ENERGY UK HOLDINGS LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Administrative expenses	4	(18)	(18)
<b>Operating loss</b>		(18)	(18)
Interest receivable and similar income	5	9,002	8,436
Dividend income from subsidiary undertakings		372,000	480,000
Foreign exchange gains / (losses)		120	(109)
Interest payable and similar expenses	6	(9,361)	(8,953)
<b>Profit before taxation</b>		371,743	479,356
Tax on Profit	7	51	94
<b>Profit for the financial year</b>		<u>371,794</u>	<u>479,450</u>

There are no other comprehensive income items during the year (2017: nil) other than the profit for the financial year. Accordingly, a statement of comprehensive income is not presented.

The Company's results are all derived from continuing activities.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investments	9	796,984	796,984
<b>Current assets</b>			
<b>Debtors</b>			
-amounts falling due within one year	10	2,375	2,166
-amounts falling due after more than one year	10	258,740	258,740
		<u>261,115</u>	<u>260,906</u>
<b>Creditors: amounts falling due within one year</b>	11	(426)	(102,011)
<b>Net Current Assets</b>		<u>260,689</u>	<u>158,895</u>
<b>Total assets less current liabilities</b>		1,057,673	955,879
<b>Creditors: amounts falling due after more than one year</b>	12	(258,740)	(258,740)
<b>Net assets</b>		<u>798,933</u>	<u>697,139</u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Share premium account		140,414	140,414
Other reserves		449,894	449,894
Profit and loss account		208,625	106,831
<b>Total shareholders' funds</b>		<u>798,933</u>	<u>697,139</u>

The financial statements on pages 8 to 18 were approved by the Board of Directors and were signed on behalf by:



A. Campbell

26 August 2019

Company Number 04415728

# SUNCOR ENERGY UK HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Premium Account £000	Profit and loss account £000	Other reserves £000	Total shareholders' funds £000
At 1 January 2017	140,414	107,381	449,894	697,689
Profit for the financial year	-	479,450	-	479,450
Dividends paid	-	(480,000)	-	(480,000)
At 31 December 2017	140,414	106,831	449,894	697,139
Profit for the financial year	-	371,794	-	371,794
Dividends paid	-	(270,000)	-	(270,000)
At 31 December 2018	140,414	208,625	449,894	798,933

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 1. General Information

Suncor Energy UK Holdings Limited (the Company) is a limited liability company, incorporated and domiciled in England.

The Company's registered office is 3<sup>rd</sup> Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

The immediate parent company is Suncor Energy International Holdings Inc., the ultimate parent company is Suncor Energy Inc., which is incorporated in Canada.

Suncor Energy Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2018. The consolidated financial statements of Suncor Energy Inc. are available from:

Suncor Energy Inc. 150 – 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 3ES

The principal activity of the Company is to act as a holding company to Suncor Energy UK Limited, Suncor Energy International Trading Limited and Suncor Energy Treasury Services Limited, its three wholly owned subsidiaries, and to Petro-Canada Energy North Sea Limited, a wholly owned subsidiary of Suncor Energy UK Limited. The Company has no trading activities and only generates income and expenses from loans and dividends from its subsidiaries.

### 2. Accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the prior year, is set out below.

#### 2.1. Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting standards, in particular, Financial Reporting Standards 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for purposes of FRS 101. Note 14 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has adopted the intermediate parent exemption under section 401 of the Companies Act 2006; hereby it is not required to prepare consolidated financial statements as the ultimate parent company prepares publically available consolidated financial statements in accordance with IFRS. Details of the ultimate parent company are disclosed in Note 14.

The financial statements have been prepared under historical cost convention.

#### 2.2. Disclosure Requirements

The Company has adopted disclosure exemptions as allowed by FRS 101. The exemption covers some disclosures in the following standards.

IFRS 13 - Disclosure relating to fair value measurements.

IAS 7 - A cash flow statement is not required.

IAS 24 - Disclosure of key management personnel compensation and for related party transactions entered into between two or more members of a group (for wholly owned subsidiaries).

#### 2.3. Foreign Currencies

These financial statements are presented in Pounds Sterling, which is the Company's functional currency.

Transactions denominated in foreign currencies are recorded at the exchange rates at the date of each transaction or at the contract rate where applicable. Year-end foreign currency balances are retranslated at the exchange rates at the balance sheet date. The exchange rates at 31 December 2018 were £1 = US \$1.28 (2017: US \$1.35) and Euro 1.11 (2017: Euro 1.13). All gains and losses arising from the settlement and retranslation of foreign currency balances are taken to the profit and loss account.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. Accounting policies (continued)

#### 2.4. Taxation

Accounting policies relating to corporation tax payable to the UK government are as follows:

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

Tax losses are surrendered or claimed in the form of group relief with consideration being received or paid accordingly. The group relief amount is recorded separately within the debtors and creditors amounts in the balance sheet as appropriate and is calculated by applying the tax rate enacted or substantively enacted at the balance sheet date to the loss amount.

- ii) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### 2.5. Interest receivable and payable

Interest arising is charged or credited to the profit and loss account in the year in which it is payable or receivable.

#### 2.6. Going concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Directors' report for the year on page 3. The Report also outlines the Company's financial risk management policies. Suncor Energy International Holdings Inc., the entity's sole shareholder, has confirmed that necessary financial support will be provided to allow the entity to trade for at least 12 months from the date of the signing of financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### 2.7. Investments

Investments are stated at cost less any provisions for impairment. The directors review for impairment indicators on an annual basis, and if there is an indication that the investment is impaired an impairment is assessed.

#### 2.8. Classification of Financial Instruments

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income, or at amortized cost. This determination is made at initial recognition. All financial instruments are initially recognized at fair value on the balance sheet, net of any transaction costs except for financial instruments classified as fair value through profit and loss, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification. The Company classifies cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and intercompany loans as financial liabilities at amortized cost.

#### 2.9. Recognition and Measurement of Financial Instruments

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the Company uses third party models and valuation methodologies that utilize observable market data that includes forward commodity prices, foreign exchange rates and interest rates to estimate the fair value of financial instruments, including derivatives. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 2. Accounting policies (continued)

#### 2.9 Recognition and Measurement of Financial Instruments (continued)

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and intercompany loans.

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term maturities of those instruments.

The Company's loans payable and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans payable and receivable are recorded at amortized cost using the effective interest rate method.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established. Interest on loans and receivables calculated using effective interest method is recognised in the profit and loss account as part of interest receivable and similar income.

##### a. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### b. Impairment of financial assets

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

##### c. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management have considered the estimates and assumptions that have been made in calculating the carrying amounts of assets and liabilities and do not consider any to have a significant risk of causing a material adjustment within the financial statements.

### 3. Changes in accounting policy and disclosures

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018 have had a material impact on the Company.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 3. Changes in accounting policy and disclosures (continued)

The standards, amendments and interpretations that are issued but not yet effective up to the date of authorisation of the Company's financial statements, and that may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company intends to adopt these standards, amendments and interpretations when they become effective.

- i) Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9) which replaces the multiple classification and measurement models for financial assets under IAS 39 Financial Instruments (IAS 39) with a new model that has two measurement categories: amortized cost and fair value, either through profit/loss (FVTPL) or through other comprehensive income. This determination is made at initial recognition. For financial liabilities, the new standard retains most of the IAS 39 requirements; however, the main change arises in cases where the Company chooses to designate a financial liability as FVTPL. In these situations, the portion of the fair value change related to the Company's own credit risk is recognized in other comprehensive income rather than net earnings. As a result of adopting IFRS 9, the Company's financial assets classified as loans and receivables at December 31, 2017 have been reclassified to financial assets at amortized cost; however, there is no impact to the measurement of these financial assets. There were no changes to the classifications of the Company's financial liabilities. The classification and measurement guidance was adopted retrospectively in accordance with the transitional provisions of IFRS 9.
- ii) On January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15), which sets out guidelines for the recognition of revenue, using the retrospective method. IFRS 15 replaces IAS 18 Revenue and presents a new single model for recognition of revenue from contracts with customers. The model features a contract based five step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much, and when revenue is recognized. Under IFRS 15, the Company recognizes revenue when title of the product is transferred to the buyer and collection is reasonably assured in accordance with specified contract terms. All operating revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the goods to the customers. The Company has reviewed its sources of revenue using the guidance found in IFRS 15 and determined there are no material changes to the timing and measurement of the Company's revenue in the reporting period, as compared to the provisions of the previous standard.
- iii) In January 2016, the IASB issued IFRS 16 Leases (IFRS 16) which replaces the existing leasing standard IAS 17 Leases and requires the recognition of leases on the balance sheet, with optional exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The Company will adopt the standard on the effective date of January 1, 2019 and has selected the modified retrospective transition approach. The Company has also elected to apply the optional exemption for short-term leases. IFRS 16 is not expected to materially impact the Company.

### 4. Administrative expenses

	2018	2017
	£000	£000
Other professional fees	8	8
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	10	10
	<b>18</b>	<b>18</b>

Two directors exercised stock options in the ultimate parent Company during 2018 (2017: 2). No directors received any remuneration for their services to the Company in 2018 (2017: £nil).

This Company had no employees for the year to 31 December 2018 (2017: nil).

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 5. Interest receivable and similar income

	2018 £000	2017 £000
Interest on intercompany loans and debit balances	9,002	8,436

### 6. Interest payable and similar expenses

	2018 £000	2017 £000
Interest on intercompany loans and credit balances	9,361	8,953

### 7. Tax on profit

#### a) Analysis of tax credit in the year

	2018 £000	2017 £000
<b>Current tax:</b>		
Group relief receivable	(51)	(94)
Total current tax	(51)	(94)
Total tax credit for the year	(51)	(94)

#### b) Reconciliation of tax credit in the year

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation is as follows:

	2018 £000	2017 £000
Profit before taxation	371,743	479,356
Tax at 19.00% for the Company (2017: 19.25%)	70,631	92,276
Effects of:		
Dividends not subject to tax	(70,680)	(92,400)
Adjustment in respect of previous periods	(2)	30
<b>Total tax credit for the year</b>	<b>(51)</b>	<b>(94)</b>

There was no deferred tax at either balance sheet date.

#### Factors affecting current and future tax changes

The main rate of UK corporation tax reduced from 21% to 20% with effect from 1 April 2015. In addition, the UK government has enacted legislation to reduce the main rate of corporation tax by a further 1% to 19% from 1 April 2017. Further reductions to the main rate were announced in the Budget 2016, which reduce the rate to 17% from 1 April 2020.

### 8. Dividends paid and received

The Company paid dividends during the year of £270,000,000 (2017: £480,000,000) per share to its immediate parent Company, Suncor Energy International Holdings Inc. The Company received dividends during the year of £372,000,000 from its subsidiary Company, Suncor Energy UK Limited (2017: £480,000,000) and £nil from its subsidiary Company, Suncor Energy International Trading Limited (2017: £nil).

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 8. Dividends paid and received (continued)

	2018	2017
	£000	£000
Dividends paid during the year on the ordinary shares £270,000,000 per share (2017: £480,000,000 per share)	270,000	480,000

### 9. Investments

	2018	2017
	£000	£000
Investment in subsidiary undertakings	796,984	796,984

The net assets as at 31 December 2018 of subsidiary entity Suncor Energy UK Limited were lower than their carrying value in these financial statements. This was as a result of having declared and paid dividends of £372,000,000 during 2018. The directors consider that the carrying value of the Suncor Energy UK Limited in these financial statements is supported by the estimated value in use of the investment as represented by its future net operating cash inflows which are forecast to be earned based on the profitable activities and cashflows generated from Suncor Energy UK Limited's North Sea oil and gas assets. As Suncor Energy UK Limited's business has continued to remain profitable in recent years and is forecast to continue to do so, the directors have considered that there is no trigger event to the carrying value of the investment in the subsidiary and therefore no impairment test has been performed.

The directors believe that the carrying value of the other investments is supported by their underlying net assets.

The Company has investments in the following wholly owned subsidiary undertakings:

Subsidiary undertakings	Principal activity	Incorporated	Address of Registered Office
Suncor Energy UK Limited	Oil and gas exploration, development and production.	Great Britain	c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road Altrincham, Cheshire, WA14 2DT
Suncor Energy International Trading Limited	Marketing and sale of crude	Great Britain	c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road Altrincham, Cheshire, WA14 2DT
Suncor Energy Treasury Services Limited	Set up to host bank accounts for the in-house banking of the International business unit.	Great Britain	c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road Altrincham, Cheshire, WA14 2DT

Suncor Energy UK Limited has investments in the following subsidiary:

Subsidiary undertakings	Principal activity	Incorporated	Address of Registered Office
Petro-Canada Energy North Sea Limited.	The Company now has no trading activities and only generates income from a loan to its parent Company	Great Britain	c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road Altrincham, Cheshire, WA14 2DT

All wholly owned subsidiaries are carried in the balance sheet at cost. The Company tests annually for impairment indicators.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 10. Debtors

	2018 £000	2017 £000
Amounts falling due within one year		
Amounts owed by other group undertakings:		
- Intercompany current accounts	2,064	1,901
- Vat receivable	124	2
Corporation tax	187	263
	<b>2,375</b>	<b>2,166</b>
Amounts falling due after one year		
Amounts owed by other group undertakings:		
- Loan to group undertakings	258,740	258,740
	<b>261,115</b>	<b>260,906</b>

Loan to group undertakings is an unsecured loan of £258,740,000, and interest thereon which was issued on 24 November 2015 and is expected to be fully repaid by November 2019.

Intercompany current accounts owed by group companies are unsecured, bear interest and are repayable on demand. To optimise the use of liquid funds, the Company's cash is held within a cash pooling system administered by another company within the group. These accounts receive or pay interest based on market rates.

### 11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Loan from Suncor Energy UK Limited	-	100,000
Amounts owed to group undertakings		
- Intercompany current accounts	396	1,990
Accruals and deferred income	30	21
	<b>426</b>	<b>102,011</b>

#### Loan from Suncor Energy UK Limited

The Company entered into a £100,000,000 revolving credit facility agreement with Suncor Energy UK Limited on 24 June 2012. The interest basis is equal to the one month British Bankers' Association London Inter-bank Offered Rate Great British Pound ("BBA LIBOR GBP") on the first business day following the date above, plus 0.77%, provided that the rate of interest shall be reset beginning on the first day of the first calendar month following the day above written and on the first day of each month thereafter. The principal amount and all interest thereon owing under this agreement shall be payable on the first business day following each quarter end March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup>. The principal amount shall rollover to the next quarter if neither the lender nor the borrower files a written notice ten business days to the end of the quarter. The loan was repaid in October 2018.

Amounts owed to group companies are unsecured, interest free and repayable on demand. To optimise the use of liquid funds, the Company's cash is held within a cash pooling system administered by another company within the group. These accounts receive or pay interest based on market rates.

# SUNCOR ENERGY UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 12. Creditors: amounts falling due after more than one year

The above borrowings are therefore repayable as follows:

	2018 £000	2017 £000
Amounts falling due after more than one year	<u>258,740</u>	<u>258,740</u>

#### Eurobond

The Company issued a £258,740,000 Eurobond listed on the Channel Islands Securities Exchange. The bond was issued at a floating rate of Libor +2.75%. The Eurobond is due to be fully repaid in November 2019.

### 13. Called up share capital

	2018 £000	2017 £000
Authorised: 100 (2017:100) ordinary shares of US\$1 each	-	-
Called up, allotted and payable on demand: 1 (2017:1) ordinary share of \$1	<u>-</u>	<u>-</u>

### 14. Ultimate parent company and controlling party

The ultimate parent company and controlling entity is Suncor Energy Inc., a company incorporated in Canada. The immediate parent company is Suncor Energy International Holdings Inc. As the Company is a wholly owned subsidiary of Suncor Energy Inc., the Company has taken advantage of the exemption available under paragraph 8 of FRS 101 which allows exemption from disclosure of related party transactions with other group companies. The consolidated financial statements of the Suncor Group, the smallest and largest group to include the financial statements of the Company, are available from Suncor Energy Inc. at 150 - 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 3ES.