

**Company Registration No. 04417114**

**Suncor Energy International Trading Limited**  
**Annual Report and Financial Statements**

**31 December 2017**



# **Suncor Energy International Trading Limited**

## **Annual Report and Financial Statements 2017**

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# **Suncor Energy International Trading Limited**

## **Annual Report and Financial Statements 2017**

### **Officers and professional advisors**

#### **Directors**

M. Townley  
C. Watkins  
J. Wadie (resigned 1 February 2017)  
G. La Guardia (appointed 18 January 2017)

#### **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**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Capitol  
431 Union Street  
Aberdeen  
AB11 6DA

# Suncor Energy International Trading Limited

## Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2017.

### 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 1 Little Argyll Street, London, W1F 7BQ.

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 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 £2,028,000 (2016: £11,622,000).

### 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

Key results	2017 £'000	2016 £'000	Decrease £'000
Revenue	(780)	21,789	(22,569)
Operating (Loss) / Profit	(6,422)	17,053	(23,475)
Profit before taxation	2,134	14,236	(12,102)
Profit for the financial year	2,028	11,622	(9,594)

# Suncor Energy International Trading Limited

## Strategic Report (continued)

### Financial risk management objectives & 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.

#### *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 corporate level in compliance with Suncor group policies.

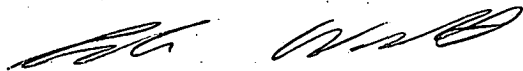
#### *Price risk*

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.

#### *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.

On behalf of the Board



Caroline Watkins  
Director

# **Suncor Energy International Trading Limited**

## **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

### **Principal activities**

The principal activity of the Company is that of providing services for marketing of crude oil as agent and commercial consultancy to affiliated companies within the Suncor Energy International group and external companies.

### **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 2017 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 5. 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 £2,028,000 (2016: £11,622,000). There were no dividends paid during the year and no dividends are proposed by the directors.

### **Directors**

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)
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**

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.

# **Suncor Energy International Trading Limited**

## **Directors' Report (continued)**

### **Directors' Responsibilities Statement**

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:

- 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 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.

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.

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.

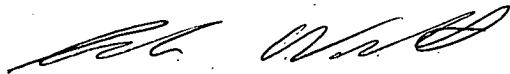
# **Suncor Energy International Trading Limited**

## **Directors' Report (continued)**

### **Independent Auditors**

PricewaterhouseCoopers 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

# Suncor Energy International Trading Limited

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

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

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#### **Opinion**

In our opinion, Suncor Energy International Trading Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 balance sheet as at 31 December 2017; the profit and loss account, the statement of comprehensive income, 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.

#### **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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have nothing to report in respect of the following matters in relation to which 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.

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.

#### **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.

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.

# Suncor Energy International Trading Limited

## *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 2017 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.

## **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 set out on pages 6 and 7, 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  
18 July 2018

## Suncor Energy International Trading Limited

### Profit and loss account

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
<b>Revenue</b>	5	(780)	21,789
Administrative expenses	6	<u>(5,642)</u>	<u>(4,736)</u>
<b>Operating (loss) / profit</b>		<b>(6,422)</b>	<b>17,053</b>
Interest receivable and similar income	7	335	151
Exchange gains / (losses)	7	<u>8,221</u>	<u>(2,968)</u>
<b>Profit before taxation</b>		<b>2,134</b>	<b>14,236</b>
Tax on Profit	9	<u>(106)</u>	<u>(2,614)</u>
<b>Profit for the financial year</b>		<b><u>2,028</u></b>	<b><u>11,622</u></b>

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

## **Suncor Energy International Trading Limited**

### **Statement of comprehensive income For the year ended 31 December 2017**

	<b>2017 £000</b>	<b>2016 £000</b>
Profit for the financial year	<b>2,028</b>	11,622
Total comprehensive income for the financial year	<b><u>2,028</u></b>	<u>11,622</u>

# Suncor Energy International Trading Limited

## Balance sheet

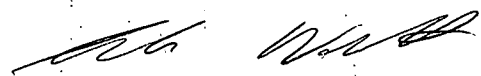
As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Current assets</b>			
Derivative assets	10	3,054	17,205
Deferred income taxes	9	4,638	277
Debtors	11	311,491	945,858
<b>Total Current assets</b>		<u>319,183</u>	<u>963,340</u>
Derivative liabilities	10	(25,854)	(15,344)
Provision for current income tax		(972)	(4,375)
Creditors: amounts falling due within one year	12	(254,516)	(907,808)
<b>Net current assets and net assets</b>		<u>37,841</u>	<u>35,813</u>
<b>Capital and reserves</b>			
Called up share capital	13	14,480	14,480
Profit and loss account		<u>23,361</u>	<u>21,333</u>
<b>Total shareholders' funds</b>		<u>37,841</u>	<u>35,813</u>

Company number 04417114

The financial statements from pages 10 to 25 were approved by the Board of Directors on 18 July 2018.

Signed on behalf of the Board of Directors



C. Watkins  
Director

# Suncor Energy International Trading Limited

## Statement of changes in equity For the year ended 31 December 2017

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2016	14,480	9,711	24,191
Profit for the financial year and total comprehensive income for the year	-	11,622	11,622
Balance at 31 December 2016	14,480	21,333	35,813
Profit for the financial year and total comprehensive income for the year	-	2,028	2,028
Balance at 31 December 2017	14,480	23,361	37,841

# **Suncor Energy International Trading Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2017**

#### **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 2017. The consolidated financial statements of Suncor Energy Inc. are available from:

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

#### **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 exemption**

The company has adopted disclosure exemption as allowed by FRS 101. The exemption covers some (but not all) disclosures in the following standards:

IFRS 7 - Disclosure of financial instruments.

# **Suncor Energy International Trading Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

### **2. Summary of significant accounting policies (continued)**

#### **2.2 Disclosure exemption (continued)**

IFRS 13 - Disclosure relating to fair value measurement.

IAS 1 - Information on capital management.

IAS 7 - A cash flow statement is not required.

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

#### **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 5. The Strategic report also outlines the company's financial risk management policies. 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.

#### **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. Foreign exchange gains and losses are presented in the profit and loss account within 'interest payable and similar charges'.

# Suncor Energy International Trading Limited

## Notes to the financial statements For the year ended 31 December 2017

### 2.5 Financial assets

#### (a) Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The company only holds financial assets at fair value through the profit and loss and loans and receivable financial assets at the balance sheet date.

##### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives are classified as held for trading and are included in this category.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise 'debtors' and 'cash' in the balance sheet.

#### (b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest 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 the effective interest method is recognised in the profit and loss account as part of interest receivable and similar income.

### 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

# **Suncor Energy International Trading Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

### **2.7 Impairment of financial assets (continued)**

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.

### **2.8 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.

### **2.9 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.

### **2.10 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.11 Loans and borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

# **Suncor Energy International Trading Limited**

## **Notes to the financial statements**

### **For the year ended 31 December 2017**

#### **2.12 Current and deferred income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax asset are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.13 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 IAS 39. 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.

#### **2.14 Leases**

Leases in which a significant portion of the risk and rewards of ownership are retained by the Lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the Lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

### **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.

# Suncor Energy International Trading Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 3. Critical accounting estimates and judgements (continued)

##### (a) Income taxes

The company is subject to income taxes in the UK. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

##### (b) Fair value of financial instruments

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

##### (a) *New standards, amendments and interpretations*

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the company.

##### (b) *New standards, amendments and interpretations not yet adopted*

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) IFRS 9, 'Financial instruments', was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, with additional amendments to introduce a new expected loss impairment model for financial assets, including credit losses. The company will retrospectively adopt this standard on the effective date of 1 January 2018. IFRS 9 will replace the multiple classification and measurement models for financial assets that currently exist under IAS 39 'Financial Instruments, and the basis on which financial assets are measured' will determine their classification as either: at amortised cost, fair value through profit and loss, or fair value through other comprehensive income. Therefore, the adoption of this standard will result in a reclassification of financial assets currently classified as loans and receivables to financial assets at amortised cost; however there is no impact to the measurement of these financial assets. There will be no classification or measurement impact to the company's financial liabilities. Therefore, the adoption of this standard will not have any impact on the company's profit.

ii) In May 2014 the IASB issued IFRS 15 'Revenue from contracts with customers'. It replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. The company will retrospectively adopt this standard on the effective date of 1 January 2018. The adoption of this standard will not result in any material adjustments to the financial statements.

# Suncor Energy International Trading Limited

## Notes to the financial statements

### For the year ended 31 December 2017

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

##### (b) New standards, amendments and interpretations not yet adopted (continued)

iii) IFRS 16, 'Leases', in January 2016, the IASB issued IFRS 16 Leases which replaces the existing leasing standard (IAS 17 Leases) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low-value items. The accounting treatment for lessors remains essentially unchanged, with the requirement to classify leases as either finance or operating. The company will adopt IFRS 16 on the effective date of 1 January 2019, and has selected the modified retrospective transition approach. The company will leverage the transition team developed by the company's parent company to assess the impact of IFRS 16 and implement the necessary changes to accounting systems, business processes and internal controls as a result of the new standard; however, it is currently too early to quantify the impacts.

#### 5. Revenue

	2017 £000	2016 £000
Physical Trades	(17,614)	19,509
Physical Mark to Market	(30,790)	3,295
Marketing Revenue	2,291	2,345
Financial Trades	45,333	(3,360)
	<u>(780)</u>	<u>21,789</u>

#### 6. Administrative expenses

	2017 £000	2016 £000
Operating and General Expenses	3,848	2,886
Salary and Benefits	1,625	1,586
Real Estate Leases	152	241
Audit Fees Payable to the company's Auditors	17	23
	<u>5,642</u>	<u>4,736</u>

No directors received any remuneration for their services to the company in 2017 (2016: £nil).

# Suncor Energy International Trading Limited

## Notes to the financial statements For the year ended 31 December 2017

### 7. Interest receivable and similar income /(expenses)

	2017 £000	2016 £000
Bank and other interest receivable and similar income	335	151
Exchange gain / (losses)	8,221	(2,968)
	<u>8,556</u>	<u>(2,817)</u>

### 8. Employee information

The company does not formally employ staff, however there were an average of five management and corporate services employees and one finance employee (2016: four 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.

	2017 £000	2016 £000
Wages and salaries	1,472	1,529
Social security costs	153	109
	<u>1,625</u>	<u>1,638</u>

### 9. Tax on profit

	2017 £000	2016 £000
<b>Current tax:</b>		
Current tax on profits for the year	4,833	7,931
Non-deductible expenses	-	9
Adjustments in respect of previous years	(366)	(3,506)
<b>Total current tax</b>	<u>4,467</u>	<u>4,434</u>
<b>Deferred income taxes:</b>		
Current year	(4,422)	(1,820)
Effect of changes in tax rates	61	-
<b>Total deferred income taxes</b>	<u>(4,361)</u>	<u>(1,820)</u>
<b>Tax per profit and loss account</b>	<u>106</u>	<u>2,614</u>

# Suncor Energy International Trading Limited

## Notes to the financial statements For the year ended 31 December 2017

### 9. Tax on profit (continued)

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

	2017 £000	2016 £000
Profit before taxation – continuing operations	2,134	14,236
Tax on profit at standard UK tax rate of 19.25% (2016: 20.00%)	411	2,847
Effects of:		
Adjustments in respect of previous years	(366)	(253)
Expenses not deductible	-	10
Tax rate changes	61	10
Total tax for the year	106	2,614

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

	2017 £000	2016 £000
<b>Deferred taxation:</b>		
Unrealised hedging losses	4,638	277
Tax losses	-	-
	4,638	277
<b>Movement in deferred tax provision</b>		
Deferred tax provided at January 1	277	(1,542)
Deferred tax credit to income statement	4,361	1,819
Deferred tax credit in other comprehensive income	-	-
<b>Deferred tax asset at December 31</b>	4,638	277

### 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 & accrued income and accruals and deferred income:

	2017 £000	2016 £000
Derivative financial instruments – assets	3,054	17,205
Derivative financial instruments - liabilities	(25,854)	(15,344)

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

# Suncor Energy International Trading Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 10. Financial instruments (continued)

As at December 2017, the outstanding contracts all mature within 12 months of the year end. (2016 contracts mature within 12 months). The balance is made up of a £23,160K payable (2016: £7,629K receivable) in relation to physical forwards and financial derivatives receivable of £360K (2016: £5,768K receivable).

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

	2017 £000	2016 £000
Trade debtors from petroleum sales	106,571	263,874
Amounts due from parent and other group companies	168,082	663,451
VAT	11,705	18,533
Prepayments	25,133	-
	<u>311,491</u>	<u>945,858</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

	2017 £000	2016 £000
Trade creditors	172,720	110,425
Amounts due to parent and other group companies	81,330	794,441
Accruals and deferred income	466	2,942
	<u>254,516</u>	<u>907,808</u>

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

# Suncor Energy International Trading Limited

## Notes to the financial statements

### For the year ended 31 December 2017

#### 13. Called up share capital

	2017 £000	2016 £000
<b>Authorised</b>		
1,000,000,000 ordinary shares of \$1 each (2016: 1,000,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
<b>Called up, allotted and payable on demand:</b>		
23,351,096 ordinary share of US\$1 each (2016: 23,351,096)	<u>14,480</u>	<u>14,480</u>

#### 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 2017 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.