

Company Registration No. 05646983 (England and Wales)

SONATRACH GAS MARKETING UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

SONATRACH GAS MARKETING UK LIMITED

COMPANY INFORMATION

Directors	Mr A Zerrouki Mrs N Benhamida Mr R Zerdani	(Appointed 13 April 2020) (Appointed 13 April 2020)
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Secretary	Mr M Amer-Ali
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Company number	05646983
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Registered office	5th Floor Panton House 25-26 Haymarket London SW1Y 4EN
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Auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
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Bankers	Societe Generale SG House 41 Tower Hill London United Kingdom EC3N 4SG
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Solicitors	Bracewell (UK) LLP Tower 42 25 Old Broad Street London EC2N 1HQ Addleshaw Goddard LLP 3 Sovereign Square Sovereign Street Leeds LS1 4ER
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SONATRACH GAS MARKETING UK LIMITED

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SONATRACH GAS MARKETING UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Review of the business

In June 2006, the company signed a gas purchase and sale agreement with its ultimate 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 the 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 2020 was 17 million therms (gas) (2019: 345 million therms). This gas was sold in the UK wholesale gas market in addition to 404 million therms (2019: 537 million therms) delivered by other suppliers.

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 capacities, the company aims to optimise their use by developing relations with other LNG suppliers in order to import more LNG from different sources.

The company also aims 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 using hedging and trading contracts on daily basis and by exploiting its regasification capacities to capture market opportunities. The company monitors legislative and regulatory changes to help identify trends in the market and mitigate any adverse impacts.

Liquidity/cash flow 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, certain transactions are denominated in euros and dollars. To mitigate the exposures to foreign exchange risk, the company holds accounts in corresponding foreign currencies.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the Confederation of British Industry's (CBI) 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 may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil on average (2019: nil on average).

SONATRACH GAS MARKETING UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators

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

	2020	2019	% change
Volume of sales (therms)	425,761,000	875,834,000	(51)
Operating profit (£)	6,403,445	4,176,191	53

Volume of sales of natural gas decreased by 51%. In 2020, 2 cargoes were delivered by suppliers, of which 1 cargo came from Sonatrach SpA, compared to 12 cargoes delivered in 2019, of which 11 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 are reserved for Sonatrach SpA, the company has concluded medium term agreements with potential suppliers for optional cargo deliveries. Where berthing slots are not being used, the company is able to monetise such capacity through transactions with selected third parties either using 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 R Zerdani
Director
31 May 2021

SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activities of the company during the year were to engage in proprietary trading of natural gas, and to purchase and supply of LNG in ex-ship and tank.

Fair review of the business

The Directors' 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.

Information on exposure to market risk, liquidity/cash flow risk and foreign currency risk have been discussed in the Strategic Report on page 1.

Directors

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

Mr A Zerrouki	
Mrs N Benhamida	(Appointed 13 April 2020)
Mr R Zerdani	(Appointed 13 April 2020)
Mr M Bouadi	(Resigned 13 April 2020)

Results and dividends

The results for the year are set out on page 10.

The profit for the year, after taxation, amounted to £5,268,652 (2019: £3,321,159). No dividend was paid during 2020 and no dividend is proposed.

SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

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.

Streamlined Energy and Carbon Reporting (SECR)

Sonatrach Gas Marketing UK Limited Greenhouse gas emissions and energy use data for the period from 1st January 2020 to 31st December 2020;

	FY 2020
Energy consumption used to calculate emissions (kWh)	40,446
Energy consumption break down (kWh)	
• Natural Gas	21,808
• Electricity	18,638
Scope 1 emissions in metric tonnes CO ₂ e	
Natural Gas	4.01
Scope 2 emissions in metric tonnes CO ₂ e	
Purchased electricity	4.72
Total gross emissions in metric tonnes CO ₂ e	8.73
Intensity ratio (KgsCO ₂ e/M2)	28.47

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in Kgs CO₂e per M2 occupied office space for the financial period.

Measures taken to improve energy efficiency

Sonatrach Gas Marketing UK Limited continues to strive for energy and carbon reduction arising from their activities, the office staff conducted a full check on all equipment when in lockdown to ensure usage was kept to a minimum.

Materiality

Sonatrach Gas Marketing UK Limited has, to the best of its knowledge, included 100% of all energy sources within this report.

No estimates have been used in this report.

Mr R Zerdani

Director

31 May 2021

SONATRACH GAS MARKETING UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Opinion

We have audited the financial statements of Sonatrach Gas Marketing UK Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

SONATRACH GAS MARKETING UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SONATRACH GAS MARKETING UK LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year 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.

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 or the Directors' Report.

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

SONATRACH GAS MARKETING UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SONATRACH GAS MARKETING UK LIMITED

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, The Bribery Act 2010 and UK Tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the operating aspects of the business or to avoid a material penalty. These included the Office of Gas and Electricity Markets (Ofgem).

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

SONATRACH GAS MARKETING UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SONATRACH GAS MARKETING UK LIMITED

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.

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

7 June 2021

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 2020

	Notes	2020 £	2019 £
Turnover	3	137,732,421	361,025,689
Cost of sales		(130,301,863)	(352,199,779)
Gross profit		7,430,558	8,825,910
Distribution costs		(41,484,741)	(66,180,296)
Administrative expenses		(1,186,785)	(2,333,910)
Other operating income		41,644,413	63,864,487
Operating profit	4	6,403,445	4,176,191
Interest receivable and similar income	8	111,401	101,820
Interest payable and similar expenses	9	(2,330)	(1,282)
Profit before taxation		6,512,516	4,276,729
Taxation	10	(1,243,864)	(955,570)
Profit for the financial year		5,268,652	3,321,159

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 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11		6,672		9,264
Current assets					
Stocks	12	12,858,971		15,042,743	
Debtors	13	26,696,111		13,145,210	
Cash at bank and in hand		39,473,170		46,302,133	
		<u>79,028,252</u>		<u>74,490,086</u>	
Creditors: amounts falling due within one year	14	<u>(4,005,475)</u>		<u>(4,745,098)</u>	
Net current assets			<u>75,022,777</u>		<u>69,744,988</u>
Total assets less current liabilities			<u>75,029,449</u>		<u>69,754,252</u>
Provisions for liabilities	16		<u>(184,459)</u>		<u>(177,914)</u>
Net assets			<u><u>74,844,990</u></u>		<u><u>69,576,338</u></u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss reserves			<u>74,843,990</u>		<u>69,575,338</u>
Total equity			<u><u>74,844,990</u></u>		<u><u>69,576,338</u></u>

The financial statements were approved by the board of directors and authorised for issue on 31 May 2021 and are signed on its behalf by:

Mr R Zerdani
Director

Company Registration No. 05646983

SONATRACH GAS MARKETING UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2019	1,000	66,254,179	66,255,179
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	3,321,159	3,321,159
Balance at 31 December 2019	1,000	69,575,338	69,576,338
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	5,268,652	5,268,652
Balance at 31 December 2020	1,000	74,843,990	74,844,990

SONATRACH GAS MARKETING UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22				
		(4,867,351)		14,790,100	
Interest paid		(2,330)		(1,282)	
Income taxes paid		(2,069,281)		(634,408)	
Net cash (outflow)/inflow from operating activities					
		(6,938,962)		14,154,410	
Investing activities					
Purchase of tangible fixed assets		(1,402)		(8,919)	
Interest received		111,401		101,820	
Net cash generated from investing activities			109,999		92,901
Net (decrease)/increase in cash and cash equivalents			(6,828,963)		14,247,311
Cash and cash equivalents at beginning of year			46,302,133		32,054,822
Cash and cash equivalents at end of year			39,473,170		46,302,133

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Sonatrach Gas Marketing UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5th Floor, Pantou 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

Assessment of the company's ability to continue as a going concern includes an assessment of the future economic environment as well as the company's future prospects and performance. The company has considerable financial resources together with medium/long term contracts with its ultimate parent Sonatrach SpA and with a number of customers and suppliers across different geographic areas. Thus, the directors continue to adopt the going concern basis of accounting in preparing these 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 Other income and distribution costs

Other income is recognised at the fair value of the consideration received for services provided in the normal course of business and is shown net of VAT and other sales related taxes. Other income from the provision of services is recognised when the significant risks and rewards have passed to the buyer, the amount can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Distribution costs are recognised at the fair value of the consideration for the services provided. These costs typically relate to the costs associated with the regasification of the company's stock. These costs are then recharged in full to the parent company and recognised as other income.

1.5 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.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.6 Stocks

Stock comprises LNG held at the Isle of Grain storage facility. Cost is determined by the first-in-first-out method. Supplies are valued at the lower of cost on a weighted average basis 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.

1.7 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.

1.8 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 balance sheet 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.

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.9 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

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

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.

1.11 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.

1.12 Retirement benefits

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

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

1.14 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 in the period are included in profit or loss.

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.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover		
Sales of LNG	137,732,421	361,025,689
Other significant revenue		
Interest income	111,401	101,820
Other operating income	41,644,413	63,864,487

Other operating income comprises:

- recharge of regasification costs, entry capacity charges, entry commodity costs and agency fees to the ultimate parent company, Sonatrach SpA
- optimisation of the utilisation of regasification capacity

Turnover analysed by geographical market

	2020 £	2019 £
United Kingdom	137,732,421	361,025,689
	137,732,421	361,025,689

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

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

	2020 Number	2019 Number
Number of staff	6	6
	6	6

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	779,735	747,652
Social security costs	98,139	94,632
Pension costs	13,673	13,187
	891,547	855,471

6 Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	432,051	399,734

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	1,457	1,590

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	111,401	101,820
Interest income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	111,401	101,820

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Other finance costs:		
Other interest	2,330	1,282
	<u>2,330</u>	<u>1,282</u>

10 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	1,235,530	922,766
Adjustments in respect of prior periods	1,789	4,356
	<u>1,237,319</u>	<u>927,122</u>
Total current tax	1,237,319	927,122
	<u>1,237,319</u>	<u>927,122</u>
Deferred tax		
Accelerated capital allowances	6,545	28,448
	<u>6,545</u>	<u>28,448</u>
Total tax charge	1,243,864	955,570
	<u>1,243,864</u>	<u>955,570</u>

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

	2020	2019
	£	£
Profit before taxation	6,512,516	4,276,729
	<u>6,512,516</u>	<u>4,276,729</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	1,237,378	812,579
Tax effect of expenses that are not deductible in determining taxable profit	2,441	1,526
Adjustments in respect of prior years	1,789	4,356
Permanent capital allowances in excess of depreciation	(348)	(1,965)
Cushion gas movement	(3,941)	110,626
Movement of deferred tax	6,545	28,448
	<u>1,243,864</u>	<u>955,570</u>
Taxation charge for the year	1,243,864	955,570
	<u>1,243,864</u>	<u>955,570</u>

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tangible fixed assets

Fixtures, fittings & equipment

	£
Cost	
At 1 January 2020	217,412
Additions	1,402
Disposals	(7,971)
At 31 December 2020	210,843
Depreciation and impairment	
At 1 January 2020	208,148
Depreciation charged in the year	3,994
Eliminated in respect of disposals	(7,971)
At 31 December 2020	204,171
Carrying amount	
At 31 December 2020	6,672
At 31 December 2019	9,264

12 Stocks

	2020 £	2019 £
Commercial	11,802,447	13,974,159
Talon/Heel	1,056,524	1,068,584
	12,858,971	15,042,743

Stock 'Talon/Heel' amounting to £1,056,524 (2019: £1,068,584) represent the volume of LNG required to stay in tanks during all the life of the company.

13 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	8,761,780	11,731,321
Corporation tax recoverable	77,371	-
Amount due from parent undertaking	17,087,473	577,130
Other debtors	633,537	750,413
Prepayments and accrued income	135,950	86,346
	26,696,111	13,145,210

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Debtors

(Continued)

Included in trade debtors is an amount for £8,761,780 (2019: £11,731,097) owing to Sonatrach Gas Marketing UK Limited from Hartree Partners Power & Gas Company (UK) Limited. This figure is shown net of amounts payable to Hartree Partners Power & Gas Company (UK) Limited in accordance with an agreement in which debts are settled on a net basis.

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	62,688	244,132
Corporation tax	-	754,591
Other taxation and social security	27,228	13,500
Other creditors	635	1,854
Accruals and deferred income	3,914,924	3,731,021
	<u>4,005,475</u>	<u>4,745,098</u>

15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	<u>184,459</u>	<u>177,914</u>
Movements in the year:		2020 £
Liability at 1 January 2020		177,914
Charge to profit or loss		<u>6,545</u>
Liability at 31 December 2020		<u>184,459</u>

16 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	15	<u>184,459</u>	<u>177,914</u>

SONATRACH GAS MARKETING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Ordinary share capital

	2020	2019
	£	£
Authorised, issued and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>

Ordinary shares carry rights to dividends and to vote in accordance with the articles of association of the company and the Companies Act 2006.

18 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	13,673	13,187
	<u> </u>	<u> </u>

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 2020

19 Operating lease commitments

At the reporting end date, the company had outstanding commitments under non-cancellable operating leases on office (land and buildings), which fall due as follows:

	2020 £	2019 £
Within one year	231,000	231,000
Between two and five years	924,000	924,000
In over five years	38,500	269,500
	<u>1,193,500</u>	<u>1,424,500</u>

20 Related party transactions

During the year, the company was charged £nil (2019: £7,865,338) by Transmed SpA, which is jointly controlled by Sonatrach SpA, the company's ultimate parent undertaking. Contract with Transmed SpA expired on 30 September 2019.

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

21 Ultimate 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 Herengracht 540, 1017 CG Amsterdam, 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 at 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 2020

22 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	5,268,652	3,321,159
Adjustments for:		
Taxation charged	1,243,864	955,570
Finance costs	2,330	1,282
Interest income	(111,401)	(101,820)
Depreciation and impairment of tangible fixed assets	3,994	3,968
Movements in working capital:		
Decrease in stocks	2,183,772	7,380,592
(Increase)/decrease in debtors	(13,473,530)	5,351,329
Increase/(decrease) in creditors	14,968	(2,121,980)
Cash (absorbed by)/generated from operations	(4,867,351)	14,790,100

23 Analysis of changes in net funds

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	46,302,133	(6,828,963)	39,473,170

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.