

**Registration No. OC414946**

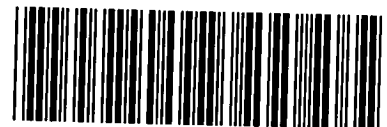
**QHG Trading LLP**

**Annual Report and Financial Statements**

**Period from incorporation on 5 December 2016**

**to 31 May 2018**

THURSDAY



\*A7I9MT3F\*

A08

08/11/2018

#202

COMPANIES HOUSE

# **QHG Trading LLP**

## **Annual report and financial statements 2018**

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| <b>Members and professional advisers</b>                              | <b>1</b>    |
| <b>Members' report</b>  | <b>2</b>    |
| <b>Members' responsibilities statement</b>                            | <b>3</b>    |
| <b>Independent auditor's report to the members of QHG Trading LLP</b> | <b>4</b>    |
| <b>Statement of profit or loss and other comprehensive income</b>     | <b>6</b>    |
| <b>Statement of financial position</b>                                | <b>7</b>    |
| <b>Statement of changes in members' equity</b>                        | <b>8</b>    |
| <b>Statement of cash flows</b>  | <b>9</b>    |
| <b>Notes to the financial statements</b>                              | <b>10</b>   |

# **QHG Trading LLP**

## **Members and professional advisors**

### **Members**

Glencore Energy UK Ltd (appointed 5 December 2016)  
Qatar Holding LLC (appointed 30 December 2016, resigned 6 September 2018)  
Glencore UK Ltd (appointed 5 December 2016, resigned 30 December 2016)  
Glencore International AG (appointed 6 September 2018)

### **Registered office**

50 Berkeley Street  
London  
W1J 8HD

### **Principal place of business**

50 Berkeley Street  
London  
W1J 8HD

### **Registered number**

OC414946

### **Auditor**

Deloitte LLP  
London

# QHG Trading LLP

## Members' report

The Members present their report and the audited financial statements of QHG Trading LLP (the "LLP") for the first accounting period ended 31 May 2018 from incorporation on 5 December 2016 (the "Period").

### Principal activities

The principal activity of the LLP is the purchase and sale of physical oil commodities. The Members are not aware, at the date of this report, of any likely major changes in the activities of the LLP in the next year.

As shown in the the statement of profit and loss and other comprehensive income on page 7 the result for the year was a loss of \$229,692,000. The statement of financial position on page 8 shows that the LLP's net liabilities are \$229,692,000.

The LLP raised funds which it subsequently lent to an associated LLP, QHG Holding LLP, who indirectly purchased a 19.5% equity investment in PJSC Rosneft Oil Company. Both QHG Holding LLP and the LLP are ultimately jointly controlled by: Glencore plc via Glencore Energy UK Ltd, and Qatar Investment Authority via Qatar Holding LLC.

The LLP has incurred various funding costs and professional fees, however the Members have a reasonable expectation that the LLP will recover such loss in future periods, either from future trading activity or if required from capital support from the Members.

### Principal risks and uncertainties

Principal risks and uncertainties faced by the LLP are discussed further in note 7.

### Going concern

Given the level of support expressed from Members, and the expectation of improved trading conditions, the Members have, at the time of approving the financial statements, a reasonable expectation that the LLP 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. Refer to note 10 for subsequent events.

### Designated Members

The designated Members, as defined by the Limited Liability Partnerships Act 2000, during the period were:

Glencore Energy UK Ltd (appointed 5 December 2016)


Qatar Holding LLC (appointed 30 December 2016)

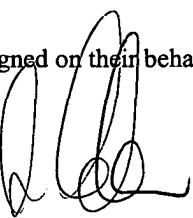
Glencore UK Ltd (appointed 5 December 2016, resigned 30 December 2016)

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

Under the partnership agreement neither member has sole power to appoint and admit any further Members and sole discretion to determine the entitlement (if any) of each Member of the LLP to share in the capital and losses. Through 31 May 2018 all capital contributions have been made by the members. For the period ended 31 May 2018 no members were entitled to receive, but elected not to allocate any of the result reported in the financial statements of the LLP.

Approved by the Members and signed on their behalf by:

  
WARREN BLOUNT, DIRECTOR OF  
GLENCORE ENERGY UK LTD  
31 October 2018

  
ANDREAS HÜBMANN, DIRECTOR OF  
GLENCORE INTERNATIONAL AG

## Members' responsibilities statement

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the firm's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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.

The Members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to Limited Liability Partnerships. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **QHG Trading LLP**

## **Independent Auditor's report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of QHG Trading LLP (the 'LLP'):

- give a true and fair view of the state of the LLP's affairs as at 31 May 2018 and the LLP's loss for the period from incorporation, 5 December 2016 to 31 May 2018;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of QHG Trading LLP which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of in changes in Members' equity;
- the statement of cash flows; and
- the related notes 1 to 10.

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 limited liability partnership 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.

### **Other information**

The members 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.

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.

# **QHG Trading LLP**

## **Independent Auditor's report on the audit of the financial statements**

### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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](http://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 limited liability partnership'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 limited liability partnership'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 limited liability partnership and the limited liability partnership'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**

#### ***Matters on which we are required to report by exception***

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

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns; 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.



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

31 October 2018

# QHG Trading LLP

## Statement of profit or loss and other comprehensive income

|   | Note | Period<br>ended<br>31 May<br>2018<br>\$'000s |
|---|------|--|
| <b>Continuing operations</b>                          |      |  |
| Revenue   |      | 5,853,879                                    |
| Cost of sales   |      | (5,853,879)                                  |
| <b>Gross profit</b>                                   |      | -  |
| Foreign exchange gains                                |      | 104,262                                      |
| Administrative expenses                               |      | (1,942)                                      |
| <b>Operating profit</b>                               |      | 104,957                                      |
| Impairment of loans receivable                        | 5    | (231,903)                                    |
| Finance costs   |      | (100,109)                                    |
| <b>Loss for the period from continuing operations</b> | 3    | (229,692)                                    |
| <b>Result for the financial period</b>                |      | (229,692)                                    |

There were no items of other comprehensive income during the period and therefore no separate statement of comprehensive income is required.

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



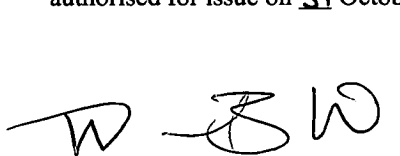
# QHG Trading LLP

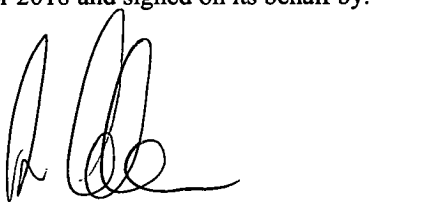
## Statement of financial position

|  | Note | As at 31<br>May 2018<br>\$'000s |
|--|------|---------------------------------|
| <b>Current assets</b>                          |      |                                 |
| Loans receivable                               | 5    | 3,225,612                       |
| Trade and other receivables                    | 5    | 561,293                         |
| Cash and bank balances                         |      | 33,845                          |
| Derivative financial instruments               | 7    | 1,780                           |
|  |      | <hr/> 3,822,531                 |
| <b>Total assets</b>                            |      | <hr/> 3,822,531                 |
| <b>Current liabilities</b>                     |      |                                 |
| Trade and other payables                       | 6    | (3,785,519)                     |
| Derivative financial instruments               | 7    | (1,780)                         |
| Borrowings                                     | 6    | (264,924)                       |
|  |      | <hr/> (4,052,224)               |
| <b>Net current liabilities</b>                 |      | <hr/> (229,692)                 |
| <b>Total liabilities</b>                       |      | <hr/> (4,052,224)               |
| <b>Net liabilities attributable to Members</b> |      | <hr/> (229,692)                 |
| <b>Members' equity:</b>                        |      |                                 |
| Members' capital classified as equity          | 8    | -                               |
| Accumulated (loss) attributable to Members     | 8    | (229,692)                       |
| <b>Total Members' equity / (deficit)</b>       |      | <hr/> (229,692)                 |

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

The financial statements of QHG Trading LLP, registered number OC414946, were approved by the Members and authorised for issue on 31 October 2018 and signed on its behalf by:

  
WARREN BLOYNT, DIRECTOR OF  
GLENCORE ENERGY UK LTD  
Designated Member

  
ANDREAS HUBMANN, DIRECTOR OF  
GLENCORE INTERNATIONAL AG

# QHG Trading LLP

## Statement of changes in members' interests

|                     | <b>Members'<br/>capital<br/>(note 8)<br/>\$'000</b> | <b>Total<br/>comprehensive<br/>(loss) / profit<br/>\$'000</b> | <b>Total<br/>members'<br/>equity /<br/>(deficit)<br/>\$'000</b> |
|---------------------|---|---|---|
| At 5 December 2016  | -   | -   | -   |
| Loss for the period | -   | (229,692)   | (229,692)   |
|                     | <hr/>   | <hr/>   | <hr/>   |
| At 31 May 2018      | -   | (229,692)   | (229,692)   |
|                     | <hr/>   | <hr/>   | <hr/>   |

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

# QHG Trading LLP

## Statement of cash flows

|   | <b>Period<br/>Ended<br/>31 May<br/>2018<br/>\$'000</b> |
|---|--|
| <b>Operating activities</b>                             |  |
| Loss from operations                                    | (229,692)  |
| <i>Movements in working capital:</i>                    |  |
| Increase in accounts receivable                         | (597,739)  |
| Increase in accounts payable                            | 3,787,300  |
| <b>Net cash from operating activities</b>               | <u>2,959,754</u>                                       |
| <b>Investing activities</b>                             |  |
| Loans advanced to related parties                       | (3,200,832)  |
| <b>Net cash used in activities</b>                      | <u>(3,200,832)</u>                                     |
| <b>Financing activities</b>                             |  |
| New bank loans raised                                   | 3,152,250  |
| Repayments of borrowings                                | (2,889,563)  |
| Interest paid   | (64,728)   |
| <b>Net cash from financing activities</b>               | <u>197,959</u>   |
| <b>Net decrease in cash and cash equivalents</b>        | <b>(43,119)</b>  |
| <b>Cash and cash equivalents at beginning of period</b> | -  |
| Effect of foreign exchange rate changes                 | 76,964   |
| <b>Cash and cash equivalents at end of period</b>       | <u><b>33,845</b></u>                                   |

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

# QHG Trading LLP

## Notes to the financial statements

### 1. Accounting policies

QHG Trading LLP is a limited liability partnership incorporated in England and Wales. The address of the registered office is 50 Berkeley Street, London, W1J 8HD.

The ultimate controlling parties are the members, Glencore Energy UK Ltd and Qatar Holding LLC.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, as modified by the inclusion of financial instruments at fair value.

#### Going concern

Given the comfort derived from the level of support expressed from Members, and the expectation of improved trading conditions, the Members have, at the time of approving the financial statements, a reasonable expectation that the LLP 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.

#### New and amended standards which are not effective for the current period

The LLP has not yet applied the following new and revised International Financial Reporting Standards:

- IFRS 9, *Financial Instruments* (effective for periods beginning on or after 1 January 2018);
- IFRS 15, *Revenue from Contracts with Customers* (and the related clarifications) (effective for periods beginning on or after 1 January 2018); and
- IFRS 16, *Leases* (effective for periods beginning on or after 1 January 2019).

The Members have assessed that there would be no material impact from the adoption of these new and revised standards on the financial statements of the LLP.

#### Currency of financial statements

As the LLP undertakes the majority of its trading transactions in US dollars, which is its functional currency, these financial statements have been prepared in that currency.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other related taxes.

All charges for purchases, including delivery and hedging on terminal markets and all credits for sales and other charges to customers (with the exception of foreign exchange gains and losses, which are dealt with in accordance with the policy on foreign currencies below) are recognised when all significant risks and rewards of ownership of the assets sold are transferred from the seller to the buyer.

All traded instruments are evaluated with reference to market prices prevailing at the balance sheet date. Unrealised gains and losses on valuation of traded instruments are recognised in the profit and loss account.

All assets and liabilities have been disclosed gross unless the LLP currently has both a legally enforceable right of offset and intention to do so.

#### Foreign currencies

Transactions during the year in currencies other than US dollars are translated into US dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Exchange adjustments are dealt with in the profit and loss account in the year in which they arise.

# **QHG Trading LLP**

## **Notes to the financial statements**

### **1. Accounting policies (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Trade receivables and trade payables**

Trade receivables and trade payables (including amounts owed by and to related entities) are measured at amortised cost. Appropriate allowances for estimated irrecoverable receivable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. Certain bank loans are secured upon an eligible pool of the receivables; the balances are not offset.

#### **Derivative financial instruments**

The LLP trades derivative financial instruments both with third parties and related parties such as commodity trading contracts and forward foreign exchange contracts and classifies them as fair value through the profit and loss account. All derivative instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date. Where derivative financial instruments are classified as fair value through profit and loss, movements in fair value of derivative instruments are recognised in the profit and loss account. Where derivatives, particularly those with related parties, cannot be valued by reference to a liquid market, the fair value is determined by performing an economic analysis to determine a fair commercial valuation.

Derivative financial instruments receivable and payable (including amounts owed by and to Group companies) are measured at fair value. Receivables and payables are offset and the net amount presented in the balance sheet when the LLP has a legally enforceable right to set off the recognised amounts and either intends to settle on a net basis, or to realise the receivable and settle the payable simultaneously.

#### **Financial guarantee contracts**

The LLP is party to a Risk Reduction Agreement which is accounted for as a financial guarantee contract. Any premium paid on such contracts is recognised in profit and loss immediately upon entering into such a contract. Only if the LLP considers it virtually certain that its claim under a financial guarantee contract will be successful will the asset be remeasured upwards to reflect the amount expected to be paid under such claim.

#### **Critical accounting judgements and key sources of estimation**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common, industry standard modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

There are no critical judgements or significant accounting estimates that have been made in the process of applying the LLP's accounting policies and that had a significant effect on the amounts recognised in the financial statements.

### **2 Revenue**

Revenue represents the invoiced value of delivered commodity contracts excluding VAT.

All trading is carried out from the United Kingdom.

# **QHG Trading LLP**

## **Notes to the financial statements**

### **3 Operating profit**

|  | <b>2018</b>   |
|--|---------------|
|  | <b>\$'000</b> |
| Operating profit is stated after charging / (crediting):                         |               |
| Foreign exchange gain  | (106,899)     |
| Auditor's remuneration – audit fees in relation to the financial statement audit | 50            |
|  | <u>50</u>     |

No Members' remuneration is charged as an expense to the profit and loss account.

### **4 Interest payable**

|  | <b>2018</b>    |
|--|----------------|
|  | <b>\$'000</b>  |
| Interest payable on bank loans repayable within one year | <u>100,109</u> |

# QHG Trading LLP

## Notes to the financial statements

### 5 Loans and Trade and other receivables

|   | 2018<br>\$'000   |
|---|------------------|
| <i>Designated at Amortised Cost</i>         |                  |
| Loans receivable                            | 3,457,515        |
| Impairment of loans receivable              | (231,903)        |
|   | <u>3,225,612</u> |
| Trade receivables due in less than one year | 561,293          |
|   | <u>3,786,905</u> |
| <i>Designated at FVTPL</i>                  |                  |
| Commodity trading contracts (note 7)        | 1,780            |
|   | <u>1,780</u>     |
|   | <u>3,788,685</u> |

The carrying value of trade receivables approximates fair value.

Loans receivable relate to a sub-ordinated loan issued to QHG Holding LLP payables in Euros, on which no interest is charged. A provision of \$231,903,000 has been made against the loan because the consolidated accounts of QHG Holding LLP show a net liabilities position and the loan is sub-ordinated to other payables in that entity. The members view it likely that QHG Holding LLP will be unable to repay the sub-ordinated loan in its entirety and have provided for any expected shortfall as at 31 May 2018.

Included in trade receivables are trade advances paid to a related party.

### 6 Loans and Trade and other payables

|   | 2018<br>\$'000   |
|---|------------------|
| <i>Designated at Amortised Cost</i>                       |                  |
| Short term loans and overdrafts                           | 264,924          |
| Trade payables  | 3,785,519        |
|   | <u>4,050,443</u> |
| <i>Designated at FVTPL</i>                                |                  |
| Derivative financial instruments – third parties (note 7) | 1,780            |
|   | <u>1,780</u>     |
|   | <u>4,052,224</u> |

All loans and payables are due for repayment within one year.

Trade payables are obligations to pay for goods and services. Trade payables have maturities up to 365 days after delivery of physical material. All balances are expected to be paid in full within the next year. The carrying value of trade payables approximates fair value.

# QHG Trading LLP

## Notes to the financial statements

### 7. Financial instruments

#### *Derivative financial instruments*

The Company trades derivative financial instruments including commodity trading contracts and forward foreign exchange contracts. The fair value of the derivative financial instruments at the balance sheet date is as follows:

|                             | <b>2018</b><br><b>\$'000</b> |
|-----------------------------|------------------------------|
| <b>Financial assets</b>     |                              |
| Commodity trading contracts | 1,780                        |

|                              | <b>2018</b><br><b>\$'000</b> |
|------------------------------|------------------------------|
| <b>Financial liabilities</b> |                              |
| Commodity trading contracts  | 1,780                        |

Of the \$1,780,000 above the entire amount is due to mature within one year. In the normal course of trading activities, derivative financial instruments are often settled before maturity date and therefore classified as current assets or current liabilities.

There is no difference between fair value and the value at which the Company could have settled their financial assets and liabilities at year end.

Quoted market values, as adjusted to take into account such factors as exchange closing prices and over-the-counter quotations, have been used to determine the fair value of derivative financial instruments at the balance sheet date. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument, which is substantially the same.

The following changes in the fair value of derivative financial instruments, including commodity trading contracts and forward foreign exchange contracts have been charged to profit and loss in the year:

|                                      | <b>2018</b><br><b>\$'000</b> |
|--------------------------------------|------------------------------|
| <b>Profit/(loss)</b>                 |                              |
| External commodity trading contracts | -                            |

#### *Liquidity and credit risk*

Liquidity risk is the risk that the LLP is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents through the availability of adequate funding sources. The main funding source of the LLP is a Bank loan facility. Therefore, the LLP always ensures that sufficient liquid funds are maintained in order to meet liquidity requirements.

Credit risk arises from the possibility that counterparties may not be able to settle obligations due to the LLP within their agreed payment terms. Financial assets which potentially expose the LLP to concentrations of credit risk consist principally of cash and cash equivalents, receivables and advances, derivative instruments and long term advances and loans. The LLP's credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. The LLP's cash equivalents and short term deposits are placed with highly credit rated financial institutions. All exposures are considered creditworthy and impairments have been assessed and deemed unnecessary. Credit risk has been quantified and assessed as immaterial and is thus not disclosed.



# QHG Trading LLP

## Notes to the financial statements

### 7. Financial instruments (continued)

#### *Market Risk*

The Primary market risk faced by the LLP is the financial risk of market price variations in the Oil market price. All market risks are represented on the LLP's balance sheet and the positions are recorded and monitored. The LLP uses mark-to-market accounting for positions where there is an observable market, in accordance with the measurement requirements of EU-endorsed IFRS. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument, which is substantially the same. Quoted market values, as adjusted to take into account such factors as exchange closing prices and over-the-counter quotations, have been used to determine the fair value of derivative financial instruments at the balance sheet date. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same.

#### *Interest rate and foreign exchange risk*

The LLP monitors its interest rate risk, considering any material exposures.

The LLP is exposed to the risks of changes in foreign currency exchange rates with regard to its trading activities. The United States Dollar ("USD") is the functional currency of the LLP, as the majority of transactions are denominated in USD. Trading activities transacted in currencies other than Dollars (principally Euros, Rubles, and Pounds sterling) are hedged where possible through forward foreign exchange contracts.

#### *Operational Risk*

Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from inadequate internal processes and systems. The LLP assesses the level of operational risk in its various business processes and has implemented a series of checks and backup systems based on the risk assessment. Our procedures are designed to prevent the occurrence of operational errors and, should an error occur, quickly detect its occurrence in order to minimise its impact. Any failure in business process results in a revised risk assessment and review of relevant procedures. Operational risk is considered by the Members when approving new activities and business ventures.

Our legal advisers provide essential advice and guidance to senior management on all business issues to ensure that our business is conducted in a manner that complies with all legal and regulatory requirements

#### *Other financial assets and liabilities*

Other financial assets and liabilities comprise cash at bank, trade and other receivables, and trade and other payables. The carrying value of these is approximately equal to the fair value.

#### *Offsetting of financial assets and liabilities*

In accordance with IAS 32 the LLP reports financial assets and liabilities on a net basis in the balance sheet 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.

It is the LLP's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

#### *Fair value of financial instruments*

There is no difference between fair value and the value at which the LLP could have settled their financial assets and liabilities at the year end.

All derivative financial instruments are measured at fair value through profit and loss. All other financial assets and financial liabilities are classified as loans and receivables and other financial liabilities, and measured at amortised cost.

# QHG Trading LLP

## Notes to the financial statements

### 7. Financial instruments (continued)

#### *Fair value measurement*

Quoted bid prices in an active market, have been used to determine the fair value of all types of financial instruments at the balance sheet date treated as level 1 in the IFRS 13 fair value hierarchy.

Where no active market exists for a financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same and are treated as level 2 in the IFRS 13 fair value hierarchy.

The following tables show the fair values of the derivative financial instruments including commodity futures, options and swaps by type of contract as at 31 December 2017.

|  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>31 May 2018</b>   |                   |                   |                   |                 |
| <b>Financial assets – Commodity related contracts</b>      |                   |                   |                   |                 |
| Commodity trading contracts                                | -                 | 1,780             | -                 | 1,780           |
|  | <u>-</u>          | <u>1,780</u>      | <u>-</u>          | <u>1,780</u>    |
|  | <u>-</u>          | <u>1,780</u>      | <u>-</u>          | <u>1,780</u>    |
| <b>31 May 2018</b>   |                   |                   |                   |                 |
| <b>Financial liabilities – Commodity related contracts</b> |                   |                   |                   |                 |
| Commodity trading contracts                                | -                 | (1,780)           | -                 | (1,780)         |
|  | <u>-</u>          | <u>(1,780)</u>    | <u>-</u>          | <u>(1,780)</u>  |
|  | <u>-</u>          | <u>(1,780)</u>    | <u>-</u>          | <u>(1,780)</u>  |

### 8. Members' capital

Called up Members' capital

|                               |               |
|-------------------------------|---------------|
|                               | <b>2018</b>   |
|                               | <b>\$'000</b> |
| <b>Members' contributions</b> |               |
| 2 units of €1 each            | -             |
|                               | <u>-</u>      |
| <b>Reserves</b>               |               |

A description of each reserve is set out below.

#### **Profit and loss account**

This reserve relates to the cumulative retained earnings less amounts distributed to members. Profit and losses are appropriated equally between the Members.

For the period ended 31 May 2018 no members were entitled to receive, but elected not to allocate any of the result reported in the financial statements of the LLP.

# QHG Trading LLP

## Notes to the financial statements

### 9. Related party transactions and balances

Transactions with related parties that are not wholly owned group companies are shown below.

#### Nature of transactions

All related party transactions were executed on normal commercial terms and conditions. The nature of the transactions with related parties was sales and purchases of physical commodities and derivative instruments and intercompany loans.

#### Value of transactions

|  | 2018<br>\$'000 |
|--|----------------|
| Sales of physical commodities                          | 5,853,879      |
| Intercompany Loans due from fellow Consortium entities | 3,457,515      |
|  | <hr/> <hr/>    |

#### Balances with related parties

The following were the balances with related parties at the end of the period. They are shown on an aggregate basis:

|  | 2018<br>\$'000 |
|--|----------------|
| Amounts owed by fellow consortium entities | 3,788,685      |
|  | <hr/> <hr/>    |

### 10. Subsequent events

On 6 September QHG Holding LLP disposed of its indirect holding in PJSC Rosneft Oil Company and repaid its senior secured financing facilities. It notified QHG Trading LLP of its intention to enter into an orderly liquidation process, which will see the partial repayment of the sub-ordinated loan owed to QHG Trading LLP. Meanwhile other fellow consortium LLPs have advanced remaining disposal proceeds to QHG Trading LLP to enable repayment of its creditors. It is expected that these remaining related party balances will be offset in due course, however QHG Trading LLP may incur a further a loss on its subordinated loan. This loss is expected to be recovered through future trading periods and continued support from its Members.

Qatar Holding LLC resigned as a designated member on 6 September 2018 and Glencore International AG was appointed as a designated member the same date.