Company Registration No. 07768867

Freepoint Commodities Enterprises Ltd.

Annual Report and Financial Statements

31 December 2018

Freepoint Commodities Enterprises Ltd. **07768867**

Contents

Page

Officers and professional advisers

Directors

Robert Feilbogen
Daniel Hecht
Giuseppe Minichiello
Michael Walter

Secretary

Throgmorton Secretaries LLP

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Berkshire
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London
SW1E 6PA

Registered Number

07768867 (England and Wales)

Auditor

Deloitte LLP
Statutory Auditor

Hill House
1 Little New Street
London
United Kingdom
EC4A 3TR

Strategic report

The directors, in preparing this strategic report, have complied with 414C of the Companies Act 2006.

Business review and results

Freepoint Commodities Enterprises Ltd, (the "Company") acts principally as a holding company for the three wholly-owned subsidiaries, Freepoint Commodities Trading and Marketing LLC, Freepoint Commodities Oil Trading GmbH and Freepoint Commodities Singapore Pte Limited ("Singapore Pte"). These entities operate within the United States of America (U.S.), Switzerland and Singapore, respectively. The Company and its subsidiaries are collectively referred to as the "Group".

The Group is a physical and financial commodity merchant operating primarily in the global petroleum and physical iron ore markets. The Group is fully consolidated by Freepoint Commodities LLC (the "Parent Company").

For the year ended 31 December 2018, the Group reported a net profit of $28.5 million (compared to $23.1 million net loss for the year ended 31 December 2017). Earnings before interest, taxes, depreciation and amortisation ("EBITDA") amounted to $37.1 million for the current year as compared to losses of $18.3 million for the year ended 31 December 2017, due to the expansion of the Singapore Pte business in 2017.

Key performance indicators

The Group's gross profit margin was 49% for the year ended 31 December 2018 as compared to -158% for the year ended 31 December 2017. This increase was primarily attributable to Singapore Pte., which had a gain of $23.8 million in the current year as compared to a loss of $23.1 million in the prior year. Operating expense decreased by 169% to 34% of net trading profit, as compared to 203% in the prior year. While operating expenses increased $4.0 million from the prior year, the primary driver of the decrease in operating expenses as a percentage of net trading profit was the increase in net trading profit of the Group from $9.5 million at 31 December 2017 to $68.1 million at 31 December 2018.

The Group borrows from external banks under uncommitted transactional financing facilities and uses the borrowings, including letters of credit, to finance the purchase of inventory. The Group additionally utilises repurchase agreements to optimise cash flow as needed. At 31 December 2018, the Group had $78.9 million in outstanding borrowings from external banks, as compared to $11.5 million in borrowings from repurchase agreements at 31 December 2017. Consistent with the increase in external borrowings, finance costs increased by 51% over the prior year. In addition to the increase in borrowings, trade and other payables related to the Group's expanded trading business increased by $473.9 million from the prior year, which were the primary drivers to the decrease to the current ratio, a ratio of current assets to current liabilities, from 1.49 to 1.11.

The Group continues to maintain a positive cash balance, as demonstrated in the increase of $79.7 million in cash flows for the year ended 31 December 2018, giving the Group a solid platform from which to manage future principal activities and repay its borrowings.

The liabilities/equity ratio is 7.06 compared to 1.93 at the previous year-end. This ratio increased due to the increase in current liabilities as discussed above exceeded the relative increases in equity. The directors expect that the Group will continue to trade profitably in the foreseeable future. There are no non-financial key performance indicators that are monitored by the directors which are relevant to understanding the performance or position of the Group.

Principal risks and uncertainties

The Group takes positions in commodities and as such is exposed to market risk. Its trading activities also expose it to liquidity, credit, and interest rate risks.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by senior management of the Parent Company.

The Group regards the monitoring and controlling of risk as a fundamental part of the management process. The Parent Company's finance, credit and risk professionals, monitor, manage and report regularly to senior management and the Board of Directors of the Parent Company, on the approach and effectiveness in managing financial risks along with

Strategic report

exposures facing the Group. Before the Group transacts in any new business, it is required to obtain approval as appropriate.

Due to the international nature of the Group's trading activities, the impact of Brexit is not expected to have a material impact on the Group.

Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in the value of physical and financial instruments resulting from fluctuations in price and basis for traded commodities. Market risk is also affected by changes in volatility and liquidity in markets in which these instruments are traded. The Group enters into a variety of derivative financial instruments to manage these exposures.

The Group manages market risk exposure with established VaR positions and stop-loss limits for each trading book. Further details regarding VaR can be found in Note 26 in the financial statements.

Liquidity Risk Management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group has undrawn facilities at its disposal to further reduce liquidity risk. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Credit Risk Management

The Group has adopted a policy of minimising risk wherever possible and managing within established limits for aggregate credit exposure. This includes utilising master netting agreements to enable offsetting of balances due to/from counterparties in the event of default by the counterparty. The Group continuously examines the credit quality of its counterparties through internal reviews and credit monitoring activities. All exposures are monitored daily as are physical movements, settlements, and payments.

Other than $133.3 million due from three counterparties, which was materially settled prior to issuance of this report, the Group has no other significant concentration of credit risk (see Note 14).

Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of floating rate borrowings, and by the use of forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and define risk appetite, ensuring the most cost-effective hedging strategies are applied.

Future developments

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current bank lines. The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 30 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:

Giuseppe Minichiello

Director
29 April 2019

Directors' report

The directors present their report and the audited consolidated financial statements of Freepoint Commodities Enterprises Ltd. (the "Company") and its subsidiary companies (collectively referred to as the "Group") for the years ended 31 December 2018 and 2017.

Future developments and events after the balance sheet date

Details of principal risks and uncertainties, future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on p3 and form part of this report by cross-reference.

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current bank lines. The Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that lines will not continue to be forthcoming on acceptable terms.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial risk management objectives and policies

Details of financial risk management can be found in the Strategic Report on p2-3 and form part of this report by cross-reference.

Share Capital

The capital structure of the group is addressed in Note 29 to the financial statements.

Dividends

The directors did not recommended dividend for the years ended 31 December 2018 or 2017.

Directors

The Company is governed by a board of four directors, acting on behalf of the shareholder. The consent of the Board of the Parent Company is required before the Group may take certain significant actions, including materially changing the scope of the Group's business, providing credit support outside the ordinary course of business, incurring certain types of indebtedness and entering into agreements of significant size and duration.

The directors who served throughout the year, except as noted, were as follows:

Robert Feilbogen

Daniel Hecht

Giuseppe Minichiello

Michael Walter

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed.

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

Giuseppe Minichiello

Director
29 April 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare such financial statements for each financial period. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also chosen to prepare the parent company financial statements under the IFRSs as adopted by the European Union. Under the company law the directors must not approve the accounts 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting principles, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the shareholders of Freepoint Commodities Enterprises Ltd.

07768867

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Freepoint Commodities Enterprises Ltd (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Statements of profit and loss and other comprehensive income;
- the Group and Company Statements of changes in shareholder's equity;
- the Group and Company Statements of financial position;
- the Group and Company Cash flow statements; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 Group and 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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.

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

Independent auditor's report to the shareholders of Freepoint Commodities Enterprises Ltd.

07768867

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.

Russell Davis FCA (senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 April 2019

Statements of profit or loss and other comprehensive income
For the years ended 31 December 2018 and 2017

	Note	2018 Group $'000	2017 Group $'000
Net trading profit	6	68,078	9,490
Management fee revenue		4,257	2,367
Total revenues		72,335	11,857
Operating expenses:			
Staff costs	8	(15,275)	(11,993)
Other general and administrative costs		(7,087)	(6,675)
Depreciation and amortisation		(966)	(629)
Total operating expenses		(23,328)	(19,297)
Other income	9	2,142	256
Management fee expense	10	(15,033)	(11,747)
Finance costs	11	(6,652)	(4,410)
Other losses		-	(15)
Profit/(Loss) before tax		29,464	(23,356)
Income tax (expense)/benefit	12	(935)	246
Total comprehensive profit/(loss) for the year		28,529	(23,110)

All activities derive from continued operations.

Total comprehensive profit/(loss) for the years ended 31 December 2018 and 2017 of $28,529 and ($23,110), respectively, was wholly attributable to the owners of the company.

The accompanying notes form an integral part of these financial statements.

Statements of financial position
31 December 2018 and 2017

	Note	31 December 2018 Group $'000	31 December 2018 Company $'000	31 December 2017 Group $'000	31 December 2017 Company $'000
ASSETS					
Current assets					
Cash and cash equivalents		104,131	32,680	24,548	4,739
Restricted Cash	13	17,000	-	32,000	-
Trade and other receivables	14	291,992	47	68,228	1
Margin/collateral receivables	15	20,701	-	4,040	-
Derivative assets	27	51,074	-	12,992	-
Due from affiliates		18,373	-	-	31,759
Commodity inventories	27	257,053	-	26,470	-
Prepayments and other current assets	16	892	-	1,556	-
Total current assets		761,216	32,727	169,834	36,499
Non-current assets					
Derivative assets	27	1,542	-	-	-
Due from affiliates		22,364	-	-	-
Property and equipment – net	17	1,976	-	2,745	-
Intangible assets — net	18	7	-	9	-
Deferred tax assets		-	-	285	-
Other assets	16	384	-	318	-
Investments in subsidiaries	19	-	80,021	-	60,021
Total		787,489	112,748	173,191	96,520
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current liabilities					
Borrowings	21	78,859	-	11,498	-
Trade and other payables	22	538,245	85	64,325	103
Margin/collateral payables	15	10,141	-	3,496	-
Derivative liabilities	27	56,507	-	8,672	-
Due to affiliates		-	5,581	22,378	-
Accrued and other liabilities	23	4,531	40	3,704	13
Total current liabilities		688,283	5,706	114,073	116
Non-current liabilities					
Derivative liabilities	27	347	-	-	-
Other liabilities	23	1,212	-	-	-
Total		689,842	5,706	114,073	116
Shareholder's equity					
Ordinary shares, $1 par value per unit — authorised, 200,000,000 shares; and outstanding, 89,500,000 shares and 79,500,000 shares, respectively	29	89,500	89,500	79,500	79,500
Capital contribution		21	21	21	21
Accumulated retained earnings/(loss)		8,126	17,521	(20,403)	16,883
Total shareholder's equity		97,647	107,042	$59,118	96,404
Total		787,489	112,748	$173,191	$96,520

The accompanying notes form an integral part of these financial statements.

Statements of financial position
31 December 2018 and 2017

Total comprehensive income for the Company, for the years ended 31 December 2018 and 2017, was $0.6 million and primarily represents finance costs earned on loans to affiliates.

The financial statements of Freepoint Commodities Enterprises Ltd., registered number 07768867 were approved by the Board of Directors on 29 April 2019.

Signed on behalf of the Board of Directors

Giuseppe Minichiello

Director

Statements of changes in Shareholder's Equity
31 December 2018 and 2017

Group	Ordinary shares $'000	Capital contribution $'000	Accumulated loss/retained earnings $'000	Total shareholder's equity $'000
At 1 January 2017	44,500	21	2,707	47,228
Net loss and total comprehensive loss for the year	-	-	(23,110)	(23,110)
Increase of shares	35,000	-	-	35,000
At 31 December 2017	79,500	21	(20,403)	59,118
Net profit and total comprehensive profit for the year		-	28,529	28,529
Increase of shares	20,000	-	-	20,000
Decrease of shares	(10,000)	-	-	(10,000)
At 31 December 2018	89,500	21	8,126	97,647
Company				
At 1 January 2017	44,500	21	16,251	60,772
Net profit and total comprehensive profit for the year	-	-	632	632
Increase of shares	35,000	-	-	35,000
At 31 December 2017	79,500	21	16,883	96,404
Net profit and total comprehensive profit for the year	-	-	638	638
Increase of shares	20,000	-	-	20,000
Decrease of shares	(10,000)	-	-	(10,000)
At 31 December 2018	89,500	21	17,521	107,042

The accompanying notes form an integral part of these financial statements.

Cash flow statements
For the years ended 31 December 2018 and 2017

	2018		2017	
	Group	**Company**	**Group**	**Company**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from operating activities				
Net profit/(loss) for the period	28,529	638	(23,110)	633
Adjustments for:				
Depreciation and amortisation	966	-	629	-
Interest income recognised in profit or loss	(2,988)	(845)	-	(707)
Financing costs recognised in profit or loss	6,652	-	4,410	-
Income tax expense/(benefit) recognised in profit or loss	935	139	(246)	75
Loss on disposal of property and equipment	-	-	15	-
Net foreign exchange loss/(gain)	197	-	(3)	-
	5,762	(706)	4,805	(632)
Movements in working capital:				
Margin and collateral receivables	(16,748)	-	(3,188)	-
Margin and collateral payables	6,645	-	(9,432)	-
Derivative assets	(39,624)	-	5,030	-
Due (to)/from affiliates	(63,114)	17,332	33,748	(41,193)
Commodity inventories	(230,583)	-	22,172	-
Prepayments and other assets	592	-	(818)	-
Trade and other receivables	(223,580)	(46)	(61,746)	21
Trade and other payables	475,314	-	11,657	(40)
Accrued and other liabilities	1,806	27	(2,507)	3
Derivative liabilities	48,182	-	5,185	-
	(35,348)	16,607	(4,906)	(41,841)
Income taxes paid	(2,045)	(149)	(156)	(178)
Net cash (used in)/provided by operating activities	(8,864)	17,096	(18,360)	(41,386)
Cash flows from investing activities				
Payments for property and equipment	(195)	-	(3,114)	-
Payments for intangible assets	-	-	(11)	-
Interest income received	2,805	845	-	707
Net cash provided by/(used in) investing activities	2,610	845	(3,125)	707

Cash flow statements (continued)
For the years ended 31 December 2018 and 2017

	2018		2017	
	Group $'000	Company $'000	Group $'000	Company $'000
Cash flows from financing activities				
Proceeds from issuance of common units to Parent Company	20,000	20,000	15,000	15,000
Return of capital paid to Parent Company	(10,000)	(10,000)	-	-
Net Proceeds/(Repayment) of short-term borrowings	67,361	-	11,498	-
Transfer to restricted cash	(22,000)	-	(39,500)	-
Maturities of restricted cash	37,000	-	7,500	-
Financing costs paid	(6,439)	-	(4,445)	-
Net cash provided by/(used in) financing activities	85,922	10,000	(9,947)	15,000
Net increase/(decrease) in cash and cash equivalents	79,668	27,941	(31,432)	(25,679)
Cash and cash equivalents — Beginning of the year	24,548	4,739	56,075	30,418
Effect of exchange rate fluctuations on cash held	(85)	-	(95)	-
Cash and cash equivalents — End of the year	104,131	32,680	24,548	4,739
Non-cash items:				
Due from affiliate converted to investment in subsidiary	-	-	-	20,000
Due to affiliate converted to Ordinary Shares	-	-	20,000	20,000

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
For the years ended 31 December 2018 and 2017

1. General information

Freepoint Commodities Enterprises Ltd., formerly Freepoint Commodities UK Limited, (the "Company") is a wholly-owned subsidiary of Freepoint Commodities LLC (the "Parent Company") which is domiciled in the United States of America. The Company is incorporated in England and Wales under the Companies Act, 2006 and began operations on 9 September 2011. The registered office is located at 4th Floor, Reading Bridge House, George Street, Reading RG1 8LS. The Company and its subsidiaries (the "Group") currently engage in the physical and financial global petroleum market and the physical iron ore market.

2. Adoption of New and Revised Standards

In the current period, the following revised standard has been adopted in these consolidated financial statements.

IFRS 9—Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments*: *Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The date of initial application (i.e., the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

(a) Classification and Measurement of Financial Assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income ("FVTOCI");
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss ("FVTPL"). Despite the foregoing, the Group may make the following irrevocable election at initial recognition of a financial asset:

2. **Adoption of New and Revised Standards (continued)**

(a) Classification and Measurement of Financial Assets (continued)

a) the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

b) the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Management reviewed and assessed the Group's existing financial assets as of 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's classification and measurement of financial assets:

- there is no change in the measurement of the Group's financial assets that are held for trading or designated at FVTPL; those instruments were and continue to be measured at FVTPL;
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. The credit risk assessment required under IFRS 9 did not have a material impact on the consolidated financial statements.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

2. Adoption of New and Revised Standards (continued)

(c) Classification and Measurement of Financial Liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 had no impact on the classification and measurement of the Group's financial liabilities.

(d) Impact of Initial Application on Financial Performance and Cash Flows

There was no impact on assets, liabilities, profit for the year, total comprehensive income or consolidated cash flows of the Group as a result of IFRS 9.

IFRS 15—Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Prescriptive guidance has been added in IFRS 15 to deal with specific revenue scenarios.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach for all reporting periods presented before the date of initial application, i.e. 1 January 2018, however the adoption of this standard had no material impact on these consolidated financial statements.

IFRIC 22—Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. IFRIC 22 specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, IFRIC 22 requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The adoption of this standard had no material impact on these consolidated financial statements.

At the date of authorization of these consolidated financial statements, the following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue, but not yet effective:

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

2. Adoption of New and Revised Standards (continued)

IFRS 16—Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. IFRS 16 distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. IFRS 16 removes the distinction between operating and finance leases and recognises assets and liabilities for all leases (subject to limited exceptions for short-term leases and leases of low-value assets). IFRS 16 changes the accounting for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, right-of-use assets and lease liabilities will be recognised in the consolidated statement of financial position, initially measured at the present value of the future lease payments, and depreciation of right-of-use assets and interest on lease liabilities will be recognised in the consolidated statement of profit or loss. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019. Management is currently evaluating the potential impact that the application of IFRS 16 in the future may have on its consolidated financial statements and related disclosures.

Amendments to IFRS 9—Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI (Solely Payments of Principal and Interest) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. Management is currently evaluating the potential impact that the application of these amendments in the future may have on its consolidated financial statements and related disclosures.

Amendments to IAS 28—Long-Term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. Management does not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12—Income Taxes and IAS 23—Borrowing Costs

The Annual Improvements include amendments to two Standards.

IAS 12—Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distribute and undistributed profits.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

2. **Adoption of New and Revised Standards (continued)**

IAS 23—Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Both amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. Management does not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

3. **Summary of significant accounting policies**

3.1 **Basis of preparation and accounting policies**

The financial statements of both the Group and the Company have been prepared in accordance with IFRS as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments and inventories, which are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.2 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries). Control is achieved where the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup transactions, balances, and income and expenses are eliminated in full on consolidation.

Assets and liabilities expected to settle within the next 12 months are classified as current, and those expected to be settled beyond 12 months are classified as noncurrent.

In the Company's accounts, investments in subsidiary undertakings are stated at cost less any provisions for impairment.

In accordance with section 408 of the Companies Act, 2006, the Company has taken advantage of the legal dispensation not to present its own statement of profit or loss and other comprehensive income. The amount of the profit for the financial periods dealt with in the financial statements of the Company is disclosed on page 12.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.3 Going concern

Given the comfort derived from the Group's liquidity position, as detailed in the Cash Flow Statements, and the expectation of continued profitability in Company forecasts and projections, taking account of reasonably possible changes in trading performance, and by maintaining adequate reserves and banking facilities, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3.4 Revenue recognition

3.4.1 Trading Revenue

Revenue is recognised when the seller has transferred to the buyer all significant risks and rewards of the assets sold. Revenue is measured at the fair value of the consideration received and represents amounts receivable for trading transactions performed in the normal course of business, net of discounts, value-added tax, and other sales-related taxes. The Group presents trading revenue on a net basis as it considers itself a commodity broker trader, which is in the business of buying and selling commodities and financial instruments on a short-term basis. Revenue is also net of brokerage, execution, and clearing expenses, and trading-related commodity expenses, such as storage and transportation charges (see Note 6). Revenue is recognised on a trade-date basis. The Group recognises gains or losses at inception if fair value is evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique incorporating substantially all observable market data.

3.4.2 Management Fee Revenue

The Group also earns revenue by allocating the expenses of the Group as a management fee based on trader headcount and time apportionment.

3.5 Management fee expense

The Parent Company and certain affiliates provide management and administrative support to the Company and its subsidiaries. Following a review of both local and overseas requirements and transfer pricing requirements, these entities allocate expenses to the Group as a management fee based on trader headcount and time apportionment.

Expenses are recharged from certain affiliates plus an 8% mark-up. The expenses recharged at cost are presented in 'Management fee expense' in profit or loss while the 8% mark-up is presented separately within 'Other income' in profit or loss.

3.6 Financial instruments and fair value

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 instrument.

Financial assets and financial liabilities are initially measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Group uses various valuation techniques and establishes a hierarchy for inputs used. For financial reporting and/or disclosure purposes, the Group categorises fair value measurements into Level 1, 2 or 3 based on the degree to which the inputs are observable and the significance of the inputs to the valuation. Further, the Group recognises transfers between levels of the fair value hierarchy at the beginning of the reporting period.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.6 Financial instruments and fair value (continued)

Level 1 — Quoted prices are available in active exchange markets for identical assets or liabilities as of the reporting date. Active exchange markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments, such as exchange-traded derivatives which are valued using unadjusted quoted bid prices that are observable in active markets for identical assets or liabilities.

Level 2 — Quoted prices in active markets are not available; however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using:

- observable quoted prices, other than those included within Level 1, which are sourced from exchanges or traded reference indices in active markets for identical assets or liabilities; or
- discounted cash flow model, where values are adjusted by a discount rate which captures the time value of money and credit risk considerations, as required; or
- commodity inventory is observable quoted prices and adjustments to the prices required to account for differentials in geographic location and local supply and demand

Instruments in this category include non-exchange-traded derivatives, such as forwards, swaps and options, physical forwards and certain exchange traded/cleared derivatives. The Group uses similar models to value similar instruments.

Level 3 — Pricing inputs include significant inputs that are not supportable by market transactions or other observable market data. At each balance sheet date, the Group performs an analysis of all assets and liabilities at fair value and includes in Level 3 all of those assets and liabilities whose fair value is based on significant unobservable inputs. For the years ended December 31, 2018 and 2017, there were no Level 3 financial assets or liabilities.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

In addition to the factors above the Group takes into account the credit standing of counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit, and priority interest) but also the impact of the Group's non-performance risk on its liabilities.

Financial assets and financial liabilities are presented on a net basis only where there is a legal right of offset and the intention to settle on a net basis.

3.7 Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets are classified as FVTPL when the financial asset does not meet the criteria for being measured at amortised cost.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss in the 'Net trading profit' line item. Fair value is determined in the manner described in Note 27.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.7.1 Loans and receivables

Trade and other receivables and margin/collateral balances are classified as loans and receivables and measured at amortised cost. These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these assets give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans and receivables are measured at amortised cost using the effective interest rate method, less any credit allowance, except for short-term receivables when recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest expense over the relevant period.

3.7.2 Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment loss recognised is based on the expected credit losses. See Note 27.2.1 for further explanation of credit-risk adjustments, which are based on expected credit losses.

When a financial asset is deemed uncollectible, it is written off against the allowance account. As of 31 December 2018 and 2017, no material write offs were made.

3.7.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains all or substantially all of the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. If part of the risks and rewards of ownership of the transferred asset have been retained, the financial asset is recognised only to the extent of the Group's continuing involvement (and a collateralised borrowing is recognised to the extent of the Group's continuing involvement). On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.8 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if it has been incurred principally for the purpose of repurchasing it in the near term; or on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described in Note 27.

3.8.1 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis, except for short-term liabilities when recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.8.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.9 Derivative financial instruments

Derivative assets and derivative liabilities are recorded on a trade-date basis. These amounts are composed primarily of the fair value of exchange cleared contracts and over-the-counter (OTC) commodity purchase and sale trades. All derivative trading assets and trading liabilities are carried at FVTPL.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period (see Note 27). The resulting gain or loss is recognised in profit or loss in 'Net trading profit.'

3.10 Offsetting Financial Assets and Liabilities

The Group reports financial assets and liabilities on a net basis on the statement of financial condition only if there is a legally enforceable right to set off the recognised amounts and there is intent to settle on a net basis, or to simultaneously realise the asset and settle the liability. Netting agreements, including clearing counterparty agreements, provide for the offset and close-out of all outstanding transactions with the same counterparty in the event of default or similar event.

3.11 Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3.12 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars (USD), which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency transaction gains and losses are presented in profit or loss within 'Other Income.'

3.13 Cash and cash equivalents

As at 31 December 2018 and 2017 cash and cash equivalents are composed of cash held at several financial institutions.

3.14 Restricted cash

Restricted cash is composed of cash held as security against certain borrowings of an affiliate.

3.15 Trade and other receivables

Trade and other receivables are primarily composed of amounts due from trading. Provisions for losses on receivables are recognised based on expected credit losses (see Note 27.2.1).

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.16 Margin/collateral receivable & payable

Margin is composed of cash posted/received in support of energy trading activities. The Group posts initial margin to the clearing broker and net settles the mark-to-market gains and losses on the open trade equity on a daily basis. Collateral receivable represents cash held by trading counterparties with whom trading activities already exist or are expected to commence shortly as at period end. Collateral payable represents cash held from trading counterparties with whom trading activities already exist or are expected to commence shortly as at period end (see Note 15).

3.17 Commodity inventories

Inventory is stated at fair value, less costs to sell, derived from market prices prevailing at the balance sheet date. Changes in the valuation of inventories are recorded to profit or loss in 'Net trading profit.'

During 2017, the Company entered into repurchase transactions where it sold certain marketing inventories, but retained all or a significant portion of the risks and rewards relating to the transferred inventory. As of 31 December 2017, the carrying amount of inventories that have been transferred, but have not been derecognised, amounted to $11.7 million and the carrying amount of the associated liabilities was $11.5 million (see Note 21). At 31 December 2018, no repurchase agreements were outstanding.

3.18 Property and equipment

Property and equipment are valued at cost, less accumulated depreciation and any recognised impairment loss. Depreciation expense is recognised using the straight-line method over the estimated useful lives of property and equipment, beginning on the date the assets are available for use. The following useful lives are assumed:

Furniture and fixtures	7 years
Office equipment	2 to 5 years
Leasehold improvements	3 to 5 years

Office equipment represents equipment purchased and used in the daily operation of the business.

Leasehold improvements represent permanent improvements, such as additions, alterations, remodelling, or renovations, made to leased property which increase the value of the leased asset. The useful life for all leasehold improvements will be the lesser of the remaining time on the lease or the asset's useful life.

3.19 Intangible assets

Intangible assets are valued at cost, less accumulated amortisation and any recognised impairment loss. Amortisation expense is recognised using the straight-line method over the estimated useful lives of the intangible assets, beginning on the date the assets are available for use. As at 31 December 2018 and 2017, intangible assets consist solely of computer software not integral to the operation of equipment purchased and software development costs for add-on functionality to such software. The estimated useful life of intangible software is five years. The Group does not hold any intangible assets with indefinite useful lives.

3.20 Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets, are tested for impairment when impairment indicators exist. The Group reviews the useful lives for these assets on an annual basis. No impairment assessment was performed on long-lived assets, as there was no indication of impairment in 2018 or 2017.

3.21 Taxes

Both the Company and foreign subsidiaries of the Group are tax-paying entities, and may be subject to current and deferred tax.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

3. Summary of significant accounting policies (continued)

3.21.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company and Group's current tax is calculated using the respective company's local tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are presented in 'Trade and Other Receivables' and 'Trade and Other Payables,' respectively.

3.21.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the Group believes it is not probable that taxable income for those subsidiaries and states will be available against which such differences can be deducted.

The carrying amount of unrecognised deferred tax assets is reviewed at the end of each reporting period and to the extent it becomes probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, the asset is recognised.

Deferred tax liabilities and assets are measured at the local tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. Critical accounting judgements

The preparation of the consolidated financial statements requires that management make estimates and assumptions that will affect the amounts reported in the consolidated financial statements and accompanying notes. Although management believes the estimates and assumptions are reasonable, actual amounts ultimately may differ significantly from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

4.1 Critical judgements in applying the Group's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.2 Revenue recognition

The Group derives its revenue by taking positions in physical and financial global petroleum markets, based on the expectation of future market conditions. The Group may hedge its positions, with similar positions or by positions taken in exchange-traded markets, whereby payments are linked to or derived from market indices or on terms predetermined by the contract. The Group recognises gains or losses at inception as described in Note 3.4.1.

As a result, the above revenue recognition is largely dependent upon the appropriate valuation of financial instruments (see Note 27). Critical judgment is made in the choice of valuation methodology, however there were no transactions with individually material judgments in the current period.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

5. Key sources of estimation uncertainty

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 amount of assets and liabilities within the next financial year, are discussed below.

5.1 Valuation of financial instruments and inventory

As described in Note 3.6, the Group uses its judgement in selecting an appropriate valuation technique for financial instruments and inventory not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Assumptions are made based on quoted market rates, when available, adjusted for specific features of the instrument. Refer to Note 27.1 for further information on the value of financial instruments and inventory not quoted in an active market. As at 31 December 2018 and 2017, there were no Level 3 instruments, nor any individually material or combination of other instruments, where the judgment applied in the assumptions could have a material impact on the Group's profit in the subsequent years.

6. Net trading profit

The Group's net trading profit for the years ended 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Principal transactions	96,432	42,635
Commodity expenses	(27,893)	(31,801)
Brokerage, execution, and clearing expenses	(461)	(1,344)
Total	68,078	$9,490

7. Auditor's remuneration

The auditor's remuneration for audit work performed for the Group was $0.4 million and $0.2 million for the years ended 31 December 2018 and 2017. No non-audit services were provided to the Group.

8. Staff costs

The average monthly number of employees of the Group was 56 and 39 for the years ended 31 December 2018 and 2017, respectively. The Group only has one category of employees.

Their aggregate remuneration comprised:

	2018 $'000	2017 $'000
Wages and salaries	13,688	11,097
Social security costs	506	202
Other benefit costs	1,081	694
Total	15,275	11,993

Staff costs (included in management fee) recharged by the Parent Company and certain affiliates were $9.1 million and $6.8 million for the years ended 31 December 2018 and 2017, respectively.

The Company has not made any disclosures with respect to directors' emoluments. Two of the directors are employed by Freepoint Commodities Europe LLP. The entity is also ultimately owned by the Parent Company. The other two directors are employed by the Parent Company and do not provide day to day services to the Company or its subsidiaries. It is not practical to assess the amount of remuneration which is applicable to the services to the Company or its subsidiaries.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

9. Other income

Other income of the Group for the years ended 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Interest income	2,988	955
Unrealised foreign exchange gain	(198)	98
Realised foreign exchange loss	2	(18)
Other expense	(650)	(779)
Total	2,142	256

10. Management fee expense

Total management fee expense charged by the Parent Company and affiliated entities to the Group, for the years ended 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Staff costs	9,117	6,755
Other general and administrative costs	4,455	3,586
Asset use allocation	1,427	1,324
Finance costs	34	82
Total	15,033	11,747

11. Finance costs

Finance costs of the Group for the years ended 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Interest on borrowings	4,802	1,885
Letter of credit fees	1,001	1,714
Interest on affiliate loans	512	725
Other finance costs	337	86
Total	6,652	4,410

12. Tax on profit on ordinary income

	2018		2017	
	Group $'000	Company $'000	Group $'000	Company $'000
Deferred tax expense	285	-	285	-
Current tax expense/(benefit)	650	139	(531)	75
Total tax expense/(benefit)	935	139	(246)	75

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

12. Tax on profit on ordinary income (continued)

Factors affecting corporation tax charge for the year

The charge for the years ended 31 December 2018 and 2017 can be reconciled to the profit on the statement of profit or loss as follows:

	2018		2017	
	Group $'000	Company $'000	Group $'000	Company $'000
Profit/(Loss) on ordinary activities before taxation	29,464	776	(23,356)	707
Profit/(Loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 19.00% (2018); 19.25% (2017)	5,598	148	(4,496)	136
Effects of:				
Loss that is exempt from taxation	682	-	20	-
Different tax rates of subsidiaries operating in other jurisdictions	(1,000)	-	580	-
Expenses/(income) excluded from determining taxable profit	49	-	(163)	-
Effect of deferred rate change	(99)	-	-	-
Double tax relief	-	-	7	-
Deferred tax assets not recognised	-	-	3,879	-
Effect of foreign exchange	(9)	(7)	-	-
Difference between current and deferred tax rates	-	-	30	-
Previously unused tax losses utilised in the current year	(4,284)	-	-	-
Overseas local taxes	-	-	1	-
Prior year adjustments to current tax	(2)	(2)	(104)	(61)
Total tax charge/(benefit) for the period	935	139	(246)	75

The Finance Act 2016 enacted a reduction in the UK corporation tax rate to 17% from 1 April 2020. This reduction in the tax rate will impact the current tax charge in future periods.

The Company has deferred tax assets of approximately $3.3 million and $7.4 million for the years ended 31 December 2018 and 2017, respectively, which are not being recognised under IFRS. These unrecognised deferred tax assets as of 31 December 2018 and 2017, consisted of the following (in thousands):

	2018 $'000	2017 $'000
Tax losses (revenue in nature) (i)	3,172	7,266
Deductible temporary differences – Fixed Assets	104	104
Total	3,276	7,370

(i) For the year ended 31 December 2018 unrecognised tax losses have no expiration date.

The Company applies the guidance within IAS 12— *Income Taxes* and IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets* regarding contingent liabilities and assets. There are no contingent tax liabilities or assets as of and for the years ended 31 December 2018 and 2017.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

13. Restricted Cash

Under the terms of the loan agreements, entered into during 2018 and 2017 with two and one financial institutions, respectively, the Group pledges cash in deposit with the bank as collateral for borrowings of an affiliate, and the cash is restricted until the maturity of those borrowings. As of 31 December 2018 and 2017, all borrowings secured by restricted cash of $17.0 million and $32.0 million, respectively, have less than one year until maturity.

14. Trade and other receivables

Trade and other receivables at 31 December 2018 and 2017, consisted of the following:

	2018		2017	
	Group $'000	**Company $'000**	**Group $'000**	**Company $'000**
Trade receivables	291,281	-	66,557	-
Sales tax receivables	147	47	2	1
Other receivables	100	-	1,669	-
Interest receivable	464	-	-	-
Total	291,992	47	68,228	1

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. As of 31 December 2018 and 2017, 71% and 8%, respectively, of the trade receivables that are neither past due nor impaired have investor grade ratings under the external credit scoring system used by the Group. The Group holds collateral and other credit enhancements to cover credit risks associated with these receivables (see Note 26.4). Of the trade receivables balance at 31 December 2018 and 2017, $133.3 million and $58.7 million, respectively, are due from three counterparties, which represents the Group's largest customers. There are no other counterparties, who alone, represent more than 10% of the total balance of trade receivables.

Trade receivables disclosed above as of 31 December 2018 and 2017, include the following: nil aged receivables that are more than 90 days past due; and $0.03 million and nil, respectively, in aged receivables that are less than 90 days past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered collectable. Any credit-risk adjustments are calculated as disclosed in Note 27.2.1.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

15. Margin/collateral receivable & payable

Margin/collateral of the Group at 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Receivable:		
Initial margin	16,369	6,388
Variation margin	(532)	(2,750)
Collateral	4,864	402
Total	20,701	4,040
Payable:		
Variation margin	581	3,496
Collateral	9,560	-
Total	10,141	3,496

16. Prepayments

Prepayments and other assets of the Group as at 31 December 2018 and 2017, consisted of the following:

	2018 $'000	2017 $'000
Current:		
Prepaid staff costs	267	1,101
Prepaid trading expense	5	98
Other prepaid operating costs	620	357
Total	892	1,556
Noncurrent:		
Prepaid staff costs	72	46
Deposits	312	272
Total	384	318

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

17. Property and equipment

Property and equipment of the Group as at 31 December 2018 and 2017, consisted of the following:

	$'000
Cost	
At 1 January 2017	1,416
Additions	2,659
Disposals	(336)
At 31 December 2017	3,739
Additions	195
Disposals	-
At 31 December 2018	3,934
Accumulated depreciation	
At 1 January 2017	(688)
Depreciation expense	(627)
Disposals	321
At 31 December 2017	(994)
Depreciation expense	(964)
Disposals	-
At 31 December 2018	(1,958)
Net property and equipment	
at 31 December 2017	2,745
at 31 December 2018	1,976

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

18. Intangible assets

Intangible assets of the Group as at 31 December 2018 and 2017, consisted of the following:

	$'000
Cost	
At 1 January 2017	18
Additions	10
At 31 December 2017	28
Additions	-
At 31 December 2018	28
Accumulated amortisation	
At 1 January 2017	(17)
Amortisation expense	(2)
At 31 December 2017	(19)
Amortisation expense	(2)
At 31 December 2018	(21)
Net intangible assets	
at 31 December 2017	9
at 31 December 2018	7

19. Subsidiaries

The Company owns 100% of the ordinary shares of the following subsidiaries at 31 December 2018 and 2017:

Name	Place of Incorporation	Registered Address
Freepoint Commodities Trading and Marketing LLC	United States of America	58 Commerce Road, Stamford, CT 06902
Freepoint Commodities Oil Trading GmbH	Switzerland	Alpenstrasse 9, 6300 Zug
Freepoint Commodities Singapore Pte. Limited	Singapore	8 Marina View, #35-05, Asia Square Tower 1, Singapore 018960

All investments in subsidiaries are carried at cost.

20. Commitments and contingencies

As at 31 December 2018 and 2017, the Group has not been involved in any legal claims or unresolved disputes which have a more than remote possibility of resulting in a contingent liability.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

21. Borrowings

During 2018 and 2017, the Group entered into uncommitted transactional financing facilities, with twelve and nine banks, respectively, for $1,465 million and $1,145 million, respectively. The facilities primarily consist of overnight borrowings and letters of credit. In addition, outstanding borrowings accrue interest at various market rates plus applicable margin as outlined in the credit agreements. The facilities require the Group to meet certain financial covenants on a monthly basis. At 31 December 2018 and 2017, the facilities had $340.0 million and $74.2 million, respectively, of letters of credit. The average borrowing rates were 3.35% and 2.81% for the years ended 31 December 2018 and 2017, respectively, and the Group was in compliance with all financial and nonfinancial covenants.

At 31 December 2018 and 2017, total outstanding borrowings from the uncommitted facility were $78.9 million and nil, respectively, and the maximum remaining amount the Group could borrow from uncommitted facilities was $1,046.1 million and $1,070.8 million, respectively.

At 31 December 2018 and 2017, the Group had total borrowings of nil and $11.5 million, respectively, related to repurchase agreements which were secured by a charge over certain of the Group's inventories (see Note 3.16). The borrowings as of 31 December 2017 mature within 60 days of issuance and bear interest at 2.71% per annum. At 31 December 2017, the carrying amount of the inventories related to these borrowings that have been transferred, but have not been derecognised, amounted to $11.7 million.

22. Trade and other payables

Trade and other payables at 31 December 2018 and 2017, consisted of the following:

	2018		2017	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade payables	537,419	0	62,151	-
Income tax payables	549	38	1,953	102
Other payables	230	-	221	1
Sales tax payables	47	47	-	-
Total	538,245	85	64,325	103

23. Accrued and other liabilities

Accrued and other liabilities at 31 December 2018 and 2017, consisted of the following:

	2018		2017	
	Group $'000	Company $'000	Group $'000	Company $'000
Current:				
Accrued compensation	3,451	-	2,781	-
Accrued finance costs	320	-	107	-
Other	760	40	816	13
Total	4,531	40	3,704	13
Non-current:				
Non-current accrued compensation	1,212	-	-	-
Total	1,212	-	-	-

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

24. Related parties

The Group's immediate parent is Freepoint Commodities LLC. The ultimate parent and controlling party is Freepoint Commodities Holdings LLC, a company incorporated in the United States of America. The smallest and largest groups into which the Group's results are included are the group accounts of Freepoint Commodities LLC and Freepoint Commodities Holdings LLC, respectively. A copy of the accounts of Freepoint Commodities LLC and Freepoint Commodities Holdings LLC may be obtained from 58 Commerce Road, Stamford, CT 06902, United States of America.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated upon consolidation.

At 31 December 2018 and 2017, key management personnel and employees of the Parent Company and its subsidiaries controlled 26.2% and 24.6%, respectively, of the voting shares of the Freepoint Commodities Holdings LLC, the Parent of Freepoint Commodities LLC and ultimate controlling party of the Parent Company. At 31 December 2018 and 2017, the Parent Company controlled 100% of the voting shares of the Group.

Officers and key management personnel are employed by the Parent Company and certain affiliates of the Group. The Group's share of remuneration for these employees is included within the management fee expense for the period (see Note 10).

For the years ended 31 December 2018 and 2017, the Parent Company charged the Company and its subsidiaries $14.1 million and $10.5 million, respectively, in management fee expense. For the years ended 31 December 2018 and 2017, certain affiliates charged the Company and its subsidiaries $1.0 million and $1.8 million, respectively, in management fee expense. For the years ended 31 December 2018 and 2017, the Company charged certain affiliates $4.3 million and $2.4 million, respectively, in management fee revenue.

For the years ended 31 December 2018 and 2017 the Group pledged cash in deposit with the bank as 100% collateral for borrowings of an affiliate, and the cash is restricted until the maturity of those borrowings. As of 31 December 2018 and 2017, the borrowings secured by restricted cash of $17.0 million and $32.0 million, respectively, have less than one year until maturity.

The Group acquired 100% of the oil off-take from an affiliate in 2017, which has been contracted under market prices which are discounted to reflect the quality of goods purchased and transportation costs incurred to obtain the goods. Total purchases for the year ended 31 December 2017 were $27.3 million, and the outstanding payables at 31 December 2017 were $2.9 million. As of 31 December 2018, this entity is no longer an affiliate of the Group.

25. Operating lease arrangements

The Group has entered into a building lease and storage tank leases, the payments under which are treated as rent and charged to profit or loss on the straight-line basis over the term of the lease. Total minimum lease payments for the years ended 31 December 2018 and 2017, were $7.2 million and $8.3 million, respectively.

Minimum lease payments, at 31 December 2018 and 2017, under non-cancellable operating leases expire as follows:

	2018 $'000	**2017 $'000**
Not later than 1 year	5,330	6,918
Later than 1 year and not longer than 5 years	5,873	8,005
Total	11,203	14,923

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

26. Financial risk management

26.1 Financial Risk Management Objectives

The Group takes positions in commodities and as such is exposed to market risk. Its trading activities also expose it to liquidity, credit, and interest rate risks.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by senior management of the Parent Company.

The Group regards the monitoring and controlling of risk as a fundamental part of the management process. The Parent Company's finance, credit and risk professionals, monitor, manage and report regularly to senior management and the Board of Directors of the Parent Company, on the approach and effectiveness in managing financial risks along with exposures facing the Group. Before the Group transacts in any new business, it is required to obtain approval as appropriate.

26.2 Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in the value of physical and financial instruments resulting from fluctuations in price and basis for traded commodities. In addition, the Group is exposed to interest rate risk (see Note 26.5). Market risk is also affected by changes in volatility and liquidity in markets in which these instruments are traded. The Group enters into a variety of derivative financial instruments to manage these exposures.

26.2.1 Value at Risk (VaR) analysis

The Group has established VaR position and stop-loss limits for each trading book to monitor its market risk. Traders are required to maintain positions within these market risk limits. The limits are monitored during the day by senior management of the Group. Reports which present each trading book's position and the prior day's profit and loss are reviewed daily by traders and the Group's senior management.

Market risk exposures are measured using VaR supplemented by sensitivity analysis in the form of stress tests. Stress tests are performed daily using historical price shocks and weekly at the enterprise level using custom price shocks. Each test assumes a five day holding period. Management uses the daily VaR at the Parent Company consolidated level in managing the business.

There have been no significant changes to the manner in which these risks are managed or measured.

The VaR measure, which primarily consists of commodity risk but also includes foreign exchange risk, estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR. The VaR methodology employed, to calculate daily risk numbers, is the variance-covariance approach.

	Average		**Minimum**		**Maximum**		**Year Ended**	
Historical VaR (99%)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total VaR exposure ($'000)	5,968	1,342	2,657	1,041	8,741	1,734	8,741	1,041

A sensitivity analysis evaluates the impact of a reasonably possible change in interest rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the group assess its market risk exposures. Details of sensitivity analysis for interest rate risk is in Note 26.5.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

26. Financial risk management (continued)

26.3 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the liquidity risk committee, which monitors forecasts and actual operating cash flows and reports to senior management of the Parent Company. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Included in Note 21 is a description of undrawn facilities that the Group has at its disposal to further reduce liquidity risk. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following tables detail the Group's remaining expected maturity for its derivative financial assets and the contractual maturity for its derivative financial liabilities. The Group's remaining expected maturities for its non-derivative financial assets and the contractual maturity for its non-derivative financial liabilities are included within Note 27. The tables are based on the cash flows of financial assets and liabilities as follows:

Financial Assets — Based on the contractual maturities of the financial assets, except where the Group anticipates that the cash flow will occur in a different period.

Financial Liabilities — Based on the earliest date on which the Group can be required to pay.

2018	1 Year or Less $'000	1–5 Years $'000	Greater than 5 Years $'000	Total $'000
Derivative financial assets				
Exchange traded/cleared derivative instruments	1,096	-	-	1,096
OTC derivative trading instruments	49,978	1,542	-	51,520
Total	51,074	1,542	-	52,616
Derivative financial liabilities				
Exchange traded/cleared derivative instruments	1,182	-	-	1,182
OTC derivative trading instruments	55,325	347	-	55,672
Total	56,507	347	-	56,854

2017	1 Year or Less $'000	1–5 Years $'000	Greater than 5 Years $'000	Total $'000
Derivative financial assets				
Exchange traded/cleared derivative instruments	4,383	-	-	4,383
OTC derivative trading instruments	8,609	-	-	8,609
Total	12,992	-	-	12,992
Derivative financial liabilities				
Exchange traded/cleared derivative instruments	537	-	-	537
OTC derivative trading instruments	8,135	-	-	8,135
Total	8,672	-	-	8,672

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

26. Financial risk management (continued)

26.4 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of minimising risk wherever practical and managing within established limits for aggregate credit exposure. This includes utilising master netting agreements to enable offsetting of balances due to/from counterparties in the event of default by the counterparty and collateral arrangements. The Group continuously examines the credit quality of its counterparties through internal reviews and credit monitoring activities. All exposures are monitored daily, as are physical movements, settlements, and payments.

Financial assets which potentially expose the Group to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and derivative instruments. The Group's credit management process includes the assessment, monitoring, and reporting of counterparty exposure on a regular basis.

The Group has a large number of customers, spread across diverse industries and geographical areas.

Apart from three counterparties at 31 December 2018 and 2017 (see Note 14), the Group does not have significant credit risk exposure to any other single counterparty and/or group of counterparties with similar characteristics.

26.4.1 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral and other credit enhancements to cover credit risks associated with its financial assets, including trade and other receivables (see Note 14). At 31 December 2018 and 2017, total collateral and credit held was $98.1 million and $52.4 million, respectively. At 31 December 2018 and 2017, the Group had not re-pledged any collateral.

26.5 Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of floating rate borrowings, and by the use of forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and define risk appetite, ensuring the most cost-effective hedging strategies are applied.

26.5.1 Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower, which represents management's assessment of the reasonably possible change in interest rates (with all other variants held constant), there would be no material impact on the net profit of the Group.

26.6 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the Shareholder through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings as detailed in Note 21 offset by cash and cash equivalents) and equity of the Group as contributed by the Parent Company. The Group is not subject to any externally imposed capital requirements. Responsibility for capital management rests with the liquidity risk committee.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

27. Financial instruments and fair value

The following table provides an analysis of financial instruments by category as of 31 December 2018 and 2017:

	2018 Financial assets/liabilities				
	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents (i) (ii)	104,131	-	-	-	104,131
Restricted cash (i) (ii)	17,000	-	-	-	17,000
Trade and other receivables (ii)	-	291,992	-	-	291,992
Margin/collateral receivables (ii)	-	20,701	-	-	20,701
Current derivative assets	51,074	-	-	-	51,074
Due from affiliates (ii)	-	18,373	-	-	18,373
Commodity inventories (ii)	-	-	-	257,053	257,053
Prepayments and other current assets (ii)	-	266	-	626	892
Non-current derivative assets	1,542	-	-	-	1,542
Non-current due from affiliates (iii)	-	22,364	-	-	22,364
Property and equipment	-	-	-	1,976	1,976
Intangible assets	-	-	-	7	7
Other assets (iii)	-	384	-	-	384
	173,747	354,080	-	259,662	787,489
Liabilities					
Borrowings (ii)	-	-	78,859	-	78,859
Trade and other payables (ii)	-	-	538,245	-	538,245
Margin/collateral payables (ii)	-	-	10,141	-	10,141
Current derivative liabilities	56,507	-	-	-	56,507
Accrued and other liabilities (ii)	-	-	4,355	176	4,531
Non-current derivative liabilities	347	-	-	-	347
Other liabilities (iii)	-	-	1,212	-	1,212
	56,854	-	632,812	176	689,842

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

27. Financial instruments and fair value (continued)

	2017 Financial assets/liabilities				
Assets	**Fair value through profit or loss $'000**	**Loans and receivables $'000**	**Other financial liabilities $'000**	**Non-financial assets/ liabilities $'000**	**Total $'000**
Cash and cash equivalents (i) (ii)	24,548	-	-	-	24,548
Restricted cash (i) (ii)	32,000	-	-	-	32,000
Trade and other receivables (ii)	-	68,228	-	-	68,228
Margin/collateral receivables (ii)	-	4,040	-	-	4,040
Current derivative assets	12,992	-	-	-	12,992
Commodity inventories (ii)	-	-	-	26,470	26,470
Prepayments and other current assets (ii)	-	1,112	-	444	1,556
Property and equipment	-	-	-	2,745	2,745
Intangible assets	-	-	-	9	9
Deferred tax assets (iii)	-	285	-	-	285
Other assets (iii)	-	318	-	-	318
	69,540	73,983	-	29,668	173,191
Liabilities					
Borrowings (ii)	11,498	-	-	-	11,498
Trade and other payables (ii)	-	-	64,325	-	64,325
Margin/collateral payables (ii)	-	-	3,496	-	3,496
Current derivative liabilities	8,672	-	-	-	8,672
Due to affiliates (ii)	-	-	22,378	-	22,378
Accrued and other liabilities (ii)	-	-	3,105	599	3,704
	20,170	-	93,304	599	114,073

(i) Cash and cash equivalents and restricted cash represented cash held at banks.

(ii) Current non-derivative financial assets and liabilities have a remaining expected or contractual maturity of one year or less (see Note 26.3).

(iii) Non-current non-derivative financial assets and liabilities have a remaining expected or contractual maturity of one to five years (see Note 26.3).

All assets and liabilities at fair value through profit or loss were mandatorily measured per IFRS 9, except for borrowings from repurchase agreements at 31 December 2017, which were designated at FVTPL.

Non-derivative financial assets and liabilities, except other assets and deferred tax assets, have a remaining expected or contractual maturity of one year or less. Other assets and deferred tax assets have a remaining expected or contractual maturity of one to five years.

The carrying amounts of Level 2 financial instruments such as trade and other receivables, margin/collateral, prepayments and other current assets, borrowings, trade and other payables, and due to/from affiliates, and accrued and other liabilities approximate fair value because of the short-term nature of such instruments. The carrying amounts of Level 2 financial instruments such as other assets and other liabilities do not materially differ from fair value due to their relatively recent issuance or revaluation.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

27. Financial instruments and fair value (continued)

27.1 Fair Value Measurements

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (in thousands).

	2018			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Assets at FVTPL				
Derivative financial assets:				
Exchange futures/options	1,098	(2)	-	1,096
Financial contracts/swaps	-	27,024	-	27,024
Physical forwards	-	24,496	-	24,496
	1,098	51,518	-	52,616
Non-financial assets:				
Commodity inventory	-	257,053	-	257,053
Total	1,098	308,570	-	309,669
Financial Liabilities at FVTPL				
Derivative financial liabilities:				
Exchange futures/options	1,182	-	-	1,182
Physical forwards	-	27,692	-	27,692
Financial contracts/swaps	-	27,980	-	27,980
Total	1,182	55,672	-	56,854

	2017			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Assets at FVTPL				
Derivative financial assets:				
Exchange futures/options	7,732	(3,349)	-	4,383
Financial contracts/swaps	-	4	-	4
Physical forwards	-	8,605	-	8,605
	7,732	5,260	-	12,992
Non-financial assets:				
Commodity inventory		26,470	-	26,470
Total	7,732	31,730	-	39,462
Financial Liabilities at FVTPL				
Derivative financial liabilities:				
Exchange futures/options	537	-	-	537
Physical forwards	-	8,135	-	8,135
Total	537	8,135	-	8,672

The determination of fair values above incorporates various factors as discussed in Note 3.6.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

27. Financial instruments and fair value (continued)

27.2 Fair Value Adjustments

The valuations incorporate assumptions that the Group believes would be made by market participants to establish fair value. Fair value adjustments are included when the Group considers there are additional factors that would be considered by a market participant in determining the fair value of a financial instrument. The Group identifies fair value adjustments as either 'risk-related' or 'credit-related.' The fair value adjustments form a part of the portfolio's fair value and are included in the statement of financial position financial asset values to which they have been applied.

27.2.1 Credit-related Adjustments

The Group adopts a credit risk adjustment against trade and other receivables and OTC derivative transactions to reflect within fair value the possibility that the counterparty may default, and the Group may not receive the full market value of the transactions. The Group calculates a separate credit risk adjustment for each subsidiary and counterparty to which the Group has exposure. The Group attempts to mitigate credit risk to third parties by entering into netting and collateral agreements. The net counterparty exposure (i.e. counterparty positions netted by offsetting transactions and both cash and securities collateral) is then assessed for counterparty creditworthiness.

The Group calculates the credit risk adjustment by applying the probability of default of the counterparty to expected positive exposure to the counterparty, and multiplying the result by the loss expected in the event of default (i.e. the loss given default "LGD"). The timing of the expected losses is reflected by using a discount factor. The calculation performed over the life of the potential exposure (i.e. the credit risk adjustment is measured as a lifetime expected loss). Probabilities of default are based upon analysis of historic default rates. The credit rating used for each counterparty is determined by the Group's internal credit process. Credit ratings are updated by the credit department as new relevant information becomes available and at periodic reviews performed at least annually. Unless a specific problem with a counterparty is known, the LGD is assumed to be 50%.

The Group also considers its creditworthiness when determining the fair value of an instrument, in accordance with the requirements of IFRS 13. The approach to measuring the impact of the Group's own credit risk on an instrument is the same as for third party credit risk.

27.2.2 Risk-related Adjustments

The Group's policy is to mark financial assets and liabilities at bid or offer, as appropriate. Bid prices represent the price at which a long position could be sold and offer prices represent the price at which a short position could be bought back. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the cost that would be incurred in substantially all residual net portfolio market risks were closed, disposed or unwound. The majority of the bid-offer adjustment relates to OTC derivative portfolios. For each portfolio, the major risk types are identified. These may include the sensitivity to changes in the price of the underlying, volatilities and spread between two rates. For each risk type, the net portfolio risks are first classified into buckets, and then a bid-offer spread is applied to each risk bucket based upon the market bid-offer spread for the relevant instrument.

As bid-offer spreads vary by maturity and risk type to reflect different spreads in the market, for positions where there is no observable quote, a trade specific adjustment is made. This is to reflect the widened spreads in comparison to proxies due to reduced liquidity or observability.

27.3 Reconciliation of Level 3 Fair Value Measurements

For the years ended 31 December 2018 and 2017, there were no Level 3 financial assets or liabilities.

During 2018 and 2017, the Group did not record inception reserves on day one gains and losses that remain unamortised at 31 December 2018 and 2017, respectively.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

28. Offsetting financial assets and liabilities

The Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table provides an analysis of amounts that have been offset in the consolidated statement of financial position and also those amounts that are covered by enforceable netting arrangements but do not qualify for netting, as of 31 December 2018 and 2017:

31 December 2018

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amounts S'000	Amounts offset S'000	Net amounts reported on the balance sheet S'000	Financial instruments S'000	Financial collateral [1] S'000	Net amount S'000
Derivative financial assets						
Exchange traded/cleared derivative instruments	6,810	(5,714)	1,096	-	(770)	326
OTC derivative trading instruments	60,492	(8,972)	51,520	(30,159)	-	21,361
Margin/collateral receivable	-	-	-	-	-	-
Exchange traded/cleared derivative instruments	16,369	(532)	15,837	-	(993)	14,844
OTC derivative trading instruments	4,864	-	4,684	-	-	4,864
Trade and other receivables	303,171	(11,890)	291,281	(154,666)	-	136,615
Due from affiliates	84,360	(43,623)	40,737	-	-	40,737
Total assets	476,066	(70,731)	405,355	(185,185)	(1,763)	218,747
Derivative financial liabilities						
Exchange traded/cleared derivative instruments	6,896	(5,714)	1,182	-	(1,182)	-
OTC derivative trading instruments	64,644	(8,972)	55,672	(45,829)	0	9,843
Margin/collateral payable	-	-	-	-	-	-
Exchange traded/cleared derivative instruments	1,113	(532)	581	-	(581)	-
OTC derivative trading instruments	9,560	-	9,560	-	-	9,560
Trade and other payables	549,309	(11,890)	537,419	(139,356)	-	398,063
Due to affiliates	43,623	(43,623)	-	-	-	-
Total liabilities	675,145	(70,731)	604,414	(185,185)	(1,763)	417,466

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

28. Offsetting financial assets and liabilities (continued)

31 December 2017

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amounts $'000	Amounts offset $'000	Net amounts reported on the balance sheet $'000	Financial instruments $'000	Financial collateral [1] $'000	Net amount $'000
Derivative financial assets						
Exchange traded/cleared derivative instruments	109,098	(104,715)	4,383	-	(3,220)	1,163
OTC derivative trading instruments	9,629	(1,020)	8,609	(8,548)	-	61
Margin/collateral receivable						
Exchange traded/cleared derivative instruments	3,638	-	3,638	-	(537)	3,101
OTC derivative trading instruments	402	-	402	-	-	402
Trade and other receivables	66,593	(36)	66,557	(126)	-	66,431
Due from affiliates	1,843	(1,843)	-	-	-	-
Total assets	191,203	(107,614)	83,589	(8,674)	(3,757)	71,158
Derivative financial liabilities						
Exchange traded/cleared derivative instruments	105,252	(104,715)	537	-	(537)	-
OTC derivative trading instruments	9,155	(1,020)	8,135	(7,617)	-	518
Margin/collateral payable						
Exchange traded/cleared derivative instruments	3,496	-	3,496	-	(3,220)	276
Trade and other payables	62,187	(36)	62,151	(1,056)	-	61,095
Due to affiliates	24,221	(1,843)	22,378			22,378
Total liabilities	204,311	(107,614)	96,697	(8,673)	(3,757)	84,267

[1] Financial collateral is reflected at its fair value, but has been limited to the net exposure reported on the statement of financial position so as not to include any over-collateralisation.

For the financial assets and liabilities subject to enforceable master netting or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due and/or failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within the specified grace period or bankruptcy.

Notes to the financial statements (continued)
For the years ended 31 December 2018 and 2017

29. Share capital

The Company has authorised 200 million shares with a par value of $1 per unit. As of 31 December 2018 and 2017, the Company had issued and paid up share capital of $89.5 million and $79.5 million, respectively.

The Company has one class of ordinary shares which carry no right to fixed income.

30. Subsequent events

The Group has evaluated the period after the balance sheet date up through 29 April 2019, the date the consolidated financial statements were issued, and determined there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements.