

Company Registration No. 05646983 (England and Wales)

SONATRACH GAS MARKETING UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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SONATRACH GAS MARKETING UK LIMITED

COMPANY INFORMATION

Directors	Mr M Bouadi Mr A Zerrouki
Secretary	Mr M Amer Ali
Company number	05646983
Registered office	5th Floor Panton House 25-26 Haymarket London SW1Y 4EN
Auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Bankers	HSBC Bank plc 94 Kensington High Street London W8 4SJ
Solicitors	Bracewell & Giuliani (UK) LLP 1 Cornhill London EC3V 3ND

SONATRACH GAS MARKETING UK LIMITED

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SONATRACH GAS MARKETING UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report for the year ended 31 December 2016.

Review of the business

In June 2006 the company signed a gas purchase and sale agreement with its parent company, Sonatrach SpA, who own the long term capacity rights at the Isle of Grain LNG import terminal in the UK.

In July 2006, the company was granted a Shipper license under Gas Act 1986 and started trading gas.

Effective 1 January 2009, Sonatrach SpA assigned its capacity rights at the Isle of Grain terminal to the company, pursuant to a new Master Agreement and the Berthing Slot Reservation Agreement, both of which were executed on 30 December 2008. These agreements allow the company to buy LNG instead of natural gas from Sonatrach SpA and develop purchases from other suppliers (ex-ship and from tank). The total volumes of LNG delivered by Sonatrach SpA to the company during the year ended 31 December 2016 was 62 million therms (gas) (2015: 79 million therms). This gas was sold in the UK wholesale gas market in addition to 290 million therms (2015: 228 million therms) delivered by other suppliers.

During 2016, initial pipeline transportation contracts were assigned from Sonatrach Gas Italia SpA to the company. The contracts entered into with Trans Tunisian Pipeline Company Ltd ("TTPC"), Transmed SpA ("TRANSMED") and Snam Rete Gas SpA ("SNAM") are for provision of the company's capacity to transport natural gas from Algeria to Italy through the TTPC, TRANSMED and SNAM's pipeline systems. During the year, the company has also entered into contracts to sublet excess capacity in order to generate income.

Future developments

The Directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They believe that the company is in good position to take advantage of any opportunities which may arise in the future.

As a result of the assignments of the regasification and transportation capacities, the company aim to optimize their use by developing relations with other LNG suppliers in order to import more LNG from different sources and the sublease of the excess capacities.

The company aim also to continue to identify and pursue trading opportunities.

Principal risks and uncertainties

In the ordinary course of business, the company manages a variety of risks, including market price risk, liquidity risk and foreign currency risk. The company has implemented strict policies and procedures to manage and monitor these risks.

Market risk

In connection with its trading and marketing activities, the company is exposed to market risk. The fluctuations in the gas prices which directly impacts the gross margin are managed through the use of hedging and trading contracts on daily basis and also by exploiting its regasification and pipeline transportation capacities to capture market opportunities.

Liquidity risk

Liquidity risk is the risk that company will not be able to meet its obligations in due time. The company has in place Sonatrach Group short term credit facility to enable it to fully meet its commitments.

Foreign currency risk

As part of its activities on the Italian market, the transactions on this market are denominated in euros and dollars. To mitigate the exposures to the foreign exchange risk, the company holds accounts in corresponding foreign currencies.

In the uncertain general economic conditions in the UK and globally, the company monitors closely its principle risks and continually reviews its policies and procedures to mitigate these risks accordingly.

SONATRACH GAS MARKETING UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company, with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice made be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil on average (2015: nil on average).

Key performance indicators

The company's key financial and other performance indicators during the year were as follows:

	2016	2015	% change
Volume of sales (therms)	374,667,000	280,080,000	34
Operating profit (£)	5,565,933	3,299,268	69

Volume of sales of natural gas increased by 34%. In 2016, 2 cargoes were delivered by suppliers, of which 2 cargoes came from Sonatrach SpA, compared to 3 cargoes delivered in 2015, of which 3 came from Sonatrach SpA.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position and its risk management objectives are described on pages 1 & 2.

In addition to the contractual arrangements in place, under which berthing slots and pipeline transportation capacity are reserved for Sonatrach SpA, the company has concluded medium term agreements with potential suppliers for optional cargo deliveries and sublease agreements with other companies for the excess transportation capacity. Where berthing slots are not being used, the company is able to monetise such capacity through transactions with selected third parties either through the use of tolling arrangements or LNG cargo purchases with matching onward sales into the wholesale gas market.

Moreover the company has no significant long term liabilities and has a short term £80m credit facility available from another member of the Group, Sonatrach International Holding Corporation.

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 accounts

On behalf of the board

.....
Mr M Bouadi
Director
.....



SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activities of the company during the year are to buy LNG ex-ship and in tank and to engage in proprietary trading in natural gas and to carry on business of suppliers and the transportation capacity of natural gas.

Fair review of the business

The Director's Report does not include a fair review of the business, details of the risks and uncertainties and future developments as this is included in the Strategic Report on pages 1 and 2.

Risk management

The creditworthiness for all counterparties is subject to continuous review.

The company reviews the collectability of receivables on a regular basis. The company believes that the credit risk inherent in the ultimate settlement of the transactions outstanding at the period end will not have a material effect on the company's financial position.

The company operates in a market with price volatility. The capacity rights held at the Isle of Grain enables the company to capture value from this volatility and, at times of high prices in the UK, attract further LNG supply from Sonatrach SpA or from other third parties.

Regular reviews of the company's exposure to the market is communicated to management, and this exposure is managed daily by the trading team.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Bouadi
Mr A Zerrouki

Results and dividends

The results for the year are set out on page 8.

The profit for the year, after taxation, amounted to £3,818,824 (2015: £2,664,648). No dividend was paid during 2016 and no dividend is proposed.

SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Auditor

The Auditors, Saffery Champness, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

.....
Mr M Bouadi
Director
.....

A handwritten signature in black ink, consisting of a large loop at the top, followed by a series of smaller loops and a long horizontal stroke at the bottom.

SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

SONATRACH GAS MARKETING UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATRACH GAS MARKETING UK LIMITED

We have audited the financial statements of Sonatrach Gas Marketing UK Limited for the year ended 31 December 2016 set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

SONATRACH GAS MARKETING UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SONATRACH GAS MARKETING UK LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Saffery Champness LLP

Richard Collis (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

22/6/2017

Chartered Accountants
Statutory Auditor

71 Queen Victoria Street
London
EC4V 4BE

SONATRACH GAS MARKETING UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	135,336,061	140,936,868
Cost of sales		(132,277,770)	(139,269,123)
Gross profit		3,058,291	1,667,745
Distribution costs		(80,432,543)	(43,299,592)
Administrative expenses		(2,152,282)	(2,085,137)
Other operating income		88,417,098	47,016,252
Legal dispute	4	(3,324,631)	-
Operating profit	5	5,565,933	3,299,268
Interest receivable and similar income	8	50,519	89,329
Interest payable and similar charges	9	(800,518)	(2,024)
Profit before taxation		4,815,934	3,386,573
Taxation	10	(997,110)	(721,925)
Profit for the financial year		3,818,824	2,664,648

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SONATRACH GAS MARKETING UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	11		1,286		1,204
Current assets					
Stocks	12	4,550,512		15,844,908	
Debtors	13	28,942,318		18,164,337	
Cash at bank and in hand		36,858,567		29,137,242	
		<u>70,351,397</u>		<u>63,146,487</u>	
Creditors: amounts falling due within one year	14	<u>(8,496,909)</u>		<u>(5,095,206)</u>	
Net current assets			61,854,488		58,051,281
Total assets less current liabilities			61,855,774		58,052,485
Provisions for liabilities	16		(128,441)		(143,976)
Net assets			<u>61,727,333</u>		<u>57,908,509</u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss reserves			61,726,333		57,907,509
Total equity			<u>61,727,333</u>		<u>57,908,509</u>

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:

.....
Mr M Bouadi
Director

Company Registration No. 05646983

SONATRACH GAS MARKETING UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2015	1,000	55,242,861	55,243,861
Year ended 31 December 2015:			
Profit and total comprehensive income for the year	-	2,664,648	2,664,648
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	1,000	57,907,509	57,908,509
Year ended 31 December 2016:			
Profit and total comprehensive income for the year	-	3,818,824	3,818,824
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	1,000	61,726,333	61,727,333
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SONATRACH GAS MARKETING UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	22	9,213,349		23,288,235	
Interest paid		(800,518)		(2,024)	
Income taxes paid		(740,726)		(817,265)	
Net cash inflow from operating activities		7,672,105		22,468,946	
Investing activities					
Purchase of tangible fixed assets		(1,299)		(271)	
Interest received		50,519		89,329	
Net cash generated from investing activities		49,220		89,058	
Net increase in cash and cash equivalents		7,721,325		22,558,004	
Cash and cash equivalents at beginning of year		29,137,242		6,579,238	
Cash and cash equivalents at end of year		36,858,567		29,137,242	

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Sonatrach Gas Marketing UK Limited is a company limited by shares incorporated in England and Wales. The registered office is 5th Floor, Panton House, 25-26 Haymarket, London, SW1Y 4EN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost less depreciation.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	4 years
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Stocks

Stock comprises LNG held at the Isle of Grain storage facility. It is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.7 Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 Financial liabilities

Basic financial liabilities, including trade creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events have occurred at that date that will result in an obligation to pay more, or a right to receive less tax. Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates and laws enacted at the balance sheet date.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Sales of LNG	135,336,061	140,936,868
Other significant revenue		
Interest income	50,519	89,329
Other operating income	88,417,098	47,016,252

Other operating income comprises:

- recharge of regasification costs, entry capacity charges, agency fees and port authority charges to the parent company, Sonatrach SpA; and
- TSQ service fees
- recharge of transportation costs to the parent company, Sonatrach SpA

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	133,433,661	140,936,868
Germany	1,902,400	-
	135,336,061	140,936,868

4 Legal dispute

	2016 £	2015 £
Legal dispute	3,324,631	-

Costs are in relation to a nitrogen dispute settled in the current year via court order. Additional costs incurred by Sonatrach Gas Marketing UK Limited in relation to this dispute includes an amount of £1,300,941 for legal and professional fees and interest payable of £798,717. The company recharged a total of £3,194,770 to Sonatrach SpA in the year.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

5 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(807,335)	1,277
Fees payable to the company's auditors for the audit of the company's financial statements	16,250	15,500
Depreciation of owned tangible fixed assets	1,217	2,301
Cost of stocks recognised as an expense	132,277,770	139,269,123
Operating lease charges	151,899	108,513
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Number of staff	7	7
	<u> </u>	<u> </u>
	7	7
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	784,427	657,590
Social security costs	94,053	82,565
Pension costs	16,102	16,811
	<u> </u>	<u> </u>
	894,582	756,966
	<u> </u>	<u> </u>

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	181,027	100,467
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	50,519	89,329
	<u> </u>	<u> </u>

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

8 Interest receivable and similar income

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	50,519	89,329
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9 Interest payable and similar charges

2016	2015
£	£

Interest on financial liabilities measured at amortised cost:

Other interest payable	800,518	2,024
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Included in interest payable is amount of £798,717 which was payable following a court order. Note 4 to the financial statements outlines additional costs incurred by Sonatrach Gas Marketing UK Limited in relation to this dispute.

10 Taxation

2016	2015
£	£

Current tax

UK corporation tax on profits for the current period	1,002,140	677,047
Adjustments in respect of prior periods	10,505	29,088

Total current tax	1,012,645	706,135
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Deferred tax

Other adjustments	(15,535)	15,790
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Total tax charge	997,110	721,925
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SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	4,815,934	3,386,573
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	963,187	685,781
Tax effect of expenses that are not deductible in determining taxable profit	398	704
Tax effect of income not taxable in determining taxable profit	-	(66,155)
Adjustments in respect of prior years	10,505	29,088
Permanent capital allowances in excess of depreciation	(1,972)	(2,004)
Cushion gas movement	40,527	58,721
Movement of deferred tax	(15,535)	15,790
Tax expense for the year	997,110	721,925

11 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 January 2016	203,551
Additions	1,299
At 31 December 2016	204,850
Depreciation and impairment	
At 1 January 2016	202,347
Depreciation charged in the year	1,217
At 31 December 2016	203,564
Carrying amount	
At 31 December 2016	1,286
At 31 December 2015	1,204

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

12 Stocks	2016 £	2015 £
Commercial	2,851,093	13,835,480
TSQ	841,367	888,669
Talon/Heel	858,052	1,120,759
	<u>4,550,512</u>	<u>15,844,908</u>

Stock 'Talon/Heel' and stock 'TSQ' amounting to £1,699,419 (2015: £2,009,428) represent the volume of LNG required to stay in tanks during all the life of the company.

13 Debtors	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	3,196,325	3,761,477
Amount due from parent undertaking	22,755,064	11,528,722
Other debtors	2,607,311	2,809,306
Prepayments and accrued income	383,618	64,832
	<u>28,942,318</u>	<u>18,164,337</u>

Included in trade debtors is an amount for £2,893,261 (2015: £3,493,332) owing to Sonatrach Gas Marketing UK Limited from Hartree Partners LP. This figure is shown net of amounts payable to Hartree Partners LP in accordance with an agreement in which debts are settled on a net basis.

14 Creditors: amounts falling due within one year	2016 £	2015 £
Trade creditors	13,470	15,695
Corporation tax payable	746,466	474,547
Other taxation and social security	18,785	32,036
Other creditors	1,818	1,373
Accruals and deferred income	7,716,370	4,571,555
	<u>8,496,909</u>	<u>5,095,206</u>

15 Deferred taxation	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Accelerated capital allowances	<u>128,441</u>	<u>143,976</u>

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Deferred taxation		(Continued)	
			2016
			£
Movements in the year:			
Liability at 1 January 2016			143,976
Credit to profit and loss			(15,535)
Liability at 31 December 2016			128,441
16 Provisions for liabilities		2016	2015
		£	£
Deferred tax liabilities	15	128,441	143,976
		128,441	143,976
17 Ordinary share capital		2016	2015
		£	£
Authorised, issued and fully paid			
1,000 Ordinary shares of £1 each		1,000	1,000
Ordinary shares carry rights to dividends and to vote in accordance with the articles of association of the company and the companies law applicable to private limited companies.			
18 Retirement benefit schemes		2016	2015
		£	£
Defined contribution schemes			
Charge to profit or loss in respect of defined contribution schemes		16,102	16,811

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 Operating lease commitments

At the reporting end date the company had outstanding commitments the following payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	231,000	135,240
Between two and five years	924,000	540,960
In over five years	962,500	743,820
	<u>2,117,500</u>	<u>1,420,020</u>

20 Related party transactions

The company has not disclosed transactions with group companies in accordance with the exemption contained within FRS 102 Section 33 "Related Party Transactions".

21 Controlling party

The smallest group of which the company is a member for which consolidated financial statements are prepared is that of Sonatrach Petroleum Investment Corporation ("SPIC"). Copies of SPIC consolidated financial statements can be requested by application to the registered office of the company. The registered office of SPIC is at Laan van Meerdervoort, 51-2517 AE, The Hague, The Netherlands.

The company's ultimate parent undertaking is Sonatrach SpA, a company registered in Algeria. This is the largest group for which consolidated financial statements are prepared. Copies of the consolidated financial statements of Sonatrach SpA can be requested by application to the registered office of the company, Djenane El Malik, Hydra, Algiers, Algeria.

The ultimate controlling party is the Algerian government.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

22 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	3,818,824	2,664,648
Adjustments for:		
Taxation charged	997,110	721,925
Finance costs	800,518	2,024
Investment income	(50,519)	(89,329)
Depreciation and impairment of tangible fixed assets	1,217	2,301
Movements in working capital:		
Decrease/(increase) in stocks	11,294,396	(8,379,030)
(Increase)/decrease in debtors	(10,777,982)	28,604,082
Increase/(decrease) in creditors	3,129,785	(238,386)
Cash generated from operations	<u>9,213,349</u>	<u>23,288,235</u>