

Company Registration No. 04417114

Suncor Energy International Trading Limited
Annual Report and Financial Statements

31 December 2019

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Suncor Energy International Trading Limited

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Suncor Energy International Trading Limited

Officers and professional advisors

Directors

M. Townley (resigned 19 March 2020)
C. Watkins
G. La Guardia

Secretary

Oakwood Corporate Services Limited

Registered Office

c/o Oakwood Corporate Services Limited
3rd Floor, 1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Bankers

Bank of America

Independent Auditors

KPMG LLP
1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

Suncor Energy International Trading Limited

Strategic Report

The Directors present their strategic report on the company for the year ended 31 December 2019.

Principal activities

Suncor Energy International Trading Limited (the “company”) is a limited liability company incorporated and domiciled in England. The principal place of business is at 3rd Floor, 10 Brook Street, London, W1S 1BG.

The company is a physical and financial oil trading office covering the Atlantic Basin crude market activities. We also provide services for marketing of North Sea and Canadian crude oil for affiliated companies within Suncor Energy Inc. (Suncor) and external companies. In addition, we fulfil the supply function to one of Suncor’s refineries and provide price risk management for the refinery group.

Results

The profit for the financial year amounted to £13,423,000 (2018: a loss of £2,568,000).

Future developments

The company continues to pursue its current strategies to improve the profitability of the existing portfolio of marketing and trading strategies and continually looks to target new strategies with a focus to deliver profitable growth.

Key performance indicators

	2019 £’000	2018 £’000	Change £’000
Revenue	20,653	5,107	15,546
Operating profit / (loss)	14,735	194	14,541
Profit / (loss) before taxation	19,371	(3,249)	22,620
Profit / (loss) for the financial year	13,423	(2,568)	15,991

Financial risk management objectives and policies

The management of the business and the execution of the company’s strategies are subject to a number of risks.

The company’s main activities expose it to a number of financial risks including price risk, foreign exchange risk and liquidity risk. The Board will continue to closely monitor the risks associated with commodity price and currency fluctuations and manage these accordingly.

Whilst subsequent to the year end, the coronavirus pandemic has been declared, it is not expected to significantly impact the activities or liquidity of the company.

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity prices by using a number of instruments such as CFD (Contract for Difference) Dated Brent Swaps and Brent Futures. The company does not take any “flat price” risk but uses the instruments to manage the different flat prices that may result from buying and selling a physical cargo on different bases. The company only trades Brent related instruments.

Foreign exchange risk

The company’s activities expose it primarily to the financial risks in changes of foreign currency exchange rates. The company may enter into forward exchange contracts as necessary, although primarily any foreign currency exposure is managed at a corporate level in compliance with Suncor group policies.

Suncor Energy International Trading Limited

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term inter-company debt financing. These are typically at fixed interest rates and therefore the company is not significantly exposed to interest rate risk.

Directors' engagement statement

The directors recognise their duty to act in a way which 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 in accordance with section 172 of the UK Companies Act 2006. The Directors' section 172 duties are part of Board discussions. The directors continue to have regard to the interest of the company's key stakeholders and, throughout the year, the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups, their material issues and how the company engages with and considers the interest of each stakeholder group.

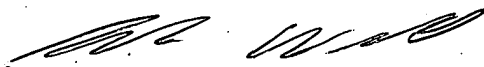
Stakeholder group	Areas of focus	Response and actions
Employees	<ul style="list-style-type: none"> Engagement and work culture Training and development Diversity and inclusion Remuneration 	<ul style="list-style-type: none"> The company conducts employee satisfaction surveys and exit interviews of employees leaving in order to gather feedback to further engagement with employees. Suncor's annual President's Operational Excellence Awards support and highlight the company's goals by honouring employees and contractors who demonstrate an exceptional commitment to operational excellence. The company employs a performance management cycle that is an ongoing, collaborative process between leaders and employees. The main components are ongoing performance discussions, regular coaching, feedback and recognition. The company actively seeks to promote diversity and inclusion throughout its workforce. To support this, the Inclusion and Diversity Council, which sets and champions an inclusion and diversity strategy, was formed at the ultimate parent level in 2017 with senior leaders. The company provides competitive compensation and benefit packages. The company offers developmental opportunities based on individual performance and identified potential.
Customers	<ul style="list-style-type: none"> Cost Credibility, trust, reliability and reputation Service, collaboration, and responsiveness 	<ul style="list-style-type: none"> Customer information and performance metrics are regularly reported to management and the directors. The company develops and fosters credibility and trust among a large and diverse customer base. The company strives to comply with its customer contracts, which, in turn, helps to create and maintain long-term customer relationships. Suncor has a Stakeholder Relations Policy that outlines our commitment to developing and maintaining positive, meaningful relationships with stakeholders in all operating areas and provides principles for guiding the development of stakeholder relations.

Suncor Energy International Trading Limited

Strategic Report (continued)

Stakeholder group	Areas of focus	Response and actions
Local communities	<ul style="list-style-type: none">Local economy	<ul style="list-style-type: none">The company is committed to making a positive impact in the communities where we live and work by creating jobs and sponsoring community initiatives where we operate.The company strives to comply with local labour laws and local environmental policy and actively engages with local partners on these matters.Suncor has an Environment, Health and Safety policy, which affirms our commitment to be a sustainable energy company by working to achieve or exceed levels of performance governed by legislation and by the evolving environmental, social and economic expectations of the company's stakeholders.

On behalf of the Board



Caroline Watkins
Director
6 July 2020

Suncor Energy International Trading Limited

Directors' Report

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 2019.

Principal activities

The company is a physical and financial oil trading office covering the Atlantic Basin crude market activities. The company also provides services for marketing of North Sea and Canadian crude oil for affiliated companies within Suncor Energy Inc. (Suncor) and external companies. In addition, the company fulfils the supply function to one of Suncor's refineries and provide price risk management for the refinery group.

Business review

The directors are required by the Companies Act to set out in this report a fair review of the business of the company during the financial year ended 31 December 2019 and of the position of the company at the end of the year, including a description of the principal risks and uncertainties facing the company ('business review'). The information that fulfils the requirements of the business review can be found within the Strategic report on pages 4 to 6. The Strategic report also includes details of expected future developments in the business of the company, financial risk management objectives and policies and details of the key performance indicators used by management.

Results and dividends

The company's profit for the financial year was £13,423,000 (2018: a loss of £2,568,000). There were no dividends paid during the year and no dividends are proposed by the directors.

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:

M. Townley	(Canadian/British; resigned 19 March 2020)
C. Watkins	(British)
G. La Guardia	(Italian)

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.

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.

Further details are disclosed in note 1 to the financial statements.

Charitable and political contributions

The company did not make any charitable or political contributions.

Suncor Energy International Trading Limited

Directors' Report (continued)

Disclosure of information to 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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 elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK accounting standards 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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' 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.

Engagement with Employees, Customers and Others

Relationships with stakeholders are of strategic importance to the company and these matters are therefore dealt with in the strategic report (under section 172 obligations).

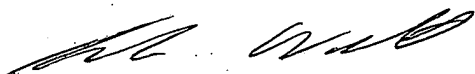
Suncor Energy International Trading Limited

Directors' Report (continued)

Independent Auditors

KPMG LLP have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

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



C. Watkins
Director
6 July 2020

Suncor Energy International Trading Limited

Independent auditors' report to the members of Suncor Energy International Trading Limited

Opinion

We have audited the financial statements of Suncor Energy International Trading Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Suncor Energy International Trading Limited

Independent auditors' report to the members of Suncor Energy International Trading Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP
Chartered Accountants
1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

[Date] 29 July 2020

Suncor Energy International Trading Limited

Profit and loss account

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	5	20,653	5,107
Administrative expenses	6	<u>(5,918)</u>	<u>(4,913)</u>
Operating profit / (loss)		14,735	194
Interest receivable and similar income	7	<u>4,636</u>	<u>(3,443)</u>
Profit / (loss) before taxation		19,371	(3,249)
Tax on (profit) / loss	9	<u>(5,948)</u>	<u>681</u>
Profit / (loss) for the financial year		<u>13,423</u>	<u>(2,568)</u>

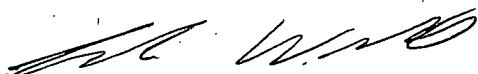
The company's results are all derived from continuing activities in both years.

Suncor Energy International Trading Limited

Balance sheet As at 31 December 2019

	Note	2019 £'000	2018 £'000
Current assets			
Derivative assets	10	8,536	34,953
Provision for current income tax		-	8,693
Deferred income taxes	9	1,546	485
Stocks		-	971
Debtors	11	369,909	272,146
Total current assets		379,991	317,248
Derivative liabilities	10	(17,627)	(6,235)
Provision for current income tax		(1,778)	-
Creditors: amounts falling due within one year	12	(311,890)	(275,740)
Net current assets and net assets		48,696	35,273
Capital and reserves			
Called up share capital	13	14,480	14,480
Profit and loss account		34,216	20,793
Total shareholders' funds		48,696	35,273

The financial statements on pages 12 to 23 page were approved by the Board of Directors and were signed on behalf by:



C. Watkins
Director
6 July 2020

Company number 04417114

Suncor Energy International Trading Limited

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

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 31 December 2017	14,480	23,361	37,841
Loss for the financial year and total comprehensive income for the year	-	(2,568)	(2,568)
Balance at 31 December 2018	14,480	20,793	35,273
Profit for the financial year and total comprehensive income for the year	-	13,423	13,423
Balance at 31 December 2019	14,480	34,216	48,696

Suncor Energy International Trading Limited

Notes the financial statements

For the year ended December 31, 2019

1. General information

Suncor Energy International Trading Limited (the “company”) is a limited liability company, incorporated and domiciled in England. The principal activity of the company is that of providing services for the marketing of crude oil as an agent and commercial consultancy to affiliated companies within the Suncor Energy International group and external companies.

The company’s principal place of business is London, United Kingdom. The company’s registered office is c/o Oakwood Corporate Services Limited, 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, WA14 2DT

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

Suncor Energy Inc. is the parent undertaking of the largest company of undertakings to consolidate these financial statements as at 31 December 2019. The consolidated financial statements of Suncor Energy Inc. are available from:

Suncor Energy Inc. 150 – 6th Avenue SW, Calgary, Alberta, Canada, T2P 3E3.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) as applicable to companies using FRS 101. 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, measurements and disclosure requirements of EU-adopted IFRS. The financial statements have been prepared on a historical cost basis except as detailed in note 2.5.

The company is a qualifying entity for the 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 preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Disclosure requirements

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Disclosures in respect of capital management.

Cash Flow Statement and related notes.

Disclosures in respect of the compensation of Key Management Personnel

Disclosures in respect of transactions with wholly owned subsidiaries.

The effects of new but not yet effective IFRSs.

Suncor Energy International Trading Limited

Notes the financial statements

For the year ended December 31, 2019

2.3 Going concern

The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic report on the year on pages 4 to 6. The Strategic report also outlines the company's financial risk management policies.

On March 10, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have and will continue to have a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices. The company's oil trading and marketing activities are undertaken within the Suncor Energy UK Holdings Limited group, the operating activities of which are sensitive to a reduction in the demand for crude oil. In addition, whilst the group's production operations have not been significantly impacted by the virus, it has taken measures to mitigate the risks arising to people and business interruption to offshore operations.

The directors have prepared cash flow forecasts for the Suncor Energy UK Holdings Limited group for the next twelve months. In making their assessment, the directors have evaluated the group's forecast production at a range of reasonably possible lower oil price scenarios, reflecting the global decreased demand from the coronavirus pandemic. The directors have also evaluated the group's financial operating and capital expenditure commitments in the forecast period, including in respect of the group's defined benefit pension scheme.

Based on these forecasts, 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.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). This is also the presentation currency of the company. The financial statements are presented in Great British Pounds (GBP), which is the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except where deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2.5 Financial Instruments

(a) Classification

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 its derivative financial instruments as FVTPL, cash and cash equivalents and accounts receivable as financial assets at amortized cost, and accounts payable and accrued liabilities and other long-term liabilities as financial liabilities at amortized cost.

(b) Recognition and measurement

Suncor Energy International Trading Limited

Notes the financial statements

For the year ended December 31, 2019

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.

The company's financial instruments consist of cash and cash equivalents, accounts receivable, derivative contracts, accounts payable and accrued liabilities, and loans and borrowings.

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.

2.6 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.

2.7 Impairment of financial assets

The company assesses at the end of each reporting period 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 the 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.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase price of spare parts and consumables. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete or dispose. Provision is made for obsolete, slow-moving or defective items where appropriate.

Suncor Energy International Trading Limited

Notes the financial statements

For the year ended December 31, 2019

2.9 Cash

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificate of deposit and all other highly liquid investments at the time of purchase.

2.10 Called up share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 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.

2.12 Revenue Recognition

Revenue represents the sale and purchase of crude oil and derivative contracts. Revenue is recognised at the point at which title of the crude concerned passes to the counterparty. Although disclosed as revenue, an energy trading contract is accounted for and meets the definition of a gain under IFRS 9. The purchase and sale of crude oil and derivative contracts have been presented net on the income statement.

The company transacts with third party traders to make a profit when they see market opportunities. These physical and financial trading activities contracts buy and sell products and paper contracts on a short term basis to generate trading profits; as such net presentation is considered appropriate.

3. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- (a) Fair value of financial instruments

Suncor Energy International Trading Limited
Notes the financial statements
For the year ended December 31, 2019

The fair value of financial instruments 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.

4. 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 2019 have had a material impact on the company.

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 adopted 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 did not materially impact the company.

5. Revenue

	2019 £000	2018 £000
Physical trades	3,988	2,541
Physical mark to market	(29,070)	44,177
Marketing revenue	1,990	2,174
Financial trades	43,745	(43,785)
	<u>20,653</u>	<u>5,107</u>

Physical trades are comprised of the following transactions:

	2019 £000	2018 £000
Third party sales	1,548,547	1,801,934
Third party purchases	(877,462)	(1,115,018)
Related party purchases	(662,758)	(685,444)
Third party pipeline tariffs and other expenses	(4,339)	1,069
	<u>3,988</u>	<u>2,541</u>

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6. Expenses and auditor's remuneration

	2019 £000	2018 £000
Operating and general expenses	2,864	3,124
Salary and benefits	2,515	1,524
Real estate leases	514	206
Audit of these financial statements	25	59
	<u>5,918</u>	<u>4,913</u>

No directors exercised stock options in the ultimate parent company during 2019 (2018: 2). No directors received any remuneration for their services to the company in 2019 (2018: £nil).

No directors received any remuneration for their services to the company in 2019 (2018: £nil).

7. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable and similar income	1,486	1,148
Exchange gains / (losses)	3,150	(4,591)
	<u>4,636</u>	<u>(3,443)</u>

8. Employee information

The company does not formally employ staff, however there were an average of seven management and corporate services employees and one finance employee (2018: seven management and corporate services employees and one finance employee) for which salary expenses were recharged to the company from Suncor Energy UK Ltd for services provided to the company.

	2019 £000	2018 £000
Wages and salaries	2,300	1,358
Social security costs	215	166
	<u>2,515</u>	<u>1,524</u>

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9. Tax on profit

	2019	2018
	£000	£000
Current tax:		
Current tax on profits for the year	7,777	(4,834)
Adjustments in respect of previous years	(768)	-
Total current tax	7,009	(4,834)
Deferred income taxes:		
Current year	(5,705)	4,153
Adjustments in respect of previous years	4,644	-
Total deferred income taxes	(1,061)	4,153
Tax per profit and loss account	5,948	(681)

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The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £000	2018 £000
Profit before taxation	19,371	(3,249)
Tax on profit at standard UK tax rate of 19.0% (2018: 19.0%)	3,680	(617)
Effects of:		
Tax rate changes	182	-
Group relief claimed	(961)	-
Losses carried back at a higher rate	-	(64)
Adjustment in respect of accounting question	(829)	-
Adjustments in respect of prior periods	3,876	-
Total tax for the year	5,948	(681)

The deferred tax asset / liability reflects the following timing differences:

	2019 £000	2018 £000
Deferred taxation:		
Unrealised hedging losses	1,546	(8,912)
Tax losses	-	9,397
	1,546	485
Movement in deferred tax provision		
Deferred tax provided at January 1	485	4,638
Deferred tax credit to income statement	5,705	(4,153)
Deferred tax prior year adjustment credit	(4,644)	-
Deferred tax asset at December 31	1,546	485

10. Financial instruments

The company has the following financial assets and liabilities measured at fair value through the profit and loss account, and classified respectively within prepayments and accrued income and accruals and deferred income:

	2019 £000	2018 £000
Derivative financial instruments – assets	8,536	34,953
Derivative financial instruments - liabilities	(17,627)	(6,235)

The company enters into forward commodity derivative contracts to mitigate the commodity price risk from physical crude contracts.

The balance is made up of a £8,047K payable (2018: £21,126K receivable) in relation to physical forwards, all of which are short term contracts and all mature within 12 months (2018 contracts mature within 12 months).

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The remaining balance is a financial derivatives payable of £1,044K (2018: £7,592K receivable), of which £704K is a short term payable and £340K is a long term payable (2018 - £12,775K short term receivable and £5,183K long term payable).

The forward commodity contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumption used in valuing the derivatives is the forward price of crude oil

11. Debtors

	2019 £000	2018 £000
Trade debtors from petroleum sales	255,637	196,861
Amounts due from parent and other group companies	55,790	30,793
VAT	55,057	44,492
Prepayments	3,425	-
	<u>369,909</u>	<u>272,146</u>

To optimise the use of liquid funds, the company's cash is held within a cash pooling system which is administered by another company within the group. Interest at normal market rates is payable or receivable on these balances but there are no set repayment terms.

Inter-company current accounts under amounts due from parent and other group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts due to parent and other group companies	234,667	191,067
Trade creditors	76,216	82,560
Accruals and deferred income	1,007	531
Prepayments and accrued income	-	1,582
	<u>311,890</u>	<u>275,740</u>

Amounts due to parent and other group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand

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13. Called up share capital

	2019 £000	2018 £000
Authorised		
1,000,000,000 ordinary shares of \$1 each (2018: 1,000,000,000)	1,000,000	1,000,000
	<hr/>	<hr/>
Called up, allotted and payable on demand:		
23,351,096 ordinary share of US\$1 each (2018: 23,351,096)	14,480	14,480
	<hr/>	<hr/>

14. Ultimate parent company and controlling party

The immediate parent undertaking is Suncor Energy UK Holdings Limited. The ultimate parent company and controlling entity at 31 December 2019 was Suncor Energy Inc., a company incorporated in Canada. 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 FRS101 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 to include the financial statements of the company, are available from Suncor Energy Inc., at 150 – 6th Avenue SW, Calgary, Alberta, Canada, T2P 3E3.

15. Subsequent events

Whilst subsequent to the year end, the coronavirus pandemic has been declared, it is not expected to significantly impact the activities or liquidity of the company.

Further disclosure is included in note 1 to the financial statements.