

RBS Sempra Commodities LLP
Annual report and consolidated financial statements
For the year ended 31 December 2020

Registered number: SO301514

RBS Gogarburn
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RBS Sempra Commodities LLP

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RBS Sempra Commodities LLP Members' report

The Members present the annual report and consolidated financial statements of RBS Sempra Commodities LLP (the Partnership or RBSSC) and its subsidiary companies (collectively referred to as the Group), for the year ended 31 December 2020. RBSSC is a partnership formed in the United Kingdom under the Limited Liability Partnership Act 2000.

Sempra Commodities Inc. and Sempra Energy International Holdings N.V. (collectively referred to as Sempra) and NatWest Markets Plc (formerly known as The Royal Bank of Scotland plc, referred to as NWM) (collectively, the Members) entered into a Master Formation and Equity Interest Purchase Agreement to form the Partnership to purchase and operate Sempra's commodity trading and marketing businesses. During 2010, the majority of the Group's operations were divested. See the more detailed discussion in the business review section below.

Principal activities

The Group's primary purpose is to continue to execute its plan to divest its remaining assets, settle its residual liabilities, and to liquidate the Group. This includes the continued sale or write-off of the remaining assets, the continued settlement of the residual obligations, the disposition of the Group's residual commitments and the final resolution of capital accounts with the Members. The liquidation process, as more fully discussed in the business review section below is ongoing. Previously, the Group was engaged in physical and financial derivative trading and marketing activities in natural gas, electricity, petroleum, petroleum products, base metals and other commodities.

The subsidiary undertakings principally affecting the losses or net liabilities of the Group in the period are listed in the notes to the Partnership's separate financial statements.

Business review and results

During 2020, the Group has continued to execute its liquidation plan. It has continued to divest itself of its residual assets and to settle its residual obligations. The Group has not yet been liquidated in its entirety due to certain ongoing commitments. These include primarily its lease commitments, tax and legal matters and certain residual obligations related to its exit activities.

For the years ended 31 December 2020 and 2019 the Group reported an after tax loss of \$7.5 million and \$124 million, respectively. From 1 January 2020 the net liabilities of the Group increased from \$116 million to \$124 million as at 31 December 2020.

The Group is governed by a board of seven directors, three appointed by Sempra and four by NWM, acting on behalf of the Designated Members (as defined below). The board's responsibilities include overseeing the continuation of the orderly wind down of the Group's operations.

Future prospects

The Group does not expect to incur any significant operating costs or receive any significant income on its residual activities throughout the liquidation period. The Group evaluates on a regular basis the assumptions, judgments and estimates that can have an impact on the reported assets and liabilities based on the most recent information available, and where necessary make changes accordingly. The Group expects to receive contributions from the Members to meet the requirements of the Group or upon liquidation.

Principal risks and uncertainties

The principal risk and uncertainty facing the Group relates to its ability to settle its residual obligations in a timely and orderly manner in connection with the liquidation of the business. These obligations include its lease commitments as well as certain outstanding tax and legal matters.

RBS Sempra Commodities LLP Members' report (continued)

Designated Members

The Designated Members (as defined in the Limited Liability Partnerships Act 2000), who served throughout the year were as follows:

Sempra Commodities, Inc.
Sempra Energy International Holdings N.V.
NatWest Markets Plc.

Members' drawings and the subscription and repayment of Members' capital

All Members share in the profits and losses and have subscribed to the capital of RBSSC. The profits and losses are allocated to the Members in accordance with the provisions of the various Partnership agreements. The allocated profits are periodically distributed to the Members upon approval by the Board of Directors of the Group. A Member cannot request repayment of their capital other than on liquidation. The rate of capital subscription is determined from time to time depending on the financing requirements of the business.

Other than going concern basis

Following the Members' decision to divest their interests in the Group, and the subsequent disposal activities, the Members have prepared the financial statements of the Group and the Partnership on a basis other than that of a going concern. As a result of this decision, the assets and liabilities have been recorded at estimated exit price value and their estimated settlement amounts, respectively. These activities are more fully discussed above and in the notes.



A. Trebing

Director, on behalf of the Members

RBS Gogarburn
175 Glasgow Road
Edinburgh
EH12 1HQ
23 April 2021

RBS Sempra Commodities LLP

Statement of Members' responsibilities

The Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law, regulations and applicable accounting standards.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006, as applicable to limited liability partnerships.

IAS 1 – 'Presentation of Financial Statements' (IAS1) requires that financial statements present fairly for each financial year the entity's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures in accordance with the applicable IFRSs to enable users to obtain a better understanding of the impact of events and transactions on the entity's financial position, results of operations and cash flows as at the reporting date; and
- make an assessment of going concern.

The Members are responsible for keeping adequate accounting records that support the financial statements of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Board of Directors of the Group on behalf of the Members.

RBS Sempra Commodities LLP
Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 \$000	Year ended 31 December 2019 \$000
Net revenue/(loss)		667	(59)
Administrative expense		(53)	(10)
Interest expense		(2,528)	
Other expense	4	(3,246)	(124,313)
Total expenses		<u>(5,827)</u>	<u>(124,323)</u>
Loss before tax		<u>(5,160)</u>	<u>(124,382)</u>
Tax provision	5	(2,367)	-
Loss for the financial year and total comprehensive loss for the year attributable to the Members		<u><u>(7,527)</u></u>	<u><u>(124,382)</u></u>

The loss results from discontinued operations.

RBS Sempra Commodities LLP
Consolidated balance sheet
As at 31 December 2020

	Note	2020 \$000	2019 \$000
Assets			
Cash		31,445	26,291
Derivatives		2,417	35
Receivables from affiliates	9	4	-
Finance lease receivables	8	3,445	4,342
Total assets		37,311	30,668
Liabilities			
Tax payable		13,106	7,474
Payables to affiliates	9	-	17
Obligations under leases	8	3,445	4,342
Other liabilities		144,576	135,124
Total liabilities		161,127	146,957
Members' capital		290,539	290,539
Retained deficit		(414,355)	(406,828)
Total Members' capital		(123,816)	(116,289)
Total liabilities and Members' capital		37,311	30,668

For the financial year ending 31 December 2020 Limited Liability Partnership was entitled to exemption from audit, under section 477 of the Companies Act 2006 (as applied by Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) relating to small LLP's. These accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime. The Members acknowledge their responsibility for complying with the requirements of the Companies Act 2006 (as applied to limited liability partnerships) with respect to accounting records and the preparation of accounts.

The financial statements of RBS Sempra Commodities LLP, Registered Number SO301514, were approved by the Members and authorised for issue on 23 April 2021. They were signed on their behalf by:



A Trebing
Director, on behalf of the Members

RBS Sempra Commodities LLP
Consolidated statement of changes in Members' capital
For the year ended 31 December 2020

	Members' capital \$000	Retained deficit \$000	Total \$000
Balance at 1 January 2019	290,539	(282,446)	8,093
Loss for the financial year and total comprehensive loss for the year attributable to the Members	<u>—</u>	<u>(124,382)</u>	<u>(124,382)</u>
Balance at 31 December 2019	290,539	(406,828)	(116,289)
Loss for the financial year and total comprehensive loss for the year attributable to the Members	<u>—</u>	<u>(7,527)</u>	<u>(7,527)</u>
Balance at 31 December 2020	<u><u>290,539</u></u>	<u><u>(414,355)</u></u>	<u><u>(123,816)</u></u>

RBS Sempra Commodities LLP
Consolidated cash flow statement
For the year ended 31 December 2020

	Year ended 31 December 2020 \$000	Year ended 31 December 2019 \$000
Operating activities		
Net Loss	(7,527)	(124,382)
Changes in operating assets and liabilities		
Derivative assets	(2,382)	1,601
Receivables from affiliates	(4)	21,098
Derivative liabilities	-	(1,104)
Payables to affiliates	(17)	(91)
Tax payable	5,632	266
Other liabilities	9,452	124,198
Net changes in operating assets and liabilities	12,681	145,968
Net cash flows from operating activities	5,154	21,586
Net increase in cash	5,154	21,586
Cash at 1 January	26,291	4,705
Cash at 31 December	31,445	26,291
<i>All cash arises from discontinued operations.</i>		

RBS Sempra Commodities LLP

Notes to the consolidated financial statements

For the year ended 31 December 2020

1. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the reporting periods.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

Other than going concern basis

Following the Members' decision to divest their interests in the Group, and the subsequent disposal activities, the Members have prepared the financial statements of the Group and the Partnership on a basis other than that of a going concern. As a result of this decision, the assets and liabilities have been recorded at estimated exit price value and their estimated settlement amounts, respectively. These activities are more fully discussed in the notes.

For 2020 and 2019, the activities of the Group primarily consist of legacy litigation matters, outstanding lease commitments, related sublease revenue as described in the notes and foreign exchange contracts to hedge currency exposure. The assets and liabilities have been valued at their exit price value and their estimated settlement amounts, respectively. Certain assets and liabilities continue to be carried at fair value. In these cases, fair value approximates exit price value and settlement amount at 31 December 2020 and 2019.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Partnership and entities controlled by the Partnership (its subsidiaries). Control is achieved when the Partnership has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its return. All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

Adoption of new and revised Standards

Definition of material – Amendments to IAS 1 – Presentation of Financial Statements (IAS 1) and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8). The IASB clarified the definition of 'material' and aligned the definition of material used in the Conceptual Framework and in other IFRS standards. The amendments clarify that materiality will depend on the nature or magnitude of information. Under the amended definition of materiality, an entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the accounts. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group's definition and application of materiality is in line with the definition in the amendments.

Other amendments - Interest Rate Benchmark Reform (IBOR reform) Phase 1 amendments to IFRS 9 and IAS 39; Interest Rate Benchmark Reform (IBOR reform) Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16; and Amendments to IFRS 3 Business Combinations (IFRS 3) have had no material impact on the Group.

Future IFRS accounting developments

COVID-19 amendments on lease modifications – Amendments to IFRS 16 – Leases (IFRS 16) The IASB published 'amendments to IFRS 16 covering COVID-19-Related Rent Concessions'. These provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. The effect of the amendment on the Group's accounts is expected to be immaterial however it will be adopted on the Group's accounts from 1 January 2021.

For other new standards and amendments that are effective for annual periods beginning after 1 January 2022 the Group is assessing the effect of adopting these standards and amendments on its financial statements but does not expect the effect to be material.

RBS Sempra Commodities LLP

Notes to the consolidated financial statements

For the year ended 31 December 2020

Financial assets/liabilities

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instruments. Financial assets are recognised on a trade-date basis when the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established by the market concerned. Those financial assets classified at fair value through profit or loss (FVTPL) and are initially measured at fair value. Under IFRS 9 the Group's financial assets are classified into the following specified categories: amortised cost or fair value through profit or loss (FVTPL). The current classifications of financial assets are dependent on the business model test and the contractual cash flow (SPPI) test. Financial liabilities are measured at amortised cost and are classified according to the substance of the contractual agreements entered into. Generally the carrying value of the Group's assets and liabilities approximate fair value due to the relative short term nature of the instruments. Assets and liabilities are reported on a net basis only where there is a legal right of offset and there is the intention to settle on a net basis.

Impairment

At each balance sheet date each financial asset measured at amortised cost is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

The Group assesses objective evidence for impairment of residual values at each balance sheet date. Unguaranteed residual values are subject to regular review, if there is a reduction in the finance lease receivables estimated unguaranteed residual value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Members' capital

Members' capital is any amount that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Members' capital is recorded as profits or losses and allocated to the Members in accordance with the provisions of the various Partnership agreements. Any residual Members' capital is expected to be distributed to Members upon approval by the Board of Directors and any deficit of Members' capital is expected to be funded by the Members to meet the remaining obligations of the Group.

Cash

Cash is comprised of cash and deposits with major money center banks.

Litigation and other matters

The Group recognises a provision for a liability in relation to legal matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation.

In proceedings and investigations, it is not always possible to determine whether any loss is probable or to estimate reliably the amount of any loss. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and document production exercises and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before a liability can reasonably be estimated for any claim. The Group cannot predict if, how, or when such claims will be resolved or what the eventual settlement, damages, fine, penalty or other relief, if any, may be.

Leasing

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019, replacing IAS 17 'Leases' and has applied IFRS 16 on a modified retrospective basis. The Group has entered into agreements to sub-lease its existing lease commitments in their entirety.

On initial application of IFRS 16, real estate leases were reassessed as finance leases and the sub lease has been accounted for as a finance lease.

Leases receivable and payable amounts are measured and recorded at the present value of the remaining lease payments, discounted at a rate of 4.51% which represents the approximate incremental borrowing rate of the Group upon adoption of IFRS 16.

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

Derivatives and hedging

The results and financial position of each Group company are expressed in U.S. dollars (USD), which is the functional currency of the Group based on the primary economic environment in which it operates and the presentation currency for the Group and Partnership financial statements.

Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Currently a legal provision and a tax payable are recorded on the consolidated balance sheet in currencies other than USD. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Exchange rate differences are recognised in the consolidated statement of comprehensive income, in Net revenue (loss) line in the period in which they arise.

The Group enters into FX forwards, to manage its exposure to changes in foreign exchange rates. Further details of derivative financial instruments are disclosed in the notes to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a trading asset whereas a derivative with a negative fair value is recognised as a trading liability. These trading assets/liabilities are short term in nature and recorded as Derivatives on the balance sheet. The gain or loss resulting from a change in fair value is recognised in profit or loss immediately in the Net revenue/(loss) line of the consolidated statement of comprehensive income.

Taxation

The taxation payable on the profits of the Partnership is the liability of the Members and is not addressed in these financial statements.

The tax provision represents the sum of the current and deferred tax relating to certain subsidiaries of the Partnership which directly bear the taxation receivable/payable on their respective profits/(losses).

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

2. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the notes, the Members are required to make judgments, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods, and is material.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, include legal provision and disposal costs. As described in the notes, the Group has provided for the estimated disposal costs to be incurred in connection with its decision to dispose of the business. Actual disposal costs may differ from the estimates.

During 2020, estimation uncertainty has been affected by the COVID-19 pandemic. The COVID-19 pandemic has continued to cause significant economic and social disruption. The directors have considered Covid-19 and its potential impact and no adjustments have been made to the measurement of assets and liabilities as at 31 December 2020. Other reasonably possible assumptions about the future include a prolonged financial effect of the COVID-19 pandemic on the economy of the UK and other countries. Changes in judgements and assumptions could result in a material adjustment to those estimates in the next reporting periods. There could be an impact on the disposal of the remaining assets and liabilities of the business and the directors continue to monitor this, however, at this stage do not consider there to be any material issues for the Group.

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

3. Disposal and liquidation of the Group

During 2020 and 2019 the Group has continued to execute its liquidation plan. It has continued to divest itself of its residual assets and to settle its residual obligations. On a regular basis, the Group will evaluate the assumptions, judgments and estimates that could affect the reported net liabilities based on the most recent information available, and where necessary make changes accordingly. Current estimates primarily consist of litigation fees, tax consulting fees and residual expenses of the Group. Actual costs and income may differ from these estimates, which might increase or decrease the remaining net liabilities, to be funded by the Members.

4. Other Expense

Other expense recorded in 2020 include a \$2.0m provision for litigation related costs and \$1.2m of litigation settlements. In 2019 other expense primarily consisted of \$124.3m of litigation related costs (note 7).

5. Tax

UK Corporation tax incurred for the years ended 31 December 2020 and 2019 is based on the statutory rate of 27% of the estimated assessable profit/loss for both years.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, where applicable.

The tax provision/(benefit) for the years can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2020 \$000	Year ended 31 December 2019 \$000
Loss before tax	(5,160)	(124,382)
Tax benefit at the UK corporation tax rate of 27%	1,393	33,583
Tax effect of Members' share of profits not taxed or losses not benefited in the Partnership, including the resolution of prior years' income tax matters	(3,760)	(33,583)
Tax provision for the year	(2,367)	-

The effective tax rate for the years ended 31 December 2020 and 2019 was (45.9)% and 0%, respectively. The effective tax rate differed from the standard rate primarily because, in certain jurisdictions, the profit or loss of the Group is included in the income tax returns of the Members. Additionally in 2020 there was a tax amount provided for which related to prior year tax matters. Both the tax amount and the corresponding interest charge on that tax amount are presented collectively in the *Taxes payable* line of the Consolidated balance sheet.

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

6. Financial instruments

The derivative assets/liabilities of the Group are carried at fair value. Cash, Leases payable/receivable, and payable balances are carried at amortised cost. The Group considers that the carrying amount of loans and receivables (financial assets held at amortised cost) approximates their fair value.

Classification at 31 December 2020:

	Fair Value through P/L \$000	Amortised Cost \$000	Non-financial assets/ liabilities \$000	Total \$000
Assets				
Cash	-	31,445	-	31,445
Derivatives	2,417	-	-	2,417
Receivable from affiliates	-	4	-	4
Finance lease receivables	-	3,445	-	3,445
Total	2,417	34,894	-	37,311
Liabilities				
Tax payable	-	-	13,106	13,106
Obligations under leases	-	3,445	-	3,445
Other liabilities	-	-	144,576	144,576
Total	-	3,445	157,682	161,127

Classification at 31 December 2019:

	Fair Value through P/L \$000	Amortised Cost \$000	Non-financial assets/ liabilities \$000	Total \$000
Assets				
Cash	-	26,291	-	26,291
Derivatives	35	-	-	35
Finance lease receivables	-	4,342	-	4,342
Total	35	30,633	-	30,668
Liabilities				
Tax payable	-	-	7,474	7,474
Payables to affiliates	-	17	-	17
Obligations under leases	-	4,342	-	4,342
Other liabilities	-	-	135,124	135,124
Total	-	4,359	142,598	146,957

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

Fair Value Hierarchy

The Group's fair valued assets at 31 December 2020 and 2019 consisted solely of derivative assets which were valued at \$2,417 and \$35, respectively. The Group utilised market data or assumptions that market participants would use in pricing the asset, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs were readily observable, market corroborated or generally unobservable. The Group primarily applied the market approach for recurring fair value measurements and endeavoured to utilise the best available information. Accordingly, the Group utilised valuation techniques that maximised the use of observable inputs and minimised the use of unobservable inputs. The Group was able to classify all fair value balances based on the observability of those inputs as Level 2. A Level 2 classification is defined by a valuation based upon either quoted prices for the same or like asset or liability in markets that are not active, or significant model inputs all of which are observable, either directly or indirectly, for substantially the full term of the financial instrument.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The determination of the fair values above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Group's non-performance risk on its liabilities.

7. Legal contingencies

The United Kingdom's tax authorities, Her Majesty's Revenue and Customs ("HMRC") issued a tax assessment in 2012 against NatWest Group plc ("NWG") for approximately £86.4 million regarding a Value Added Tax ("VAT") matter in relation to the trading of European Union Allowances ("EUAs") in 2009 by RBSSC, a joint venture partnership involving NWM, a subsidiary of NWG. Under the terms governing the joint venture partnership, the Members are liable to share payment of any damages arising from both claims disclosed within this note. Legal proceedings have commenced before the First-tier Tribunal (Tax), a specialist tax tribunal, challenging the assessment (the "Tax Dispute"). In the event that the assessment is upheld, interest and costs would be payable, and a penalty of up to 100% of the VAT held to have been legitimately denied by HMRC could also be levied. NWM deposited £86.4 million with HMRC on behalf of the Group, for which the Group reimbursed NWM (the deposit is a procedural requirement for challenging the assessment). The Group has subsequently made a provision against the receivable. The hearing is scheduled to commence in June 2021. Separately but arising from the same set of circumstances, NWM is a named defendant in civil proceedings before the High Court of Justice of England and Wales brought in 2015 by ten companies (all in liquidation) (the "Liquidated Companies") and their respective liquidators (together, "the Claimants"). The Liquidated Companies previously traded in EUA's in 2009 and are alleged to be defaulting traders within (or otherwise connected to) the EUA supply chains forming the subject of the Tax Dispute. The Claimants alleged that NWM dishonestly assisted the directors of the Liquidated Companies in the breach of their statutory duties and/or knowingly participated in the carrying on of the business of the Liquidated Companies with intent to defraud creditors. The trial in the matter concluded in July 2018 and judgement was issued in March 2020. The court held that NWM and Mercuria Energy Europe Trading Limited were liable for dishonestly assisting and knowingly being a party to fraudulent trading during a seven business day period in 2009. In October 2020, the court awarded the Claimants damages of £45m plus interest and costs. NWM appealed the judgement to the Court of Appeal, the hearing of which took place in March 2021; the Group is awaiting judgement.

In 2019 the Group recorded an additional provision of £100m in *other expense*, within the Consolidated statement of comprehensive income, based on the best estimate of probable liability across both claims.

In connection with the divestiture of Group's assets as detailed in the notes, the Group made certain customary representations and warranties to the purchasers.

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

8. Leases

The Group has entered into property leases which expire in March of 2024 and has subsequently entered into agreements to fully sub-lease the related property for which it had outstanding commitments.

The net investment in the sublease and the lease liability recognised on transition is measured as present value of the future lease payments/receipts discounted at a rate of 4.51% that represents the approximate incremental borrowing rate of the Group upon adoption of IFRS16.

	31 December 2020	31 December 2019
	Lease Commitment	Lease Commitment
	\$000's	\$000's
Within 1 Year	1,106	1,074
1 to 2 Years	1,139	1,106
2 to 3 Years	1,174	1,139
3 to 4 Years	296	1,174
After 5 years	-	296
Total lease payments (undiscounted)	<u>3,715</u>	<u>4,789</u>
Computed interest	<u>270</u>	<u>447</u>
Total present value of lease liabilities (discounted)	<u>3,445</u>	<u>4,342</u>

Financing income of \$0.1m and interest expense of \$0.1m on the finance lease receivable and lease payable amounts, respectively, have been reported within "Net revenue/(loss)" in the Consolidated statement of comprehensive income.

9. Related party transactions

Transactions between the Partnership and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its affiliates are disclosed below.

The Group conducts transactions with affiliated companies. Trading activity with affiliates consists of derivative transactions used to hedge foreign currency balances within the balance sheet. Payable to affiliates amounts arose when the affiliate pays expenses on behalf of the Group. Receivable from affiliate amounts arose from amounts received by an affiliate on behalf of the Group.

Sempra has provided certain guarantees or indemnities to the Group in respect of tax, claims, and litigation that pre-date the formation of the Group.

The following table summarises the Group's assets, liabilities, and income for related party transactions as of 31 December 2020 and 2019 and during the years then ended.

	2020	2019
	\$000	\$000
Assets		
Derivatives	2,417	35
Receivables from affiliates	4	-
Liabilities		
Payables to affiliates	-	17
Income, net		
Net revenue	13,716	150

Remuneration of key management personnel

There were no employees of the Group that acted in the capacity of key management during 2020 or 2019. Key management oversight of the Group in 2020 and 2019 was provided primarily by certain managers of an affiliate of NWM.

RBS Sempra Commodities LLP
Notes to the consolidated financial statements
For the year ended 31 December 2020

10. Ultimate parent undertaking and controlling party

Both the Group's ultimate holding company, NatWest Group plc, and the Group's immediate parent company, NatWest Markets Plc, are incorporated in the United Kingdom and registered in Scotland.

The UK Government through HM Treasury is the ultimate controlling party of NWG. The UK Government's shareholding is managed by UK Government Investments Limited, a company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies are related parties of the Group.

As at 31 December 2020, NWG heads the largest group in which the Group is consolidated and NWM heads the smallest group in which the Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

11. Subsequent events

The Group has evaluated subsequent events for adjustment to or disclosure in its financial statements through 23 April 2021.

RBS Sempra Commodities LLP

Partnership separate financial statements

For the year ended 31 December 2020

These are the separate financial statements and related footnotes of the Partnership for the year ended 31 December 2020. These financial statements have been prepared in accordance with applicable laws and regulations.

RBS Sempra Commodities LLP
Partnership balance sheet
As at 31 December 2020

	Note	2020 \$000	2019 \$000
Assets			
Cash		15,006	21,184
Investment in Subsidiaries	14	6,196	6,196
Total assets		21,202	27,380
Liabilities			
Tax payable		13,106	7,474
Payables to affiliates	16	10,918	10,932
Other liabilities		143,616	134,162
Total liabilities		167,640	152,568
Members' capital		290,539	290,539
Retained deficit		(436,977)	(415,727)
Total Members' capital		(146,438)	(125,188)
Total liabilities and Members' capital		21,202	27,380

For the financial year ending 31 December 2020 Limited Liability Partnership was entitled to exemption from audit, under section 477 of the Companies Act 2006 (as applied by Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) relating to small LLP's. These accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime. The Members acknowledge their responsibility for complying with the requirements of the Companies Act 2006 (as applied to limited liability partnerships) with respect to accounting records and the preparation of accounts.

The financial statements of RBS Sempra Commodities LLP, Registered Number SO301514 were approved by the Board and authorised for issue on 23 April 2021. They were signed on its behalf by:



A. Trebing
Director, on behalf of the Members

RBS Sempra Commodities LLP
Partnership statement of changes in Members' capital
For the year ended 31 December 2020

	Note	\$000
Balance at 31 December 2018		(631)
Loss for the year	13	(124,557)
Balance at 31 December 2019		(125,188)
Loss for the year	13	(21,250)
Balance at 31 December 2020		(146,438)

RBS Sempra Commodities LLP
Partnership cash flow statement
For the year ended 31 December 2020

	Year ended 31 December 2020 \$000	Year ended 31 December 2019 \$000
Operating activities		
Net Loss	(21,250)	(124,557)
Changes in operating assets and liabilities		
Receivables from affiliates	-	21,169
Payables to affiliates	(13)	66
Tax payable	5,632	266
Other liabilities	9,453	124,240
Net changes in operating assets and liabilities	15,072	145,741
Net cash flows from/(used in) operating activities	(6,178)	21,184
Net increase/(decrease) in cash	(6,178)	21,184
Cash at 1 January	21,184	-
Cash at 31 December	15,006	21,184

All cash arises from discontinued operations.

RBS Sempra Commodities LLP
Notes to the Partnership financial statements
For the year ended 31 December 2020

12. Significant accounting policies

The separate financial statements of the Partnership are presented as required by the Companies Act 2006. The separate financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

For 2020 and 2019, and as a result of the ongoing liquidation of the Group, the assets and liabilities have been valued at their exit price value and their estimated settlement amounts, respectively. Certain assets and liabilities continue to be carried at fair value. In these cases, fair value approximates exit price value and settlement amount at 31 December 2020 and 2019.

Investments in subsidiaries are stated at cost less any impairment.

Other than going concern basis

Following the Members' agreement with the UK Government to divest their interests in the Group in November 2009, and the subsequent disposal activities, the Members have prepared the financial statements of the Group and the Partnership on a basis other than that of a going concern. As a result of this decision, the assets and liabilities have been recorded at estimated exit price value and their estimated settlement amounts, respectively.

13. Loss attributable to the Partnership

The net loss of the Partnership was \$21 million and \$125 million for the years ended 31 December 2020 and 2019, respectively. During 2020 and 2019 the incurred losses relate to the previously mentioned Tax disputes with HMRC, refer to the notes for further information. As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Partnership.

14. Subsidiaries

Sempra Energy Trading LLC is 100% owned by the Partnership, and is the only remaining subsidiary of the Partnership as of 31 December 2020. The subsidiary is incorporated in the United States with an original purpose of commodities trading. Sempra Energy Trading LLC is not considered to be a going concern as it will be liquidated in conjunction with the liquidation of the Group.

15. Financial instruments

Details of the Partnership's financial instruments are discussed in the notes of the Group's financial statements.

16. Related party transactions

Details of the nature of the Partnership's related party transactions are discussed in the notes to the Group's financial statements.

The Partnership conducts transactions with certain affiliated companies. Payables to affiliates relating to certain fees incurred by the partnership that was funded by its subsidiaries are \$10.9 million as at both 31 December 2020 and 2019.

17. Subsequent events

Details of subsequent events are discussed in the notes of the Group's financial statements.