

Hartree Partners Power & Gas Company (UK) Limited (formerly Hess Energy Power & Gas Company (UK) Limited)

Annual report and financial statements
Year ended 31 December 2015

Registered number: 4308186

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Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

COMPANY INFORMATION

Directors

Stephen M. Hendel
Stephen M. Semlitz
Jonathan O'Neill
Paul Garske
Heiko Voelker

Company Secretary

Breams Registrars and Nominees Limited

Solicitors

Wedlake Bell LLP
52 Bedford Row
London WC1R 4LR

Finance Officer

Daniel Devine

Compliance Officer

Gavin Hunter

Registered Office

33 Grosvenor Place
London
SW1X 7HY

Bankers

Bank of America N.A., UK
2 King Edward Street
London, EC1A 1HQ

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Principal Shareholder

Hartree Partners, LP (formerly known as Hess Energy Trading Company, LLC)
1185 Avenue of the Americas
New York, New York 10036

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2015.

Principal activities and review of business

The principal activities of Hartree Partners Power & Gas Company (UK) Limited (formerly Hess Energy Power & Gas Company (UK) Limited) ("HPPGCO" or the "Company") are to engage in proprietary trading in natural gas, electricity and related derivatives; to engage in trading as principal in currency and currency derivatives; and to carry on the business of suppliers, distributors and dealers of natural gas as principal. From time to time, the Company also trades as agent for its Parent.

The Company's immediate parent undertaking is Hartree Partners, LP (formerly known as Hess Energy Trading Co., LLC) ("Hartree" or the "Parent"), a limited partnership duly formed in the State of Delaware, United States of America.

The ultimate parent undertaking and controlling entity was Hess Corporation ("Hess") as of 31 December 2014 and through 12 February 2015. Hess consolidated Hartree in its group financial statements as of 31 December 2014. On 12 February 2015, Hess sold their interest in Hartree to Opps Energy Trading Holdings, LP, an affiliate of Oaktree Capital Management LP ("Oaktree"). Additionally, Oaktree has committed up to US\$500 million of additional capital for Hartree to make new potential investments in the commodity space. Hartree and its subsidiaries, including HPPGCO, will continue business in the format present at 31 December 2014 under the name Hartree.

Hess agreed to extend their credit guarantee for all existing trades when the sale closed. All transactions entered into prior to the closing of the sale will continue to benefit from the Hess guarantee until fully settled. For a period of nine months from the date of closing (12 February 2015), Hess guaranteed all new ordinary course transactions, not exceeding twelve months tenor between HPPGCO and its counterparties who were approved under the Hess credit approval process, in accordance with the terms of the guarantee. Trades entered into after 12 November 2015 no longer receive the Hess guarantee.

Additionally, Hartree has secured an asset backed credit facility of US\$735 million, whereby the assets of Hartree and HPPGCO have been pledged to the bank as security.

Key financial performance indicators

	2015 US\$	2014 US\$	Change %
Turnover	24,594,814	27,120,937	(9.31)
Profit before tax	13,378,886	15,383,281	(13.03)
Profit after tax	13,009,050	14,820,106	(12.22)

Turnover, profit before tax and after tax decreased in 2015 due to a decrease in trading results. This was primarily due to lower flat price volatility in the UK gas market which presented reduced opportunity for optimization of physical delivery. National Balancing Point ("NBP"), which is a GBP based gas index/location, on a seasonal basis traded in a tighter range from winter/summer/winter with a peak of 56.05 pence/therm to 30.70 pence/therm for a range of 25.35 pence/therm as compared to the previous year range of 33.00 pence/therm. In addition the market did not experience the October, November, December seasonal uptick in price as it did in 2014.

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

STRATEGIC REPORT (continued)**Principal Risks and Uncertainties**

In the ordinary course of business, the Company manages a variety of risks, including market risk, credit risk, liquidity risk, and operational risk. The Company identifies, measures, manages, and monitors risk through various control mechanisms. Market risk, credit risk, and compliance risk controls are monitored on a daily basis to the Chief Risk Office ("CRO"), business units, and senior management. Market risk controls include but are not limited to volumetric, term, stop limit, and value at risk limits; Credit risk controls include but are not limited to exposure limits, volume limits, tenor limits, and margining thresholds; Compliance limits include but are not limited to position and concentration limits, exchange limits, and daily monitoring of prohibited jurisdiction and counterparty lists. Market risk is the risk of potential adverse changes to the value of derivatives because of changes in market conditions, such as volatility in commodity prices, equities, interest rates, foreign exchange and degree days. The Company manages its exposure to market risk through the use of risk management strategies and various analytical monitoring techniques that evaluate the effect of various market conditions on financial instruments, derivatives, and stock positions.

Risk Management

The Company operates as part of a global trading strategy in conjunction with Hartree. The Company enters into transactions as principal with third parties whereby the Parent assumes the related risk of these positions. From time to time, the Company also trades as agent for its Parent. As disclosed more fully in Notes 16 and 17 to the financial statements, in the normal course of business, the Company trades futures, forwards, options and swaps, which are included on the balance sheet at fair value. The Company is subject to market risk associated with changes in the value of the underlying commodity, as well as to credit losses if a counterparty fails to perform. The majority of counterparty risk is with airlines. The creditworthiness for all counterparties is subject to review.

The Company reviews the collectability of receivables on a daily basis. The Company believes that the credit risk inherent in the ultimate settlement of the transactions outstanding at year end will not have a material effect on the Company's financial condition.

For and on behalf of the Board



Stephen M. Semlitz

Director

29 April 2016

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

DIRECTORS' REPORT

The Directors submit their report for the year ended 31 December 2015.

Dividends

The Directors have chosen not to pay any dividends in 2015 (2014: US\$ nil).

Financial Instruments

The Company is exposed in the normal course of its business to commodity price risks primarily related to crude oil, natural gas, refined petroleum products, electricity, foreign currency, metals, shipping and interest rate.

The Company has formulated credit review policies to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

Liquidity risk arises in the general funding of the Company's trading activities. It includes the risks of not being able to fund trading activities at settlement dates and liquidate positions in a timely manner at a reasonable price. The Company manages its liquidity risk by performing cash forecasts by calculating long-term forward position exposures and assessing future trading strategies based on any capital constraints.

Operational risk is the potential for loss caused by a deficiency in information gathering, transaction processing, settlement processing, or accounting systems. The Company maintains controls that include systems and procedures to record and reconcile transactions and positions, and to procure necessary documentation for its trading activities.

Going Concern

In March 2013, Hess announced its plans to divest its energy trading businesses, which included Hartree and its subsidiaries. On 27 October 2014, Hess announced the sale of its share of the Company to an affiliate of funds managed by Oaktree, a leading global alternative investment management firm. Additionally, Oaktree has committed up to US\$500 million of additional capital for Hartree to make new potential investments in the commodity space. The deal closed on 12 February 2015. Hartree and its subsidiaries, including HPPGCO, will continue business in the format present at 31 December 2014 under the name Hartree Partners, LP.

Hess has agreed to extend their credit guarantee for all existing trades when the sale closed. During 2015, Hartree entered into a US\$735 million asset backed credit ("ABL") facility whereby the assets of Hartree and HPPGCO have been pledged to the bank as security as disclosed more fully in Notes 19 to the financial statements.

The going concern basis of preparation has been considered appropriate as, based on the support of Hess (for trades existing at the date of the sale closing), Oaktree, Hartree, the immediate parent, and the ABL facility, the Directors believe that the Company will be in operation for a period of at least 12 months from the date of signing the financial statements. The Company reviews the collectability of receivables on a daily basis. The Company believes that the credit risk inherent in the ultimate settlement of the transactions outstanding at year end will not have a material effect on the Company's financial condition.

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

DIRECTORS' REPORT (continued)

Future Developments

The Directors aim to continue to identify and pursue trading opportunities.

Directors

The Directors who served during the year and up to the date of this report were as follows:

Stephen M. Hendel
Stephen M. Semlitz
Jonathan O'Neill
Paul Garske
Heiko Voelker

Directors' qualifying third party indemnity provisions

There were no indemnities granted to any of the Company's Directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006.

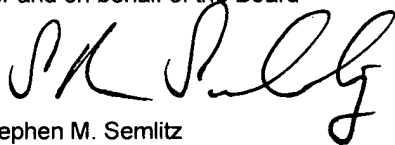
Disclosure of Information to the Auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

For and on behalf of the Board



Stephen M. Semlitz

Director

29 April 2016

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 HARTREE PARTNERS POWER & GAS COMPANY (UK) LIMITED (formerly HESS ENERGY POWER & GAS COMPANY (UK) LIMITED)

We have audited the financial statements of Hartree Partners Power & Gas Company (UK) Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting standard applicable in the UK and the Republic of Ireland").

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HARTREE PARTNERS POWER & GAS COMPANY (UK) LIMITED
(formerly HESS ENERGY POWER & GAS COMPANY (UK) LIMITED)
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 April 2016

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****Profit and Loss Account****For the year ended 31 December 2015**

(Expressed in U.S. Dollars)

	Notes	2015 US\$	2014 US\$
Turnover	4	24,594,814	27,120,937
Administration expenses		(11,182,028)	(11,709,872)
Net interest on margin		(30,917)	(28,292)
Profit on ordinary activities before other income and interest expense and tax	5	13,381,869	15,382,773
Other income		-	732
Interest expense		(2,983)	(224)
Profit before taxation		13,378,886	15,383,281
Tax expense	7	(369,836)	(563,175)
Profit for the financial year		13,009,050	14,820,106

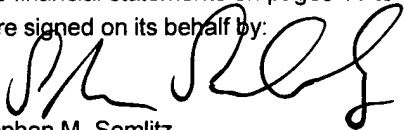
The above result for the year is derived from continuing activities of the Company.

The Company has no other comprehensive income for the current and preceding financial year. Therefore no separate statement of comprehensive income has been presented.

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****Balance Sheet****At 31 December 2015****(Expressed in U.S. Dollars)**

	Notes	2015 US\$	2014 US\$
Fixed assets			
Tangible fixed assets	9	-	-
Current assets			
Stocks	11	-	11,917,805
Debtors - <i>amounts falling due</i>	10		
<i>Within 1 year</i>		319,803,963	365,588,461
<i>After 1 year</i>		6,905,984	61,587,065
		326,709,947	427,175,526
Cash at bank and in hand	8	626,368	1,123,587
		327,336,315	440,216,918
Creditors – <i>amounts falling due</i> <i>within one year</i>	12	(169,269,833)	(212,385,214)
Net current assets		158,066,482	227,831,704
Total assets less current liabilities		158,066,482	227,831,704
Creditors - <i>amounts falling due</i> <i>over one year</i>	12	(9,241,328)	(92,015,600)
Net assets		148,825,154	135,816,104
Capital and reserves			
Called up share capital	13	56,924	56,924
Profit and loss account		148,768,230	135,759,180
Shareholder's funds – Equity interests		148,825,154	135,816,104

The financial statements on pages 11 to 30 were approved by the board of directors on 29 April 2016 and were signed on its behalf by:


 Stephen M. Semlitz
 Director
 29 April 2016

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****Statement of Changes in Equity****For the year ended 31 December 2015**

(Expressed in U.S. Dollars)

	Called up Share Capital US\$	Profit & Loss Account US\$	Total Equity US\$
At 1 January 2014	56,924	120,939,074	120,995,998
Profit for the year, representing total comprehensive income	—	14,820,106	14,820,106
At 31 December 2014	56,924	135,759,180	135,816,104
Profit for the year, representing total comprehensive income	—	13,009,050	13,009,050
At 31 December 2015	56,924	148,768,230	148,825,154

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****Cash Flow Statement****At 31 December 2015****(Expressed in U.S. Dollars)**

	Notes	2015 US\$	2014 US\$
Profit before taxation		13,378,886	15,383,281
Adjustment for : Depreciation	5	-	23,955
Operating cash flows before changes in working capital		13,378,886	15,407,236
Change in trade receivables due within 1 year	10	4,410,890	14,692,713
Change in derivative financial instruments assets due within 1 year	10	96,870,284	(187,841,664)
Margin from broker		51,448,708	(67,644,755)
Change in derivative financial instruments assets over 1 year	10	54,681,081	(52,944,964)
Change in stocks	11	11,917,805	(11,917,805)
Change in VAT receivable / payable	10/12	(534,125)	3,853,906
Change in trade payables due within 1 year	12	(64,742,321)	31,336,401
Change in derivative financial instruments liabilities within 1 year	12	61,603,812	41,223,424
Change in derivative financial instruments liabilities over 1 year	12	(82,699,924)	80,665,212
Change in receivable / payable to Parent	10/12	(147,006,288)	132,204,421
Change in prepayments and employee advances	10	(46,806)	23,550
Change in accruals due within 1 year	12	295,127	1,055,058
Change in accruals due over 1 year	12	(74,348)	50,073
Cash flows used in operating activities		(497,219)	162,806
Net change in cash and cash equivalents		(497,219)	162,806
Cash and cash equivalents at beginning of year		1,123,587	960,781
Cash and cash equivalents at end of year		626,368	1,123,587

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

Notes to the financial statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

Hartree Partners Power & Gas Company (UK) Limited (formerly Hess Energy Power & Gas Company (UK) Limited ("HPPGCO" or the "Company")) was incorporated in the United Kingdom. HPPGCO is a wholly owned subsidiary of Hartree Partners LP (formerly known as Hess Energy Trading Co., LLC ("Hartree" or the "Parent")), a limited partnership duly formed in the State of Delaware, United States of America. The principal activities of HPPGCO are to engage in proprietary trading in natural gas, electricity and related derivatives; to engage in trading as principal in currency and currency derivatives; and to carry on the business of suppliers, distributors and dealers of natural gas as principal. From time to time, the Company also trades as agent for its Parent. The registered office is 33 Grosvenor Place, London SW1X 7HY.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with The Financial Reporting Standard ("FRS 102") as it applies to the financial statements of the Company for the year ended 31 December 2015. The Company transitioned from previously extant Generally Accepted Accounting Practice in the UK ("UK GAAP") to FRS 102 as at 1 January 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in Note 20.

3. ACCOUNTING POLICIES

(a) Accounting convention and basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention as modified for the recognition of derivative instruments measured at fair value, and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards. The financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 29 April 2015.

(b) Going concern

The going concern basis of preparation has been considered appropriate as the directors believe that the Company will be in operation for a period of at least 12 months from the date of signing the financial statements. Refer to Note 15 for further information regarding the change in ownership of the Parent and the impact to the Company.

(c) Foreign currencies

The accounts are prepared in U.S. Dollars, this being the functional currency of the Company. Transactions in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transactions for trading activity and at the average month end rates for administration expenses. Monetary assets and liabilities denominated in currencies other than U.S. Dollars are translated at the rate of exchange ruling at the balance sheet date. Gains and losses related to trading activity are reflected in Turnover in the Profit and Loss account. Gains and losses related to administration expenses are reflected in Administration expenses in the Profit and Loss account.

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****3. ACCOUNTING POLICIES (continued)****(d) Financial instruments including derivative instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The Company uses derivative instruments ("derivatives") in the normal course of business. All derivatives are held for trading purposes. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value ('marked-to-market') in Turnover. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative and are reflected in Debtors and Creditors on the Balance Sheet.

The Company uses observable market values to the extent possible for determining the fair value of its trading instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other fundamental analysis. Fair value is determined using other valuation methodologies which may include pricing models which take into account time value, volatility of the underlying commodity and other factors, as determined by the Company's management. The resulting change in unrealised gain or loss is reflected in Turnover on the profit and loss account.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves. The Company does not undertake any hedge accounting transactions.

(e) Short-term debtors and creditors

The Company classifies debtors and creditors as due within one year when the Company does not have an unconditional right to defer settlement of the asset or liability for at least twelve months after reporting date.

(f) Deferred tax and corporate tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from the global trading strategy in conjunction with Hartree (see note 7) from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

The Company operates as part of a global trading strategy in conjunction with Hartree. The tax provision was calculated by the Company in a manner consistent with the methodology used in the application of the bilateral Advance Pricing Agreement (the "Agreement" or "APA") approved on 18 June 2013.

The tax for the year is recognized by applying the standard rate of corporation tax in the UK.

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****3. ACCOUNTING POLICIES (continued)****(g) Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. The cost of fixtures, fittings and equipment is depreciated on a straight line method over three years, the estimated useful lives of the assets. Leasehold improvements are depreciated on a straight line method over the lesser of their estimated useful lives or the remaining lease term.

(h) Cash flow statement

In 2014 the Company did not present the Cash Flow Statement in the Annual report and financial statements because of the exemption granted by FRS 1. On transition to FRS 102 the Cash Flow Statement was prepared for both years ended 31 December 2014 and 2015. The Cash Flow Statement shows the cash effects of transactions with parties that are external to the business and the impact that the cash flows have on the Company's cash position.

(i) Revenue recognition

The Company recognises revenue from trading activities when the following conditions are satisfied: The Company has entered into contracts with counterparties or executed trades on an exchange. The amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company recognises agency fees in the period trades are executed on behalf of related companies.

(j) Cash and cash equivalents

The Company defines cash equivalents to be highly liquid investments with original maturities of three months or less. There were no cash equivalents at the end of 31 December 2015 and 2014.

(k) Stock valuation

Stocks are valued at cost to the Company, using the weighted average method or at net realisable value, whichever is the lower.

(l) Obligations under Operating leases

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

(m) Judgements and key sources of estimation uncertainty

The preparation of accounts in conformity with UK generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates based on final pricing, foreign exchange and accruals. At 31 December 2015 and 2014, the Company's estimates relate to valuation of derivatives. At 31 December 2015 and 2014, the Company did not make any critical judgements in applying its accounting policies. Please refer to Note 16 for further details.

Hartree Partners Power & Gas Company (UK) Limited

Registered number: 4308186

Notes to the financial statements

For the year ended 31 December 2015

4. TURNOVER

Turnover represents the unrealised and realised net profit from the Company's trading activities.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE OTHER INCOME AND INTEREST EXPENSE AND TAX

Profit on ordinary activities before other income and interest expense and tax is stated after charging:

	2015 US\$	2014 US\$
Depreciation of owned fixed assets (note 9)	-	23,955
Office rent	482,160	501,561
Fees for the audit of the Company	201,900	378,400

These expenses are included in Administrative expenses in the Profit and Loss Account.

6. STAFF COSTS

(a) Staff costs	31 December 2015 US\$	31 December 2014 US\$
Wages and salaries	1,426,129	1,513,770
Bonus expense	2,397,815	2,284,069
Payroll taxes (inclusive of bonus)	601,979	563,154
Deferred compensation	300,520	50,073
Pension costs	223,187	150,673
Other	103,484	270,134
	5,053,114	4,831,873

The average number of people employed during the years ended 31 December 2015 and 2014 was 6 traders and 5 administrative.

(b) Directors' remuneration	31 December 2015 US\$	31 December 2014 US\$
Aggregate remuneration in respect of Qualifying services	335,000	1,349,000
Aggregate amounts receivable under long term incentive plans	999,000	44,0000
In respect of the highest paid director: Aggregate remuneration	1,334,000	1,393,000

The costs of the director disclosed above is borne by Hartree Partners (UK) Limited ("Hartree UK"), an affiliate, and allocated to the Company and another UK subsidiary.

Two directors are also senior executives of Hartree and two directors are also senior executives of Hartree UK. These four directors received no remuneration for services to the Company for 2015 and 2014.

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****7. TAXATION**

a) Tax on profit on ordinary activities	2015	2014
The tax charge is made up as follows:	US\$	US\$
<i>Current Tax:</i>		
Current tax credit for the year	-	-
Total current tax	-	-
<i>Deferred Tax:</i>		
Deferred tax charge for the year	391,437	365,576
Prior Year adjustment	(21,601)	-
Effect of change in tax rate	-	197,599
Total deferred tax	369,836	563,175
Total tax on profit on ordinary activities	369,836	563,175

b) Factors affecting the total tax

The tax for the year is recognized by applying the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015	2014
	US\$	US\$
Profit on ordinary activities before taxation	13,378,886	15,383,281
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20.25% (2014: 21.49%)	2,709,224	3,305,867
Pricing Agreement	(2,339,388)	(2,742,692)
Total tax expense	369,836	563,175

The Company operates as part of a global trading strategy in conjunction with Hartree. The tax provision was calculated by the Company in a manner consistent with the methodology used in the application of the bilateral APA approved on 18 June 2013.

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For the year ended 31 December 2015

7. TAXATION (continued)

c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	31 December 2015 US\$	31 December 2014 US\$
Tax losses carried forward	(623,571)	(993,407)
Total deferred tax asset	<u>(623,571)</u>	<u>(993,407)</u>

Deferred tax is included in debtors (note 10).

	2015 US\$
Balance at 1 January 2015	(993,407)
Amount charged during the year	<u>369,836</u>
Balance at 31 December 2015	<u>(623,571)</u>

A deferred tax asset has been recognised as the Company foresees that the global trading strategy in conjunction with Hartree will generate sufficient future taxable profits against which the deferred tax assets can be utilised.

d) Factors that may affect future tax charges

A change to the main UK corporation tax rate was announced in the Budget on 16 March 2016 to reduce the rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

8. CASH AND CASH EQUIVALENTS

There were no cash equivalents at 31 December 2015 and 2014.

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	Fixtures, Fittings and Equipment US\$
Cost:	
At 31 December 2014	2,025,451
Write-offs for the year ended 31 December 2015	(4,514)
At 31 December 2015	<u>2,020,937</u>
Depreciation:	
At 31 December 2014	2,025,451
Write-offs for the year ended 31 December 2015	(4,514)
At 31 December 2015	<u>2,020,937</u>
Net book value:	
At 31 December 2014	<u>-</u>
At 31 December 2015	<u>-</u>

10. DEBTORS

	Due within 1 yr 2015 US\$	Due within 1 yr 2014 US\$
Deferred tax asset (note 7)	623,571	993,407
Trade receivables (note 16)	73,787,896	78,198,786
Derivative financial instruments (note 16)	114,829,442	211,699,726
Margin from broker (note 16)	23,028,929	74,477,637
Receivable from Parent and affiliates (note 16)	107,268,414	-
Prepayments and employee advances	265,711	218,905
	<u>319,803,963</u>	<u>365,588,461</u>
	Due over 1 yr 2015 US\$	Due over 1 yr 2014 US\$
Derivative financial instruments (note 16)	6,905,984	61,587,065
	<u>6,905,984</u>	<u>61,587,065</u>

Trade receivables due within 1 year and trade receivables due over 1 year include the net fair value of derivative contracts which is disclosed more fully in note 16.

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11. STOCKS	2015 US\$	2014 US\$
Trading stocks	-	11,917,805
	-	11,917,805

The Company sold the balance of 31 December 2014 Stocks in 2015 and no additional stocks were purchased in 2015.

12. CREDITORS	Due within 1 yr 2015 US\$	Due within 1 yr 2014 US\$
VAT payable	107,693	641,818
Trade payables (note 16)	64,389,155	129,131,476
Derivative financial instruments (note 16)	101,615,177	40,011,365
Payable to Parent and affiliates (note 16)	-	39,737,874
Accruals	3,157,808	2,862,681
	169,269,833	212,385,214

	Due over 1 yr 2015 US\$	Due over 1 yr 2014 US\$
Derivative financial instruments (note 16)	9,157,587	91,857,511
Accruals	83,741	158,089
	9,241,328	92,015,600

Trade payables due within 1 year and trade payables due over 1 year include the net fair value of derivative contracts which is disclosed more fully in note 16.

13. SHARE CAPITAL

	2015 US\$	2014 US\$
Allotted, called up and fully paid 40,001 shares of £ 1	US\$ 56,924	US\$ 56,924

14. RELATED PARTY TRANSACTIONS

The Company has not disclosed transactions with group companies due to the exemption in accordance with FRS 102 Section 33 "Related Party Disclosures."

Key management personnel

Only the Directors have authority and responsibility for planning, directing and controlling the activities of the Company and are therefore considered to be key management personnel. Total remuneration in respect of these individuals is US\$1,334,000 (2014 US\$1,393,000). Only one of five directors received remuneration for services to the Company for 2015 and 2014. Refer to Note 6 for additional disclosure information.

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At 31 December 2014, Hess Corporation ("Hess"), a company incorporated in the State of Delaware, United States of America, had 50% voting rights in Hartree. The remaining 50% voting rights were with two individuals, Stephen M. Hendel and Stephen M. Semlitz, 25% each. The ultimate parent undertaking and controlling entity was Hess as of 31 December 2014 and through 12 February 2015. Hess consolidated Hartree in its group financial statements as of 31 December 2014. On 12 February 2015, Hess sold their interest in Hartree to Opps Energy Trading Holdings, LP, an affiliate of Oaktree Capital Management LP ("Oaktree"). Hartree is jointly owned by Opps Energy Trading Holdings, LP and three individuals (collectively, the "Limited Partners"). The Company's ultimate parent undertaking at 31 December 2015 is Hartree. Additionally, Oaktree has committed up to US\$500 million of additional capital for Hartree to make new potential investments in the commodity space. Hartree and its subsidiaries, including HPPGCO, will continue business in the format present at 31 December 2014 under the name Hartree.

Hess agreed to extend their credit guarantee for all existing trades when the sale closed. All transactions entered into prior to the closing of the sale will continue to benefit from the Hess guarantee until fully settled. For a period of nine months from the date of closing (12 February 2015), Hess guaranteed all new ordinary course transactions, not exceeding twelve months tenor between HPPGCO and its counterparties who were approved under the Hess credit approval process, in accordance with the terms of the guarantee. Trades entered after 12 November 2015 no longer receive the Hess guarantee.

Additionally, Hartree has secured an asset backed credit facility of US\$735 million. This credit facility is jointly secured against assets of the Hartree and HPPGCO.

16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In the normal course of business, the Company trades futures, forwards, options and swaps, which are included on the balance sheet at fair value. The Company is subject to market risk associated with changes in the value of the underlying commodity, as well as credit losses if a counterparty fails to perform. The majority of counterparty risk is with airlines. The creditworthiness for all counterparties is subject to review.

The Company reviews the collectability of receivables on a daily basis. The Company believes that the credit risk inherent in the ultimate settlement of the transactions outstanding at year end will not have a material effect on the Company's financial condition.

The Company has entered into agreements that include netting provisions with its counterparties. The application of the rights to "set off" pursuant to netting provisions reduced the Company's credit exposure by US\$543,689,917 at 31 December 2015 and US\$660,538,150 at 31 December 2014.

The Company determines fair value in accordance with FRS 102 Sections 11 "Basic Financial Instruments" and 12 "Other Financial Instruments", which establish a hierarchy that categorizes the sources of inputs, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3).

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The accounting classification of each category of financial instruments, and their carrying amounts, are set out below.

At 31 December 2015	Note	Loans and receivables / financial liability US\$	At fair value through profit or loss US\$	Total US\$
Financial assets				
Trade and other receivables	10	73,787,896	-	73,787,896
Derivative financial instruments	10	-	121,735,426	121,735,426
Financial liabilities				
Trade and other payables	12	(64,389,155)	-	(64,389,155)
Derivative financial instruments	12	-	(110,772,764)	(110,772,764)
		<u>9,398,741</u>	<u>10,962,662</u>	<u>20,361,403</u>
At 31 December 2014	Note	Loans and receivables / financial liability US\$	At fair value through profit or loss US\$	Total US\$
Financial assets				
Trade and other receivables	10	78,198,786	-	78,198,786
Derivative financial instruments	10	-	273,286,791	273,286,791
Financial liabilities				
Trade and other payables	12	(129,131,476)	-	(129,131,476)
Derivative financial instruments	12	-	(131,868,876)	(131,868,876)
		<u>(50,932,690)</u>	<u>141,417,915</u>	<u>90,485,225</u>

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The following table shows the gross amounts of recognized financial assets and liabilities (i.e. before offsetting) and the amounts offset in the balance sheet.

At 31 December 2015	Gross amounts of recognised financial assets (liabilities) US\$	Amounts set off US\$	Cash collateral (received) paid US\$	Net amounts presented on the balance sheet US\$
Derivative assets	178,445,011	(40,987,329)	(15,722,256)	121,735,426
Derivative liabilities	(165,116,702)	40,987,329	13,356,609	(110,772,764)
Trade Receivables	88,038,128	(23,664)	(14,226,568)	73,787,896
Trade Payables	(69,584,370)	23,664	5,171,551	(64,389,155)

At 31 December 2014	Gross amounts of recognised financial assets (liabilities) US\$	Amounts set off US\$	Cash collateral (received) paid US\$	Net amounts presented on the balance sheet US\$
Derivative assets	380,326,186	(98,787,660)	(8,251,735)	273,286,791
Derivative liabilities	(312,702,359)	98,787,660	82,045,823	(131,868,876)
Trade Receivables	137,353,323	(312,948)	(58,841,589)	78,198,786
Trade Payables	(58,254,646)	312,948	(71,189,778)	(129,131,476)

The Company uses observable market values to the extent possible for determining the fair value of its trading instruments. In cases where actively quoted prices are not available, other external sources are used which incorporate information about commodity prices in actively quoted markets, quoted prices in less active markets and other fundamental analysis. Fair value is determined using other valuation methodologies which may include pricing models which take into account time value, volatility of the underlying commodity and other factors, as determined by the Company's management. The resulting

Hartree Partners Power & Gas Company (UK) Limited**Registered number: 4308186****Notes to the financial statements****For the year ended 31 December 2015****16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)**

change in unrealised gain or loss is reflected in Turnover on the profit and loss account.

When Level 1 inputs are available within a particular market, those inputs are selected for determination of fair value over Level 2 or 3 inputs in the same market. To value derivatives that are characterized as Level 2 and 3, the Company uses observable inputs or unobservable inputs respectively for similar instruments that are available from exchanges, pricing services, or broker quotes. These observable inputs may be supplemented with other methods, including internal extrapolation, that result in the most representative prices for instruments with similar characteristics. Multiple inputs may be used to measure fair value; however, the level of fair value for each physical derivative and financial asset or liability presented below is based on the lowest significant input level within this fair value hierarchy. Details on the methods and assumptions used to determine the fair values of the financial assets and liabilities are as follows:

Fair value measurements based on Level 1 inputs: Measurements that are most observable are based on quoted market prices (unadjusted) of identical instruments obtained from the principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to assure liquidity. The fair value of certain of the Company's exchange traded futures and options are considered Level 1.

Fair value measurements based on Level 2 inputs: Measurements derived from market observable inputs or from quoted prices from markets that are less liquid are considered Level 2. Measurements based on Level 2 inputs include over-the-counter derivative instruments that are priced on an exchange traded curve but have contractual terms that are not identical to exchange traded contracts. The Company utilizes fair value measurements based on Level 2 inputs for certain forwards, swaps, and options.

Fair value measurements based on Level 3 inputs: Measurements that are based on unobservable inputs are estimated from related market data determined from sources with little or no market activity for comparable contracts or are positions with longer durations. To estimate the value of these positions, the Company may utilize market prices and volatilities of similar products and interpolate and extrapolate this information.

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The following table provides the fair value of the Company's financial assets and (liabilities) based on this hierarchy as of 31 December.

US\$	Level 1	Level 2	Level 3	Counterparty Netting	Collateral	Balance
2015						
Assets:						
Derivative contracts:						
Commodity	15,951,908	87,995,833	40,219,816	(1,341,720)	(15,673,672)	127,152,165
Equity, foreign exchange and other	–	–	48,584	–	(48,584)	–
Counterparty netting	–	(5,416,739)	–	–	–	(5,416,739)
Total assets	15,951,908	82,579,094	40,268,400	(1,341,720)	(15,722,256)	121,735,426
Liabilities:						
Derivative contracts:						
Commodity	(4,209,186)	(85,017,421)	(41,326,293)	1,341,720	13,356,609	(115,854,571)
Equity, foreign exchange and other	(291,496)	–	(43,436)	–	–	(334,932)
Counterparty netting	–	5,416,739	–	–	–	5,416,739
Total liabilities	(4,500,682)	(79,600,682)	(41,369,729)	1,341,720	13,356,609	(110,772,764)

US\$	Level 1	Level 2	Level 3	Counterparty Netting	Collateral	Balance
2014						
Assets:						
Derivative contracts:						
Commodity	72,365,752	199,478,119	38,107,832	(12,233,312)	(7,388,468)	290,329,923
Equity, foreign exchange and other	–	1,233,792	–	–	(863,267)	370,525
Counterparty netting	(16,870,796)	(542,861)	–	–	–	(17,413,657)
Total assets	55,494,956	200,169,050	38,107,832	(12,233,312)	(8,251,735)	273,286,791
Liabilities:						
Derivative contracts:						
Commodity	(106,542,510)	(113,110,079)	(23,761,584)	12,233,312	82,045,823	(149,135,038)
Equity, foreign exchange and other	(3,100)	(144,395)	–	–	–	(147,495)
Counterparty netting	16,870,796	542,861	–	–	–	17,413,657
Total liabilities	(89,674,814)	(112,711,613)	(23,761,584)	12,233,312	82,045,823	(131,868,876)

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16. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The table below reflects the gross and net fair values of the Company's unrealized derivative instruments as of 31 December.

	Derivative Assets US\$	Derivative Liabilities US\$
2015		
Derivative contracts:		
Commodity futures, forwards, swaps and options	454,599,421	(440,984,763)
Equity, foreign exchange and other	722,592	(1,008,941)
Total gross fair value of derivative contracts	455,322,013	(441,993,704)
Master netting arrangements	(317,864,331)	317,864,331
Cash collateral (received) posted	(15,722,256)	13,356,609
Net fair value of derivative contracts	121,735,426	(110,772,764)
2014		
Derivative contracts:		
Commodity futures, forwards, swaps and options	755,651,084	(689,113,555)
Equity, foreign exchange and other	1,775,237	(688,939)
Total gross fair value of derivative contracts	757,426,321	(689,802,494)
Master netting arrangements	(475,887,795)	475,887,795
Cash collateral (received) posted	(8,251,735)	82,045,823
Net fair value of derivative contracts	273,286,791	(131,868,876)

As of 31 December 2015 and 2014, derivative asset balances are included in Debtors within 1 year and after 1 year in the Balance Sheet. Derivative liability balances are included in Creditors within 1 year and after 1 year in the Balance Sheet.

As a writer of options, the Company receives a premium at the outset and then bears the risk of unfavorable changes in the price of the derivative underlying the option. Futures and exchange traded options are typically liquidated by entering into offsetting contracts. Over-the-counter option contracts, swaps and forwards are either liquidated with the same counterparty or held to the settlement date.

The primary objective of the Company's capital management is to maintain appropriate levels of funding to meet its commitments and to safeguard the entity's ability to continue as a going concern, so that it can support its business and create shareholder value. At 31 December 2015, capital employed by the Company amounted to \$148,825,154 (comprised of equity shareholders' funds), compared to \$135,816,104 at 31 December 2014 (comprised of equity shareholders' funds).

The Company monitors the capital structure and seeks to adjust this as considered appropriate. The Company begins FY16 in a sound financial position to meet its capital management objectives through utilisation of its existing cash balances and the funding from its parent company. There is no externally imposed capital requirement.

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17. RISK MANAGEMENT

In the ordinary course of business, the Company manages a variety of risks including market risk, credit risk, liquidity risk, and operational risk. The Company identifies, measures and monitors risk through various control mechanisms, including position limits, trading duration, value at risk and credit limits. Market risk is the risk of potential adverse changes to the value of derivatives because of changes in market conditions such as volatility in commodity prices. The Company manages its exposure to market risk through the use of risk management strategies and various analytical monitoring techniques that evaluate the effect of various market conditions on financial instruments and derivatives.

No trade receivables are past due or impaired at 31 December 2015 or 31 December 2014.

The Company maintains trading relationships with counterparties which reflect the following concentrations at 31 December 2015: airlines - 76%, trading and financial institutions - 14%, utilities - 4%, major oil and gas companies - 3%, and other - 3%, and at 31 December 2014: airlines - 72%, trading and financial institutions - 10%, transportation and warehousing - 9%, gas and power marketers - 3%, and other - 6%. The Company could be exposed to credit losses if counterparties fail to fulfill their obligations and the collateral is not sufficient to cover the exposure. The Company has formulated credit review policies to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

Liquidity risk arises in the general funding of the Company's trading activities. It includes the risks of not being able to fund trading activities and liquidate positions in a timely manner at a reasonable price. The Company manages its liquidity risk by performing cash forecasts through calculating long term forward position exposures and assessing future trading strategies based on any capital constraints and, when appropriate, through the use of guarantees and the funding arrangement with the Parent.

Operational risk is the potential for loss caused by a deficiency in information gathering, transaction processing, settlement processing or accounting systems. The Company maintains controls that include systems and procedures to record and reconcile transactions and positions, and to procure necessary documentation for its trading activities.

18. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases for the following periods:

	2015	2014
	US\$	US\$
Not later than one year	-	561,000
	-	561,000

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During 2015, Hartree entered into a US\$735 million asset backed credit ("ABL") facility whereby the assets of Hartree and HPPGCO have been pledged to the bank as security. The Bank Facility requires Hartree and HPPGCO to meet certain financial covenants on a monthly basis, including minimum net working capital and tangible net worth ratios. It also imposes certain other limitations on Hartree and HPPGCO, including, but not limited to, certain limitations on other indebtedness, capital expenditures, liens, transfers of assets, investments, loans, advances, dividends, other distributions, modifications of risk-management policies, and transactions with affiliates. HPPGCO is the guarantor for Hartree.

20. FIRST TIME ADOPTION OF FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previously extant UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014.

The policies applied under the Company's previously existent UK GAAP are not materially different to FRS 102 and have not impacted on equity at 1 January 2014 and 31 December 2014 or the profit for the year ended 31 December 2014. Certain 2014 Balance Sheet comparatives have been restated to conform with current year presentation under FRS 102.