

Company Registration No. 07769255

Freepoint Commodities Services Ltd.

Annual Report and Financial Statements

31 December 2017

THURSDAY



L7FC79L5

LD4

27/09/2018

#178

COMPANIES HOUSE

Freeport Commodities Services Ltd.
Company Registration No. 07769255

Report and financial statements 2017 and 2016

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Statements of profit or loss and other comprehensive income or loss	9
Statements of financial position	10
Statements of changes in shareholder's equity	12
Cash flow statement	13
Notes to the financial statements	14

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Officers and professional advisers

Directors

Robert Feilbogen
Daniel Hecht
Giuseppe Minichiello

Secretary

Throgmorton Secretaries LLP

Registered Office

4th Floor Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Principal Place of Business

157-197 Buckingham Palace Road
London
SW1W 9SP

Registered Number

07769255 (England and Wales)

Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Freepoint Commodities Services Ltd.

Company Registration No. 07769255

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business review and results

Freepoint Commodities Services Ltd, the "Company," was incorporated on 9 September 2011 to serve as the employing entity in the United Kingdom and to provide administrative services for affiliates within the United Kingdom, in particular Freepoint Commodities Europe LLP and Freepoint Commodities Trading LLP, as well as the Swiss and Asian subsidiaries of Freepoint Commodities Enterprises Ltd.

The Company, along with Freepoint Commodities Europe.LLP and Freepoint Commodities Trading LLP, is fully consolidated by Freepoint Commodities Holdings Ltd, the sole shareholder.

The immediate parent of Freepoint Commodities Holdings Ltd is Freepoint Commodities LLC (the "Parent Company"). The Company, along with its affiliates, are fully consolidated by the Parent Company (the "Group").

The Company reported a net profit of \$0.8 million for the years ended 31 December 2017 and 2016. The Company recharges administrative personnel costs and certain other overheads to affiliates in United Kingdom, Switzerland and Asia at a mark-up of 8%, which is in accordance with international transfer pricing rules within those jurisdictions. The Company also charges affiliates within the United Kingdom an administration fee for front office personnel but other costs such as audit fees are borne directly by the Company. Direct front office costs also continued to be allocated to the trading entities at a flat rate. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") decreased to \$1.7 million for the current year as compared to \$2.0 million for the year ended 31 December 2016, primarily due to increase in personnel costs as a function of revenue.

Key performance indicators

Consistent with net profit above, the gross profit margin remained at 3% from prior year.

The Company continues to borrow funds from the Parent Company to cover its costs for services. However, this liability is offset by the receivables incurred upon the allocation of costs to affiliates. The Company has the ability to net amounts due to and from affiliates and therefore has minimal risk of default on borrowings from the Parent Company. The net amounts due from affiliates increased during 2017, resulting in an increase in the current ratio from 1.10 to 1.14. Although the Company showed a decrease in cash flows for the year ended 31 December 2017, the Company continues to maintain a positive cash balance. As such, the Company has a solid platform from which to manage future requirements, in particular, its ability to pay back these aforementioned borrowings.

The liabilities/equity ratio is 4.9 compared to 5.7 at the previous year end. The decrease in this ratio since prior year end is a result of the positive net profit, which increased member's equity by a higher percentage than the increase in liabilities. Moreover, the Company has no external borrowings and does not expect to have net payables to affiliates for the foreseeable future. The directors are comfortable that the net worth will increase as a result of future profitability.

Principal risks and uncertainties

The Company enters into employment and administrative agreements which expose it to foreign exchange and liquidity risks.

The Company's risks are managed at the Group level. 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 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 Company transacts in any new business, it is required to obtain approval as appropriate.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Strategic report

Liquidity Risk Management

The Parent Company 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 Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed at the Group level within approved policy parameters utilising forward exchange contracts. These forward exchange contracts cover foreign currency payments and receipts for the total exposure generated by the Group.

Future developments

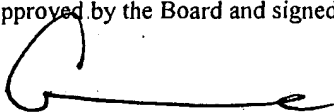
Given the comfort derived from the Company's future profitability and current liquidity ratios, and given the nature of the Company's business in providing services to other group companies, at a mark-up, the directors are of the opinion that the Company will remain profitable in the coming year. Management will also undertake a review of the mark-up policy and will adjust the mark-up should that be deemed to be appropriate.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

Approval

Approved by the Board and signed on its behalf by:



Giuseppe Minichiello

Director

18 July 2018

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Directors' report

The directors present their report and the audited financial statements of Freepoint Commodities Services Ltd. (the "Company") for the years ended 31 December 2017 and 2016.

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 Company operates by recharging costs at a mark-up to other Group entities. Senior Management continually monitors the basis of the transfer pricing policy and in particular, mark-up percentages, to ensure the Company is adequately compensated for the services it provides. The Company continues to operate with positive shareholder's equity and forecasts and projections show that this will be maintained in the foreseeable future.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Share capital

The Company authorised and issued one share on 13 September 2011 for par value of £1. All shares are held by Freepoint Commodities Holdings Ltd. The Company is not subject to any externally imposed capital requirements and does not rely on any external borrowings.

Dividends

The directors do not recommend the payment of a dividend for the years ended 31 December 2017 and 2016.

Directors

The Company is governed by a board of three directors, acting on behalf of the Parent Company. Two of the directors are employed by the Parent Company, and one is employed by a member of the Group. The consent of the Board of Directors 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 during the year and through the date of these accounts were as follows:

Robert Feilbogen
Daniel Hecht
Giuseppe Minichiello

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.

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

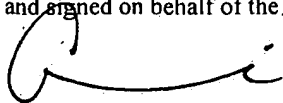
Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Directors' report

This confirmation is given and should be interpreted in accordance with the provisions of section 418 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

A handwritten signature in black ink, appearing to read 'Giuseppe Minichiello', written over a horizontal line.

Giuseppe Minichiello
Director

18 July 2018

Freeport Commodities Services Ltd.
Company Registration No. 07769255

Director's 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 financial statements in accordance with 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 to 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.

Independent auditor's report to the members of Freepoint Commodities Services Ltd.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Freepoint Commodities Services Ltd (the 'company') which comprise:

- the statements of profit or loss and other comprehensive income or loss;
- the statements of financial position;
- the statements of changes in shareholder's equity;
- the cash flow statement; and
- the related notes 1 to 24.

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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 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.

Independent auditor's report to the members of Freepoint Commodities Services Ltd.

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

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.

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.

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

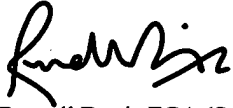
Independent auditor's report to the members of Freepoint Commodities Services Ltd.

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

We have nothing to report in respect of these matters.



Russell Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18 July 2018

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Statements of profit or loss and other comprehensive income or loss
For the years ended 31 December 2017 and 2016

	Note	2017 \$'000	2016 \$'000
Management fee revenue	6	38,742	33,325
Operating expenses:			
Staff costs	8	(32,033)	(26,680)
Other general and administrative costs		(6,099)	(5,770)
Depreciation and amortisation		(419)	(633)
Total operating expenses		(38,551)	(33,083)
Other income – net	9	1,046	1,092
Finance costs	10	(319)	(316)
Total profit before tax		918	1,018
Income tax expense	11	(143)	(226)
Profit after tax and total comprehensive income for the year		775	792

All activities derive from continuing operations.

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

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Statements of financial position
As at 31 December 2017 and 2016

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents		520	634
Trade and other debtors	12	195	380
Due from affiliates		15,863	12,021
Prepays and other current assets	13	1,244	1,214
Total current assets		<u>17,822</u>	<u>14,249</u>
Non-current assets			
Property and equipment – net	14	334	305
Intangible assets – net	15	398	647
Deferred tax assets	11	166	166
Other assets	13	55	534
Total assets		<u>18,775</u>	<u>15,901</u>
Liabilities and shareholder's equity			
Current liabilities			
Trade and other creditors	16	458	379
Accrued and other liabilities	18	15,154	12,607
Total current liabilities		<u>15,612</u>	<u>12,986</u>
Non-current liabilities			
Other liabilities	18	-	527
Total liabilities		<u>15,612</u>	<u>13,513</u>
Shareholder's equity			
Share capital, £1 par value per share - authorised 1 share; and outstanding, 1 share		-	-
Accumulated retained earnings		3,163	2,388
Total Shareholder's equity		<u>3,163</u>	<u>2,388</u>
Total liabilities and shareholder's equity		<u>18,775</u>	<u>15,901</u>

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

The financial statements of Freepoint Commodities Services Ltd, registered number 07769255 were approved by the Board of Directors on 18 July 2018.

Signed on behalf of the Board of Directors


Giuseppe Minichiello

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Statements of changes in shareholder's equity
For the years ended 31 December 2017 and 2016

	Share Capital \$'000	Accumulated retained earnings \$'000	Total Shareholder's equity \$'000
At 1 January 2016	-	1,596	1,596
Net profit and total comprehensive income for the year	-	792	792
At 31 December 2016	-	2,388	2,388
Net profit and total comprehensive income for the year	-	775	775
At 31 December 2017	-	3,163	3,163

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

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Cash flow statement
For the years ended 31 December 2017 and 2016

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Net profit for the year	775	792
Adjustments for:		
Depreciation and amortisation	419	633
Financing costs recognised in profit or loss	319	316
Net interest income recognised in profit or loss	(3)	(14)
Income tax expense recognised in profit or loss	143	226
Net foreign exchange (gain)/loss	(84)	12
	794	1,173
Movements in working capital:		
Due from affiliates	(3,842)	(4,049)
Prepays and other assets	457	(415)
Trade and other debtors	191	187
Trade and other creditors	166	41
Accrued and other liabilities	2,033	3,407
	(201)	(829)
Income taxes paid	(230)	(220)
Net cash provided by operating activities	344	916
Cash flows from investing activities		
Payments for property and equipment	(211)	(126)
Payments for intangible assets	-	(196)
Net interest income received	7	46
Net cash used in investing activities	(204)	(276)
Cash flows from financing activities		
Financing costs	(319)	(316)
Net cash used in financing activities	(319)	(316)
Net (decrease)/increase in cash and cash equivalents	(179)	324
Cash and cash equivalents - Beginning of the year	634	407
Effect of exchange rate fluctuations on cash held	65	(97)
Cash and cash equivalents — End of the year	520	634

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

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

1. General information

Freepoint Commodities Services Ltd (the "Company") is a wholly owned subsidiary of Freepoint Commodities Holdings Ltd, domiciled in the United Kingdom. Freepoint Commodities Holdings Ltd 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 was established to serve as the central employing and administrative entity for business within the United Kingdom. It also performs an administrative function for other businesses in Europe and Asia.

2. Adoption of new and revised standards

In the current period, no new and/or revised standards have been adopted in these financial statements.

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

IFRS 16 — Leases

IFRS 16 introduces a new model for the identification of lease arrangements. 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 recognizes assets and liabilities for all leases (subject to limited exceptions for short-term leases and leases of low-value assets). IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted IFRS 15. 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.

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 recognizes 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. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted and can be applied retrospectively or prospectively. Management is currently evaluating the potential impact that the application of IFRIC 22 in the future may have on the Group and Company's consolidated financial statements and related disclosures.

3. Summary of significant accounting policies

3.1 Basis of preparation and accounting policies

The financial statements of 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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

The principal accounting policies are set out below.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

3.2 Going concern

Given the Company recharges costs at a mark-up, the directors have a reasonable expectation that the Company has 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 financial statements.

3.3 Revenue recognition

The Company was established to serve as the central employing and administrative entity for affiliates within the United Kingdom and serve an administrative function for other affiliates within Europe and Asia.

Revenue is earned by allocating the expenses of the Company as a management fee based on trader headcount and time apportionment. To ensure the expenses are recharged at arm's length the Company recharges certain costs with an 8% mark-up on costs. These mark-ups are presented separately from the management fee revenue in profit or loss within 'Other income.'

3.4 Financial instruments and fair value

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Financial assets and financial 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.

3.5 Financial assets

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

3.5.1 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been adversely impacted.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

As at 31 December 2017 and 2016, no impairment indicators existed for financial assets carried at amortised cost.

3.5.2 Derecognition of Financial Assets

The Company 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 Company retains substantially all the risks and rewards of ownership of a

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

transferred asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. 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.

3.6 Financial Liabilities

Financial liabilities are classified as 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.

3.6.1 Derecognition of Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company'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.

3.7 Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.8 Foreign currencies

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

3.9 Cash and cash equivalents

At 31 December 2017 and 2016, cash and cash equivalents are composed of cash held at several financial institutions. The carrying amount of these assets is approximately equal to fair value.

3.10 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	4 years
Software	5 years

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

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

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.

Software represents computer software integral to the equipment purchased.

3.11 Intangible assets

Intangible assets are valued at cost, less accumulated amortisation and impairment. 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 2017 and 2016, 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 to seven years. The Company does not hold any intangible assets with indefinite useful lives.

Intangible assets are tested for impairment when impairment indicators exist. On derecognition of the asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.12 Prepays and other assets

Prepays and other assets primarily consist of prepaid compensation, deposits made to the third parties and expenses paid in advance. These costs and expenses paid in advance are amortised over their related service period.

3.13 Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3.14 Taxes

The Company is a tax-paying entity, and may be subject to current and deferred tax. As a member of a UK tax group, the Company may surrender or receive losses from other members of the tax group under UK legislation, for nil consideration.

3.14.1 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 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's current tax is calculated using the local tax rate that has 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 Debtors' and 'Trade and Other Creditors,' respectively.

3.14.2 Deferred Tax

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the Company believes it is probable that taxable income for those subsidiaries and states will be available against which such differences can be deducted.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

The carrying amount of unrecognized 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 recognized.

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 realized, 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 financial statements requires that management make estimates and assumptions that will affect the amounts reported in the financial statements and accompanying notes. Although we believe 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.

4.12 Critical judgements in applying the company's accounting policies

There are no critical judgements that the Directors have made in the process of applying Company's accounting policies and that had a significant effect on the amounts recognized in the financial statements.

5 Key sources of estimation uncertainty

The Company does not have any significant sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

6 Management fee revenue

Total management fee revenue earned by recharges to affiliates for the years ended 31 December 2017 and 2016, consisted of the following:

	2017 \$'000	2016 \$'000
Staff costs	32,033	26,680
Other general and administrative costs	5,971	5,696
Asset use allocation	419	633
Finance costs	319	316
Total	<u>38,742</u>	<u>33,325</u>

7 Auditor's remuneration

The auditor's remuneration for audit work performed for the Company and UK affiliates, included in other general and administrative costs, was \$0.1 million for the years ended 31 December 2017 and 2016.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

8 Staff costs

The remuneration of directors for the years ended 31 December 2017 and 2016, was \$0.5 million and is included within the staff costs disclosed below.

The average monthly number of employees for the Company was 75 for the year ended 31 December 2017. The average monthly number of employees was 64 for the year ended 31 December 2016. The Company only has one category of employees.

Their aggregate remuneration comprised:

	2017 \$'000	2016 \$'000
Wages and salaries	28,089	22,299
Social security costs	2,337	3,026
Other benefit costs	1,607	1,355
Total	<u>32,033</u>	<u>26,680</u>

9 Other income – net

Other income as at 31 December 2017 and 2016, consisted of the following:

	2017 \$'000	2016 \$'000
Transfer pricing income	994	1,052
Unrealised foreign exchange gain/(loss)	84	(121)
Realised foreign exchange (loss)/gain	(40)	172
Other income/(loss)	8	(11)
Total	<u>1,046</u>	<u>1,092</u>

10 Finance costs

Finance costs for the years ended 31 December 2017 and 2016 consisted of interest charged on borrowings from the Parent Company and affiliates. The interest charge is based upon the weighted average interest rate on external borrowings of the Parent Company and its subsidiaries. For the years ended 31 December 2017 and 2016, the average borrowing rates were 4.06% and 3.72%, respectively.

11 Tax on profit on ordinary activities

Analysis of the total tax charge

	2017 \$'000	2016 \$'000
Corporation tax:		
Current period	187	244
Adjustment in respect of prior periods	(44)	(18)
Total tax charge for the year	<u>143</u>	<u>226</u>

Factors affecting corporation tax charge for the year

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

11. Tax on profit on ordinary activities (continued)

The charge for the years can be reconciled to the profit in the income statements as follows:

	2017 \$'000	2016 \$'000
Profit on ordinary activities before taxation	918	1,018
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 19.25% (2017); 20.00% (2016)	177	204
Effects of:		
Permanent differences	14	28
Changes in futures taxes	8	38
Prior year adjustments	(64)	(18)
Exchange differences	8	(26)
Total tax charge for the year	143	226

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

Deferred tax

The Company recognized deferred tax assets of \$0.2 million for the years ended 31 December 2017 and 2016. The deferred tax balances and movements are comprised as follows:

	Decelerated capital allowances \$'000	Unpaid pensions \$'000	Total \$'000
At 31 December 2016	151	15	166
Origination and reversal of temporary differences	(12)	-	(12)
Adjustment in respect of prior periods	34	(14)	20
Effect of changes in tax rates	(7)	(1)	(8)
At 31 December 2017	166	-	166

The Company has no deferred tax assets for the years ended 31 December 2017 and 2016, respectively, which are not being recognized under IFRS.

The Company applies the guidance within IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets* and IAS 12 – *Income Taxes* regarding contingent liabilities and assets. There are no contingent tax liabilities or assets as at and for the years ended 31 December 2017 and 2016.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

12 Trade and other debtors

Trade and other debtors as at 31 December 2017 and 2016, consisted of the following:

	2017	2016
	\$'000	\$'000
Loans to related parties	-	333
Indirect tax receivables	166	34
Income tax receivable	29	13
	<u>195</u>	<u>380</u>

13 Prepaids and other assets

Prepaids and other assets as at 31 December 2017 and 2016, consisted of the following:

	2017	2016
	\$'000	\$'000
Current:		
Prepaid personnel costs	571	634
Other prepaid operating costs	667	578
Deposits	6	2
	<u>1,244</u>	<u>1,214</u>

	2017	2016
	\$'000	\$'000
Non-current:		
Deposits	41	41
Prepaid personnel costs	14	491
Other prepaid operating costs	-	2
	<u>55</u>	<u>534</u>
Total prepaids and other assets	<u>1,299</u>	<u>1,748</u>

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

14 Property and equipment

Property and equipment as at 31 December 2017 and 2016, consisted of the following:

	\$'000
Cost	
At 1 January 2016	2,502
Additions	127
	<hr/>
At 31 December 2016	2,629
Additions	211
	<hr/>
At 31 December 2017	<u>2,840</u>
 Accumulated depreciation	
At 1 January 2016	(1,912)
Depreciation expense	(412)
	<hr/>
At 31 December 2016	(2,324)
Depreciation expense	(182)
	<hr/>
At 31 December 2017	<u>(2,506)</u>
 Net property and equipment	
at 31 December 2016	<u>305</u>
at 31 December 2017	<u>334</u>

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

15 Intangible assets

Intangible assets at 31 December 2017 and 2016, consisted of the following:

	\$'000
Cost	
At 1 January 2016	1,468
Additions	196
At 31 December 2016	1,664
Reclassification	(12)
At 31 December 2017	1,652
Accumulated amortisation	
At 1 January 2016	(796)
Amortisation expense	(221)
At 31 December 2016	(1,017)
Amortisation expense	(237)
At 31 December 2017	(1,254)
Net intangible assets	
at 31 December 2016	647
at 31 December 2017	398

16 Trade and other creditors

Trade and other creditors as at 31 December 2017 and 2016, consisted of the following:

	2017 \$'000	2016 \$'000
Income tax payables	187	244
Other payables	271	135
Total	458	379

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

17 Related parties

Freepoint Commodities Services Ltd is a wholly owned subsidiary of Freepoint Commodities Holdings Ltd, domiciled in the United Kingdom with registered office located at 4th Floor, Reading Bridge House, George Street, Reading RG1 8LS. At 31 December 2017 and 2016, key management personnel and employees of the Group controlled 24.6% and 21.5%, respectively, of the voting shares of Freepoint Commodities Holdings LLC, the Parent of Freepoint Commodities LLC. At 31 December 2017 and 2016, the Parent Company controlled 100% of the voting shares of Freepoint Commodities Holdings Ltd.

The immediate parent of Freepoint Commodities Holdings Ltd 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 Company's results are included are the group accounts of Freepoint Commodities Holdings Ltd and Freepoint Commodities Holdings LLC, respectively. A copy of the accounts of Freepoint Commodities Holdings LLC may be obtained from 58 Commerce Road, Stamford, CT 06902, United States of America.

The remuneration of officers and other members of key management personnel of the Company for the years ended 31 December 2017 and 2016, was \$0.5 million. This remuneration represents short-term benefits provided to key management.

For the years ended 31 December 2017 and 2016, the Company charged the Parent Company and certain affiliates \$38.7 million and \$33.3 million in management fees, respectively, and \$1.0 million and \$1.1 million in transfer pricing mark-ups, respectively.

Total loans due from members of Freepoint Commodities Holdings LLC as of 31 December 2017 and 2016, were nil and \$0.3 million, respectively.

18 Accrued and other liabilities

Accrued and other liabilities as at 31 December 2017 and 2016 consisted of the following:

	2017 \$'000	2016 \$'000
Current:		
Accrued compensation	14,928	12,409
Unpaid professional services	154	103
Other	72	95
	<u>15,154</u>	<u>12,607</u>
Non-current:		
Deferred compensation	-	527
	<u>-</u>	<u>527</u>
Total	<u><u>15,154</u></u>	<u><u>13,134</u></u>

19 Commitments and contingencies

As at 31 December 2017 and 2016, the Company has not been involved in any legal claims or unresolved disputes which have a more than remote possibility of resulting in a contingent liability.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

20 Operating lease arrangements

The Company has entered into a building lease, 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 2017 and 2016, were \$0.3 million and \$0.4 million, respectively.

Minimum lease payments, at 31 December 2017 and 2016, under non-cancellable operating leases were as follows:

	2017 \$'000	2016 \$'000
Not later than 1 year	364	332
Later than 1 year and not longer than 5 years	337	640
Total	<u>701</u>	<u>972</u>

21 Financial risk management

The Company derives its revenue by allocating expenses of the Company to certain affiliates within the United Kingdom, Europe and Asia. To ensure the expenses are recharged at arm's length the Company recharges certain costs with an 8% mark-up (see Note 3.3).

21.12 Financial risk management objectives

The Company enters into employment and administrative agreements which expose it to foreign exchange and liquidity risks. These risks are managed by management at the Group level. 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.

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 of the Parent Company on the approach and effectiveness in managing financial risks along with exposures facing the Group. Also, before the Company transacts in any new business, it is required to obtain approval as appropriate.

21.13 Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed at the Group level within approved policy parameters utilising forward exchange contracts.

It is the policy of the Group to enter into forward exchange contracts to cover foreign currency payments and receipts for the total exposure generated by the Group.

21.14 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 Parent Company 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 Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The remaining expected maturity for its non derivative financial assets and the contractual maturity for its non-derivative financial liabilities, except other assets, is one year or less. Other assets are expected to mature within one to five years.

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

21.15 Capital Management

The Parent Company manages its capital to ensure its subsidiaries, including the Company, will be able to continue as a going concern while maximising the return to Members of the Parent Company through the optimisation of the debt and equity balance. The Company is not subject to any externally imposed capital requirements. Responsibility for capital management rests with the liquidity risk committee.

22 Financial instruments and fair value

The following table provides an analysis of financial instruments by category as at 31 December 2017 and 2016:

	Fair value through profit or loss \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Non financial assets/ liabilities \$'000	Total \$'000
2017					
Assets					
Cash and cash equivalents (i)	520	-	-	-	520
Trade and other debtors	-	195	-	-	195
Due from affiliates	-	15,863	-	-	15,863
Prepays and other current assets	-	577	-	667	1,244
Property and equipment	-	-	-	334	334
Intangible assets	-	-	-	398	398
Deferred tax assets	-	166	-	-	166
Other assets	-	55	-	-	55
	<u>520</u>	<u>16,856</u>	<u>-</u>	<u>1,399</u>	<u>18,775</u>
Liabilities					
Trade and other creditors	-	-	458	-	458
Accrued and other liabilities	-	-	15,154	-	15,154
	<u>-</u>	<u>-</u>	<u>15,612</u>	<u>-</u>	<u>15,612</u>

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

22. Financial instruments and fair value (continued)

	Fair value through profit or loss \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Non financial assets/ liabilities \$'000	Total \$'000
2016					
Assets					
Cash and cash equivalents (i)	634	-	-	-	634
Trade and other debtors	-	380	-	-	380
Due from affiliates	-	12,021	-	-	12,021
Prepays and other current assets	-	643	-	571	1,214
Property and equipment	-	-	-	305	305
Intangible assets	-	-	-	647	647
Deferred tax assets	-	166	-	-	166
Other assets	-	534	-	-	534
	<u>634</u>	<u>13,744</u>	<u>-</u>	<u>1,523</u>	<u>15,901</u>
Liabilities					
Trade and other creditors	-	-	379	-	379
Accrued and other liabilities	-	-	12,607	-	12,607
Other liabilities	-	-	527	-	527
	<u>-</u>	<u>-</u>	<u>13,513</u>	<u>-</u>	<u>13,513</u>

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

The carrying amounts of Level 2 financial instruments such as trade and other debtors, due from affiliates, prepaids and other current assets, trade and other creditors 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 deferred tax assets and other assets do not materially differ from fair value due to their relatively recent issuance or revaluation.

23 Offsetting financial assets and liabilities

In accordance with IAS 32 - *Financial Instruments: Presentation*, the Company reports financial assets and liabilities on a net basis in the statements 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 statements of financial position, as at 31 December 2017 and 2016:

Freepoint Commodities Services Ltd.
Company Registration No. 07769255

Notes to the financial statements
For the years ended 31 December 2017 and 2016

23. Offsetting financial assets and liabilities (continued)

	Amounts subject to enforceable netting arrangements Effects of offsetting on balance sheet		
	Gross amount \$'000	Amounts offset \$'000	Net amounts reported on the balance sheet \$'000
31 December 2017			
Due from affiliates	23,121	(7,258)	15,863
Total assets	23,121	(7,258)	15,863
Due to affiliates	7,258	(7,258)	-
Total liabilities	7,258	(7,258)	-

	Amounts subject to enforceable netting arrangements Effects of offsetting on balance sheet		
	Gross amount \$'000	Amounts offset \$'000	Net amounts reported on the balance sheet \$'000
31 December 2016			
Due from affiliates	12,060	(39)	12,021
Total assets	12,060	(39)	12,021
Due to affiliates	39	(39)	-
Total liabilities	39	(39)	-

All transactions between affiliates are subject to master netting agreements which allows for net settlement of the relevant receivables and payables between affiliates.

24 Subsequent events

The Company has evaluated the period after the balance sheet date up through 18 July 2018, the date the financial statements were issued and determined there were no subsequent events or transactions that required recognition or disclosure in the financial statements.