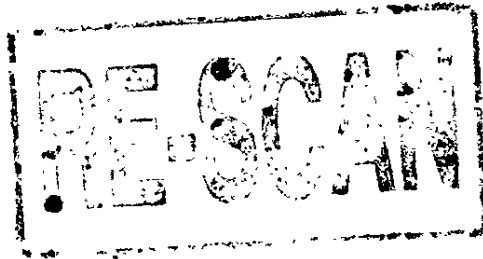


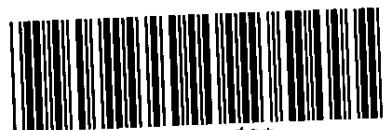
REGISTERED NUMBER: 08510757 (England and Wales)

TRAILSTONE UK LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



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TRAILSTONE UK LTD.

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31 December 2017

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TRAILSTONE UK LTD.
Company Information
31 December 2017

Director: Steven Spencer Banks (Appointed : 22 May 2017)
Marc Amllyn Evans (Appointed : 30 November 2017)
Troy Martin (Resigned : 27 November 2017)

Registered Office: 110 Bishopsgate
London
EC2N 4AY
United Kingdom

Registered Number: 08510757 (England and Wales)

Independent Auditor: Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

TRAILSTONE UK LTD.

Strategic Report

31 December 2017

Principal activities and business strategy

TrailStone is a global commodity merchant and strategic investor in energy assets, with a focus on operating at the intersection of renewable and conventional energy opportunities. TrailStone seeks to own or control physical energy assets, leverage strong logistics capabilities to enhance returns on those investments, and deploy risk capital based on the information it gleans from its physical energy activities and fundamental analytics.

In this context, the principal activities of TrailStone UK Ltd. ('the Company') are to generate value for the group by employing UK-based staff who perform some of the necessary functions relating to investment and trading to fulfil TrailStone's strategy; entering into various agreements to provide the necessary physical infrastructure and services to enable the staff to successfully carry out their functions; and investing in its subsidiaries.

Business environment, principal risks and uncertainties

The continued increase in renewable energy generation is accelerating disruption in the energy markets. TrailStone anticipates new opportunities arising from the move to a more disaggregated, highly competitive, technology-driven energy future. Many such opportunities arise in the power and gas markets in Europe and North America.

The trading activities which the Company undertakes give rise to credit risk, foreign currency risk and liquidity risk. These risks and the strategies in place to mitigate them are detailed in Note 21 on pages 35 to 38. The Company is also subject to risk from its investments in its subsidiaries.

Key performance indicators (KPI's)

The Company's strategy of generating profitability from the activities outlined above is measured by three main KPIs:

Profitability

Cost control

Staff performance and retention

Overall profitability and cost control remain the two key financial KPIs. The main drivers for profitability were the general and administrative expenses of the Company and the performance of its investments. There were losses on investments in the year which the Company does not expect to recur, although the performance of investments is always subject to some uncertainty. With respect to costs, the Company started strategic cost reviews which targeted cost optimisation throughout the period. The Company also continued to invest strategically in its human resource talent to attract, retain and further develop the best talent in the market which is most suited for the various roles in the Company.


The main drivers for profitability are the performance of the investment company's, and by recognising income in the form of service fees from other group companies. The Company reported a loss from operating activities of \$45,561,548 in 2017, primarily due to the increase in costs by \$26,679,513. The average number of employees has increased from 72 in 2016 to 85 in 2017.

Challenges

The principle challenges for the Company are:

- to operate and further develop the platform it has built to enable it to trade and invest in energy markets;
- to source, evaluate and execute the types of investments that give the Company the return profile it seeks;
- hire, retain and develop top talent.

Approved and signed on behalf of the board:


.....
Marc Amlyn Evans - Director
Date: 03 August 2018

TRAILSTONE UK LTD.
Directors' Report
31 December 2017

The Directors presents their report with the audited financial statements of TrailStone UK LTD. ('the Company') for the years ended 31 December 2017 and 31 December 2016.

Principal activity

The Company engages in operating a platform for the trading of physical and derivative commodities.

TrailStone UK LTD.

The Company is a wholly owned subsidiary of TrailStone Guernsey Ltd. (the Parent), a Guernsey holding company. The Parent is a wholly owned subsidiary of TrailStone (Cayman) L.P., which is an exempted Cayman Islands Limited Partnership. The ultimate parent of the Company is Riverstone Global Energy and Power Fund V (Cayman) L.P. which is an exempted Limited Partnership registered in the Cayman Islands.

The smallest group in which the results of the Company are consolidated is Trailstone UK LTD., which is registered in England and Wales. The consolidated financial statements can be obtained from 110 Bishopsgate, London, EC2N 4AY.

Financial results

The Company's financial results for the year ended 31 December 2017 are set out in the Statement of Income (Loss) and statement of comprehensive loss on page 10 of the financial statements. The loss for the year was \$80,982,544 (2016: loss of \$26,083,015).

Review of the Company's position, development and performance

The loss for the year was \$80,982,544 (2016: loss of \$26,083,015). The Company has net liabilities of \$19,107,168 (2016 net assets of: \$60,570,023).

Principal risks and uncertainties

Details of the Company's principal risks and how they are managed are disclosed in Note 21 of the financial statements.

Share capital

The Company had authorised and issued 65,264 (2016: 65,264) shares of common stock at £1 par value as of 31 December 2017 for a total issued capital \$98,521 (2016: \$98,521). The Company also had additional paid-in-capital of \$146,924,653 (2016: \$146,924,653).

Statement of going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to risks are detailed in the Strategic report.

The parent, TrailStone Guernsey Ltd., has agreed to provide financial support for a minimum 12 month period from the date of signing these financial statements in order that the Company can continue to meet its liabilities as they fall due. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Dividends

The Board of Directors did not propose the payment of a dividend for the year ended 31 December 2017 (2016: \$nil).

Events since the end of the year

Information relating to events since the end of the year is presented in the notes to the financial statements.

TRAILSTONE UK LTD.
Report of the Directors
31 December 2017

Directors

The directors who have held office during the period from 1 January 2017 are as follows:

Troy Martin - resigned 27 November 2017
Steven Spencer Banks - appointed 22 May 2017
Marc Amlyn Evans - appointed 30 November 2017

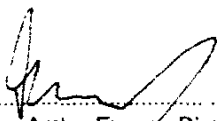
Statement as to disclosure of information to auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Auditor

Ernst & Young LLP will be proposed for re-appointment.

Approved and signed on behalf of the board:



Marc Amlyn Evans - Director
Date: 03 August 2018

TRAILSTONE UK LTD.
Statement of Directors' Responsibilities
31 December 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards board and as adopted by the European Union.

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 of the profit or loss for that period.

- Select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRS standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Approved and signed on behalf of the board:



Marc Amlyn Evans - Director
Date: 03 August 2018

TRAILSTONE UK LTD.
Independent Auditor's Report
December 31, 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAILSTONE UK LIMITED

Opinion

We have audited the financial statements of TrailStone UK Limited for the year ended 31 December 2017 which comprise the statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at [date] and of its profit /loss] for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Wallek (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
03 August 2018

TRAILSTONE UK LTD.
Statement of Income (Loss)
For the Year ended 31 December 2017

		2017	2016
		\$	\$
Net realised and change in unrealised gains and losses from trading activities	4	(1,957,859)	259,258
General and administrative expenses		<u>(43,603,689)</u>	<u>(16,924,176)</u>
Results from operating activities		(45,561,548)	(16,664,918)
Impairment loss on investments	10	(33,592,707)	(7,917,456)
Loss from associate	11	(588,500)	(187,055)
Finance income	5	669,193	9,457
Finance costs	5	(867,963)	(849,512)
Foreign exchange gains/(loss)	6	<u>(1,041,019)</u>	<u>(369,164)</u>
Loss before income tax		(80,982,544)	(25,978,648)
Income tax credit / (charge)	7	<u>—</u>	<u>(104,367)</u>
Net loss for the year		<u><u>(80,982,544)</u></u>	<u><u>(26,083,015)</u></u>

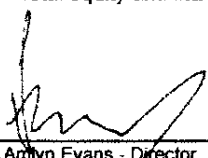
**STATEMENT OF COMPREHENSIVE LOSS FOR
YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	\$	\$
Net loss for the year	(80,982,544)	(26,083,015)
Other comprehensive income / (loss)	<u>1,274,598</u>	<u>(443,659)</u>
Total comprehensive loss	<u><u>(79,707,946)</u></u>	<u><u>(26,526,674)</u></u>

The accompanying notes are an integral part of these financial statements

TRAILSTONE UK LTD. (REGISTERED NUMBER: 08510757)
Statement of Financial Position
As of 31 December 2017

	Notes	2017 \$	2016 \$
Assets			
Non-current assets			
Property, plant and equipment, net	8	1,534,416	2,312,420
Intangible assets	9	667,085	1,027,997
Investments	10	19,122,622	46,581,079
Investments in associate	11	10,307,318	9,156,841
Notes issued - related parties	14	—	1,435,050
Other non-current assets		1,640,441	1,550,477
Total non-current assets		33,271,882	62,063,864
Current assets			
Derivative assets	21	—	3,337,167
Trade and other receivables	12	2,823,401	1,994,653
Due from related parties	20	26,801,960	41,899,864
Current tax receivable		102,977	8,399
Collateral and margin deposits	13	1,930,000	480,000
Cash		715,702	967,810
Total current assets		32,374,040	48,687,893
Total assets		65,645,922	110,751,757
Equity and liabilities			
Equity			
Called up share capital	15	147,023,174	147,023,174
Other capital reserves	16	141,997	111,242
Retained losses	16	(166,272,339)	(86,564,393)
Total equity (deficit in equity)		(19,107,168)	60,570,023
Current liabilities			
Trade and other payables	18	4,203,193	7,032,772
Due to related parties	20	80,439,034	40,173,071
Derivative liabilities	21	110,863	2,695,891
Collateral and margin held	13	—	280,000
Total current liabilities		84,753,090	50,181,734
Total equity and liabilities		65,645,922	110,751,757


 Marc Arwyn Evans - Director
 03 August 2018

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

TRAILSTONE UK LIMITED
Statement of Changes in Equity
As of 31 December 2017

	Called up share capital	Retained losses	Other Capital Reserves	Accumulated other comprehensive income (loss)	Total Equity
	\$	\$	\$	\$	\$
Balance at 31 December 2015	144,762,314	(60,037,719)	79,626	—	84,804,221
Issue of additional paid-in-capital	2,260,860	—	—	—	2,260,860
Loss for the year	—	(26,083,015)	—	—	(26,083,015)
Other	—	—	31,616	(443,659)	(412,043)
Balance at 31 December 2016	147,023,174	(86,120,734)	111,242	(443,659)	60,570,023
Loss for the year	—	(80,982,544)	—	—	(80,982,544)
Other	—	—	30,755	1,274,598	1,305,353
Balance at 31 December 2017	147,023,174	(167,103,278)	141,997	830,939	(19,107,168)

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

TRAILSTONE UK LIMITED
Statement of Cash Flows
For the Year Ended 31 December 2017

	2017 \$	2016 \$
Cash flows from operating activities		
Net loss for the year, before income tax	(80,982,544)	(25,978,648)
Adjustments for:		
Depreciation and amortization	1,868,917	1,695,819
Share-based payments	30,755	31,616
Finance income	(669,193)	(9,457)
Finance cost	867,963	849,512
Loss from associates	588,500	187,055
Impairment loss on investments	33,592,707	7,917,456
Movements in working capital:		
Decrease / (increase) in trade and other receivables	(744,772)	(127,330)
Decrease in derivatives, net	752,139	281,704
Increase in prepaid expenses and other current assets	(84,547)	(178,227)
Decrease in deferred financing costs	570	(51,643)
Increase in other non-current assets	(89,964)	(760,292)
Decrease in trade and other payables	(120,092)	(268,716)
(Decrease) / increase in prepaid income tax	(94,578)	104,367
(Decrease) / increase in accrued and other liabilities	(2,709,487)	2,091,151
Increase in margin/collateral	(1,730,000)	(553,056)
Increase in net due to/from affiliates	55,363,867	21,865,565
Net cash provided by operating activities	<u>5,840,241</u>	<u>7,096,876</u>
Cash flows from investing activities		
Payments for property and equipment	(564,440)	(1,387,170)
Payments for intangible assets	(165,561)	(851,700)
Payments for acquisitions	(6,598,628)	(12,127,493)
Loans issued to subsidiaries	(7,227,919)	—
Repayment of subsidiary loan	8,662,969	—
Interest received	669,193	—
Net cash used for investing activities	<u>(5,224,386)</u>	<u>(14,366,363)</u>
Cash flows from financing activities		
Repayment of borrowings	—	(6,849,512)
Proceeds from other paid-in-capital	—	2,260,860
Notes issued	—	11,731,656
Interest paid	(867,963)	—
Net cash provided by financing activities	<u>(867,963)</u>	<u>7,143,004</u>
Net decrease in cash and cash equivalents	(252,108)	(126,483)
Cash and cash equivalents at beginning of the period	967,810	1,094,293
Cash and cash equivalents at end of the period	<u>715,702</u>	<u>967,810</u>

The accompanying notes are an integral part of these financial statements

1 General information

The Company is a limited company incorporated in the United Kingdom under the Companies Act 2006 and domiciled in England.

The Company was formed to engage in the trading of physical derivative energy products. The registered office is located at 110 Bishopsgate, London, EC2N 4AY.

The Company is a wholly owned subsidiary of TrailStone Guernsey Ltd. (the Parent), a Guernsey incorporated holding company. The Parent is a wholly owned subsidiary of TrailStone (Cayman) L.P., an exempt Cayman Islands Limited Partnership. The ultimate parent of the Company is Riverstone Global Energy and Power Fund V (Cayman) L.P. which is an exempt Limited Partnership registered in the Cayman Islands.

2 Summary of significant accounting policies

A summary of the significant accounting policies, which have been followed in preparing the accompanying financial statements, is set forth below.

2.1 Basis of Preparation

The accompanying financial statements are prepared under the historical cost basis convention, except for derivative financial instruments which are carried at fair value through profit and loss, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The statement of comprehensive income (loss) includes expense allocations for certain company functions performed by related parties. The Company records these expenses through support-related intercompany charges on a cost plus basis as detailed in Note 20.

The financial statements were approved by the board of directors and authorized for issuance on 3 August 2018.

The financial statements are presented in US dollars which is the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2.2 Going concern basis

The parent, TrailStone Guernsey Ltd., has agreed to provide financial support for a minimum 12 month period from the date of signing these financial statements in order that the company can continue to meet its liabilities as they fall due. Accordingly, the directors considers it appropriate to prepare the financial statements on a going concern basis.

2.3 Use of estimates and judgment

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, fair value measurements and disclosure of contingent assets and liabilities at the date of the financial statements. Management's estimates and assumptions also impact the reported amounts of increases and decreases in net assets from operations and disclosures in the financial statements. Actual results could differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 2.6: Taxation
- Note 2.15: Impairment of financial assets
- Note 2.17: Impairment of non-financial assets
- Note 21: Financial risk management
- Note 22: Determination of fair values

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2.6: Taxation
- Note 2.15: Impairment of financial assets
- Note 2.17: Impairment of non-financial assets
- Note 21: Financial risk management

2.4 Revenue recognition

Revenue is recognized when the seller has transferred to the buyer all significant risks and rewards of the assets sold. Revenue is measured at the fair value of the consideration received and represents amounts receivable for trading transactions performed in the normal course of business, net of discounts, value-added tax, and other sales-related taxes. Revenue is also net of brokerage, execution, and clearing expenses. Revenue is recognized on a trade-date basis.

The Company recognizes gains or losses at inception if fair value is evidenced by comparison with other observable current market transactions in the same instrument or is based on valuation techniques incorporating substantially all observable market data or unobservable market data. The Company reflects its mark-to-market gains and losses on energy trading derivative contracts on a net basis as a component of "net realised and change in unrealised gains and losses from trading activity" in the accompanying statement of comprehensive loss.

Revenue and costs associated with other contracts that are classified as "held for trading purposes" are reported on a net basis in the statement of comprehensive loss.

2.5 Finance income and finance costs

Finance income is comprised of interest income on margin and foreign currency gains/losses.

Finance costs are comprised of interest expenses on borrowings. All borrowing costs are recognised in profit or loss in the period in which they are incurred

2.6 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be received from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the in the United Kingdom. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where necessary.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been

TRAILSTONE UK LTD.
Notes to Financial Statements
Year Ended 31 December 2017

enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the items if it is probable the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of the plant and equipment are recognised in the profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and recognised net with other income in the statement of comprehensive income. For the period ended 31 December 2017 the Company did not recognise any gain or loss on the disposal of property, plant and equipment (2016: \$nil)

Depreciation on property, plant and equipment is recognised in profit or loss on a straight line basis over their estimated useful lives of each item of property, plant and equipment.

The estimated useful lives are as follows:

Computer equipment	3-5 years
Leasehold improvements	The remaining life of the lease
Furniture and fixtures	7 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.8 Software licenses

Intangible assets that are internally-generated are recognised if, and only if, all of the following have been demonstrated:

1. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. The intention to complete the intangible asset and use or sell it;
3. The ability to use or sell the intangible asset;
4. How the intangible asset will generate probable future economic benefits;

The asset is valued at cost, less accumulated amortisation. Amortisation expense is recognised using the straight-line method over the estimated useful lives of the intangible assets, beginning on the date the assets are available for use. Certain costs associated with the development of software for internal use have been capitalised and are being amortised over 3 years as detailed in Note 9.

2.9 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

2.10 Cash and cash equivalents

Cash and cash equivalents comprises cash balances net of outstanding cheques and bank money market deposits with original maturities of less than three months. Cash comprises only cash at banks.

2.11 Margin/collateral

Margin is composed of cash posted in support of foreign exchange activities for treasury management. Collateral represents cash held by counterparties with whom trading activities exist. The Company earns interest on certain accounts.

2.12 Prepayments

Prepayments primarily consist of expenses paid in advance. These costs have been capitalised as they represent a future economic benefit to the Company.

2.13 Investments

Investments represent equity invested in subsidiaries. The equity invested is initially recognised at cost and tested annually for possible impairment.

Investments are carried at cost less any accumulated impairment.

2.14 Trade and other receivables and payables

Trade and other receivables are composed of amounts due from trading counterparties, prepayments and value-added tax (VAT) receivable.

Trade and other payables are shown at cost plus accrued interest, if any.

2.15 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Fair value is determined as described in Note 22. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables and available for sale. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Financial assets are classified as FVTPL when the financial assets is either held for trading or is designated as FVTPL.

Held for trading (HFT)

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

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A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 22.

Loans and receivables (LAR)

Trade and other receivables that have fixed or determinable payments and that are not quoted in an active market and margin/collateral balances are classified as loan and receivables. Loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment, except for short-term receivables when recognition of interest would be immaterial. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

Held for trading (HFT)

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 22.

Other financial liabilities (FLAC)

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default and delinquency by a counterparty or debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a counterparty or debtor will enter bankruptcy, downgrade of its credit quality, and change in payment behaviour are objective evidence of impairment.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trend.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and fair value. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed, except for available for sale equity securities, if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

The rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income (loss).

2.16 Derivative financial instruments

Derivative assets and liabilities are recorded on a trade-date basis. The Company trades foreign exchange derivative products with non exchange counterparties. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss. All transactions are accounted for as derivatives in accordance with the requirements of IAS 39 *"Financial Instruments: Recognition and Measurement"*.

Further details of derivative financial instruments are disclosed in Note 22.

2.17 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Previously recognised impairment losses are assessed at each reporting date for any indications that the loss has decreased or no longer exists. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income (loss) over the period of the borrowings using the effective interest method.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of tax effects.

2.20 Share based payments

Certain employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled share-based payments).

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period or over the period in which the performance and/or service conditions are fulfilled, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other capital reserves in equity.

No share-based payment expense is recognized for awards that do not ultimately vest, except for equity-settled share-based payments for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled share-based payments are modified, the minimum share-based payment expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the equity-settled share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

The Company measures the cost of equity-settled share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized as share-based payment expense in the income statement for the year.

2.21 Standards issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, issued to replace IAS 39, covers classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. The standard is applicable for annual periods beginning on or after 1 January 2018.

The Company has performed an assessment on the three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company currently expects no significant impact on its balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method.

During 2017, the Company has assessed the impact of IFRS 15 on its financial statements. The assessment is based on available information. The Company currently expects no material impact on its balance sheet and equity.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely. The Company will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods. The amendments are effective for annual periods beginning on or after 1 January 2018. The Company is assessing the potential effect of the amendments on its financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 to replace IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. In 2018, the Company will start to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Transfers of Investment Property - Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.

The amendments are effective for annual periods beginning on or after 1 January 2018. This standard is not applicable to the Company.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Company.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

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It also clarifies that if an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

The amendments should be applied retrospectively and are effective from 1 January 2018. These amendments are not applicable to the Company.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 or an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. These amendments are not applicable to the Company.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018. However, since the companies current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The Company will apply interpretation from its effective date. Since the Company operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements and the required disclosures.

3 Employees and Directors

	2017	2016
	\$	\$
Wages and salaries	16,910,682	16,938,311
Social security costs	2,927,948	2,323,887
	<u>19,838,630</u>	<u>19,262,198</u>

The average number of people employed during the period was 85 (2016: 72).

The total aggregate Director's remuneration for qualifying services for the period was \$391,531 (2016: \$383,105). The highest paid Director was paid total remuneration for qualifying services of \$255,286 (2016: \$201,489).

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4 Net realised and change in unrealised gains and losses from trading activities

Results from trading activities include the gross settlements of physical contracts, physical forward and swap agreements as well as agreements for foreign exchange and interest rates and options. Additionally, it includes the cash settlements from economic hedges and mark to market movements of derivatives.

The following is a summary of net realised and change in unrealised gains and losses from trading activities at:

	2017	2016
	\$	\$
Net change in fair value of derivative financial assets and liabilities at fair value through income statement	(413,410)	(655,638)
Realized gain (loss) on derivative financial assets and liabilities	(1,544,449)	919,736
Brokerage, commissions and trading fees	—	(4,840)
	<u>(1,957,859)</u>	<u>259,258</u>

5 Finance income / (costs)

	2017	2016
	\$	\$
Finance income:		
Interest income - related parties	628,168	9,457
Interest income - other	41,025	—
	<u>669,193</u>	<u>9,457</u>
Finance cost:		
Interest expense - ultimate parent	—	55,642
Interest expense - related parties	—	5,111
Interest expense - Structuring costs	867,963	788,759
	<u>867,963</u>	<u>849,512</u>
Net finance income/(costs)	<u>(198,770)</u>	<u>(840,055)</u>

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6 Loss before income tax

The loss before income tax is stated after charging/(crediting) the following:

	2017	2016
	\$	\$
Operating lease costs	1,140,234	878,374
Depreciation of tangible fixed assets	1,342,444	1,303,480
Amortisation of software and licences	526,473	392,340
Impairment loss on investments	33,592,707	7,917,456
Share based payments	30,755	31,616
IT expenses	2,813,077	1,359,737
Communication and market data costs	2,645,285	2,520,136
VAT expense / (refund)	493,464	(74,372)
Foreign exchange loss	1,041,019	369,164

Fees in the amount of \$538,653 (2016: \$510,007) were paid to the auditor during the period for the provision of the following services:

	2017	2016
	\$	\$
Tax advisory	274,023	187,007
Auditors remuneration	23,500	20,000
Auditors remuneration (Group)	241,130	303,000
	<u>538,653</u>	<u>510,007</u>

7 Income Tax

a) Analysis of tax charge for the period:

	2017	2016
	\$	\$
Tax expense		
Current year (credit) / charge	<u>—</u>	<u>104,367</u>

Total tax charge is calculated at an effective rate of 19.25% (2016: 20%) for the loss for the year. The rate reduced on 1 April 2017 from 20% to 19%, and is due to reduce further to 17% with effect from 1 April 2020 as enacted by Finance Act 2016.

b) Reconciliation of effective tax rate:

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	2017	2016
	\$	\$
Loss on ordinary activities before taxation	(80,982,544)	(25,978,648)
Tax at 19.25% (2016: 20%)	(15,589,140)	(5,195,730)
Permanent differences		
Impairment loss on investment	6,466,597	1,583,491
Other	172,477	50,674
Group relief surrendered for nil payment	13,075	—
Deferred tax not recognised	8,936,991	3,561,565
Other adjustments	—	104,367
Total tax charge / (credit)	—	104,367

No provision has been made for a deferred tax asset due to the uncertainty of the future profit stream of the Company.

8 Property, Plant and Equipment

	Leasehold improvements	Furniture and fixtures	Computer equipment	Total
	\$	\$	\$	\$
Cost				
At 1 January 2017	481,533	73,754	4,124,164	4,679,451
Additions	—	14,136	550,304	564,440
At 31 December 2017	481,533	87,890	4,674,468	5,243,891
Accumulated Depreciation				
At 1 January 2017	140,638	20,685	2,205,708	2,367,031
Charge for year	34,376	14,375	1,293,693	1,342,444
At 31 December 2017	175,014	35,060	3,499,401	3,709,475
Net book value				
At 31 December 2016	340,895	53,069	1,918,456	2,312,420
At 31 December 2017	306,519	52,830	1,175,067	1,534,416

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9 Intangible Assets

	Software licences \$
Cost	
At 1 January 2017	1,562,942
Additions	165,561
At 31 December 2017	<u>1,728,503</u>
Amortisation	
At 1 January 2017	534,945
Charge for the year	526,473
At 31 December 2017	<u>1,061,418</u>
Net book value	
At 31 December 2016	<u>1,027,997</u>
At 31 December 2017	<u>667,085</u>

10 Investments

	Investment in subsidiaries \$
Cost	
At 1 January 2017	80,218,426
Additions	6,134,250
At 31 December 2017	<u>86,352,676</u>
AMOUNTS PROVIDED	
At 1 January 2017	33,637,347
Impairment	33,592,707
At 31 December 2017	<u>67,230,054</u>
NET BOOK VALUE	
At 31 December 2016	<u>46,581,079</u>
At 31 December 2017	<u>19,122,622</u>

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The Company's investments at the statement of financial position date in the share capital of companies include the following:

TrailStone GmbH

Country of incorporation:	Germany		
Nature of business:	European power & gas		
		%	
Class of shares:		holding	
Ordinary		100.00	
		2017	2016
		\$	\$
Aggregate capital and reserves		14,084,152	12,181,768
Loss for the year		<u>(5,480,780)</u>	<u>(6,962,523)</u>

TrailStone Australia Pty Limited

Country of incorporation:	Australia		
Nature of business:	Metals & mining		
		%	
Class of shares:		holding	
Ordinary		100.00	
		2017	2016
		\$	\$
Aggregate capital and reserves		276,604	544,328
Profit for the year		<u>24,590</u>	<u>152,499</u>

TrailStone UK II Ltd

Country of incorporation:	United Kingdom		
Nature of business:	Holding company		
		%	
Class of shares:		holding	
Ordinary		100.00	
		2017	2016
		\$	\$
Aggregate capital and reserves		4,721,048	33,699,249
Profit for the year		<u>(28,978,200)</u>	<u>6,324</u>

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TrailStone Energy LLC

Country of incorporation: Ukraine
Nature of business: Gas trading

Class of shares:	%
Ordinary	holding 99.00

	2017	2016
	\$	\$
Aggregate capital and reserves	77,719	26,189
Loss for the year	<u>(148,469)</u>	<u>(50,605)</u>

Impairment of investment

The impairment of investment in 2017 relates to the investment in TrailStone GmbH and Trailstone UK II Ltd. As at the balance sheet date the losses incurred by these subsidiaries were considered a trigger of possible impairment. Management does not intend to sell the investment and therefore has estimated the value in use as the net asset value.

In light of the performance of the subsidiary for the year ended 31 December 2017 and for the period post balance sheet date it is not evident that forecasted future cash flows that were originally envisaged are likely to materialise. It was therefore considered necessary to impair the investment to the net asset value at 31 December 2017 and 2016.

The impairment expense is reflected as 'impairment loss on investments' in the income statement.

11 Investment in associate

On 30 October 2015, TrailStone UK LTD. acquired 49% of the shares of Energy2Market GmbH (E2M). E2M's principal place of business is Leipzig, Germany. The total consideration for the shares was \$9,666,790 including transactions cost. \$8,320,240 was paid out on transaction date and a security hold-back of \$882,439 was paid in November 2017.

On 3 November 2017, E2M performed an equity raise and accordingly the investment amount increased by \$464,379 on 15 November 2017 to maintain the holding at 49%.

The Company classifies its investment in E2M as an associate using the equity method of accounting because, in management's judgement, the Company has significant influence over E2M. The Company's investment in E2M is a foreign operation, the functional currency of which is the Euro

For 2017, E2M generated a loss of \$800,580 (2016: \$137,217 profit). After the goodwill and fair value adjustments for 2017 a loss of \$588,500 (2016: \$186,882 loss) is allocated to the Company.

The table below provides summarized German GAAP financial information for E2M. The information disclosed reflects the amounts presented in their German GAAP financial statements, and not the Company's share of those amounts.

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Summarized German GAAP financial information

	2017	2016
	\$ '000	\$ '000
Current assets	42,898	39,467
Non-current assets	2,052	1,562
Current liabilities	39,110	36,189
Non-current liabilities	306	256
Revenue	345,381	277,236
Profit from continuing from continuing operations	(748)	137
Other comprehensive income	—	—
Total comprehensive income	(748)	137
Reconciliation to carrying amounts		
Opening net assets	4,758	4,674
Profit for the period	(801)	84
Capital Contributions	948	—
Closing net assets	4,905	4,758
Share in %	49%	49%
Share in \$	2,403	2,331
Goodwill, fair value adjustments and other comprehensive income	7,904	6,826
Carrying amount	10,307	9,157

12 Trade and other receivables

	2017	2016
	\$	\$
VAT	119,009	464,912
Prepayments	1,920,904	1,091,965
Deferred financing costs	437,206	437,776
Other trade receivables	346,282	—
	2,823,401	1,994,653

Trade and other receivables reflect the amount the Company is owed from market participants. All trade and other receivables are neither past due nor impaired, and there are no indicators for an impairment need.

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13 Margin / Collateral

Margin / Collateral deposit

	2017	2016
	\$	\$
Collateral deposit	1,930,000	480,000
Total collateral deposit	<u>1,930,000</u>	<u>480,000</u>

Collateral consists of amounts paid in order to OTC counterparties.

Margin / Collateral held

On 31 December 2017 the Company held nil collateral (2016: \$280,000). Collateral held consists of amounts paid by OTC counterparties in order to trade with the Company.

14 Notes issued - related parties

	2017	2016
	\$	\$
Notes issued - TrailStone UK II Ltd	—	1,435,050
	<u>—</u>	<u>1,435,050</u>

TrailStone UK II Ltd. is a direct subsidiary of the Company. During 2017, the company advanced a further \$7,227,919 (A\$ 9,500,000). The unpaid balance accrued interest income at a rate of 10% per annum and amounted to \$631,545 (2016: \$5,111) for the year. The note and all accrued interest was repaid on 19 December 2017.

15 Called up share capital

As of 31 December 2017, the Company has authorized an issuance of 65,264 (2016: 65,264) shares of common stock with a £1 par value. The issued and fully paid shares as of 31 December, 2017 are disclosed in the following table:

	2017	Issued in year	2016
	\$	\$	\$
Shares issued and fully paid, with £1 par value	98,521	—	98,521
Additional paid-in capital	146,924,653	—	146,924,653
	<u>147,023,174</u>	<u>—</u>	<u>147,023,174</u>

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The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital contributions

During the year, there were no additional contributions (2016: \$2,260,860). In 2016, the Company received \$2 in exchange for 2 shares with par value of £1 and \$2,260,858 in additional paid-in-capital.

Capital management

The Company defines capital as the total equity of the Company. The Company's primary objectives when managing capital are to achieve sustainable growth and ensure that the Company has adequate capital to fund its operations.

The Directors regularly assesses and quantifies the potential capital requirements of the Company in order to ensure the Company has adequate capital. The process of allocating capital to specific operations and activities is undertaken by the Directors.

The Company has access to committed capital from the Parent company to be used for investments.

16 Reserves

	Retained earnings	Other capital reserves	Accumulated other comprehensive income (loss)	Total
	\$	\$	\$	\$
At 1 January 2017	(86,120,734)	111,242	(443,659)	(86,453,151)
Loss for the period	(80,982,544)	—	—	(80,982,544)
Share based payments	—	30,755	—	30,755
Cumulative translation adjustment	—	—	1,274,598	1,274,598
At 31 December 2017	<u>(167,103,278)</u>	<u>141,997</u>	<u>830,939</u>	<u>(166,130,342)</u>

17 Share-based payments

The Company does not operate its own share-based payment scheme. A share-based payment scheme is operated by the ultimate parent company and TrailStone L.P., a related company to the ultimate parent company. In accordance with the terms of the scheme, certain members of management and employees of the Group may be granted restricted profit units and such awards are subject to vesting conditions. The vesting of these awards will be accelerated upon the occurrence of certain liquidation or approved sales events based on the terms of the awards. For the year ended 31 December 2017, restricted profit units have been issued by both the ultimate parent company and TrailStone L.P. in Series B and Series C as detailed below. Share-based payment expense was \$30,755 (2016: \$31,616) for equity-settled share-based payments for the year ended 31 December 2017.

Employee awards in the form of Series B and Series C shares are available to employees who have evidenced a consistent level of performance and who are contributing to the long-term success of the TrailStone Group of companies (TSG).

The shares, once issued, will entitle the holders to an economic, but not a management and control interest, in TSG. Distributions to Series B and C shareholders will be at the discretion of the Board. In the event that a Series B or C shareholder leaves the Company, TSG is required to re-purchase any vested shares at fair market value.

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As of 31 December 2017, management has concluded that the probability of employees holding Series B or C shares leaving the company subsequent to the shares vesting, is low, and has therefore treated Series B and C options as equity instruments.

Movements during the year

During the year ended 31 December 2017, 10 Series B profit units and 450 Series C profit units in TSG were granted to certain members of management and employees of the Group. The weighted average fair value of the Series B profit units was \$2,259 at grant date and the weighted average fair value of the Series C profit units was \$23 at grant date. The Series B and Series C profit units are accounted for as equity awards. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these shares.

The fair value of each Series B and Series C profit units granted were measured at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the Series B and Series C profit units were granted. Performance condition is only considered in determining the number of instruments that will ultimately vest. Expected dividends were not incorporated into the valuation of the profit units.

There were no cancellations or modifications to the awards in 2017 or 2016.

18 Trade and other payables

	2017	2016
	\$	\$
Trade creditors	469,815	589,907
Accruals and deferred income	3,733,378	6,442,865
	<u>4,203,193</u>	<u>7,032,772</u>

Trade creditors and accruals reflect the amount the Company owes to vendors and employees.

19 Notes payable - related parties

On 31 December 2015 the Company had received a loan from TrailStone (Cayman) L.P. in the amount of \$6 million. The loan had a maturity date of 31 December 2016, accrued interest and was included in notes payable – related parties in the statement of financial position. The related finance costs for 2016 are included as interest expense - ultimate parent in the net finance costs in the accompanying income statement. The note and all the accrued interest was repaid on 16 December 2016.

20 Related Party Transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

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	2017	2016
	\$	\$
Amounts owed by related parties		
TrailStone GmbH	25,920,158	36,765,140
TrailStone UK II Limited	447,902	504,227
TrailStone Management Corporation	17,484	—
TrailStone Commodity Trading UK Limited	—	4,535,147
TrailStone Netherlands I Cooperatief UA	416,416	95,350
	<u>26,801,960</u>	<u>41,899,864</u>

	2017	2016
	\$	\$
Amounts due to related parties		
TrailStone Management Corporation	—	4,930,000
TrailStone LLP	311,847	50,000
TrailStone Australia Pty Limited	14,000	193,071
TrailStone Commodity Trading UK Limited	459,187	—
TrailStone (Cayman) L.P.	79,654,000	35,000,000
	<u>80,439,034</u>	<u>40,173,071</u>

	2017	2016
	\$	\$
Service fee - related parties		
TrailStone GmbH	(15,019,627)	4,265,140
TrailStone Management Corporation	(6,157,000)	(7,930,000)
TrailStone Australia Pty Limited	(88,000)	(1,032,000)
TrailStone LLP	(1,068,974)	(1,010,000)
TrailStone Commodity Trading UK Limited	11,305,666	18,761,735
	<u>(11,027,935)</u>	<u>13,054,875</u>

The Company engages in certain transactions with related parties, TrailStone Management Corp ("TSMC"), TrailStone Commodity Trading UK Limited ("TS CT UKL"), TrailStone GmbH ("TS GmbH"), TrailStone Australia Pty Limited ("TS Aus") and TrailStone LLP (TS LLP). TSMC, TS Aus and TS LLP provide key management and technical services to the Company and the Company provides trading services to TS CT UKL. The charges for these services are calculated on a cost-plus basis. The Company also has transfer pricing arrangements in place with TS GmbH regarding the use of shared economic resources and the residual profit-split method is used to calculate the related charges between the companies. All the aforementioned charges are included in "General and administrative expenses" in the Statement of Loss and the "Due to and receivable from related parties" in the statement of financial position. The Company intends to repay the outstanding intercompany balance from future profits.

The Company also entered into derivative transactions with TrailStone Netherlands I Cooperatief UA. The net realised and unrealised loss recognised from these trades was \$4,681(2016 (profit) : \$2,663,486).

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21 Financial risk management

Financial instruments

The following table provides an analysis of the carrying amounts and fair values of the Group's financial instruments by class and category:

		Carrying amount		Fair value	
		2017	2016	2017	2016
		\$	\$	\$	\$
Financial assets					
Trade and other receivables	LAR	2,823,401	1,994,653	2,823,401	1,994,653
Cash and cash equivalents	LAR	715,702	967,810	715,702	967,810
Amounts due from related parties	LAR	26,801,960	41,894,753	26,801,960	41,894,753
Notes issued - related parties	LAR	—	1,440,161	—	1,440,161
Collateral and margin deposits	LAR	1,930,000	480,000	1,930,000	480,000
Other non-current assets	LAR	1,640,441	1,550,477	1,640,441	1,550,477
Derivative assets	HFT	—	3,337,167	—	3,337,167
Total		33,911,504	51,665,021	33,911,504	51,665,021
Financial liabilities					
Trade and other payables	FLAC	469,815	589,907	469,815	589,907
Amounts due to related parties	FLAC	80,439,034	40,173,071	80,439,034	40,173,071
Accrued and other liabilities	FLAC	3,773,378	6,442,865	3,773,378	6,442,865
Collateral and margin held	FLAC	—	280,000	—	280,000
Derivative liabilities	HFT	110,863	2,695,891	110,863	2,695,891
Total		84,793,090	50,181,734	84,793,090	50,181,734
Loans and receivables	LAR	33,911,504	48,327,854	33,911,504	48,327,854
Held for trading assets	HFT	(110,863)	641,276	(110,863)	641,276
Financial liabilities measured at amortised cost	FLAC	84,682,227	47,485,843	84,682,227	47,485,843

Risk management

The most important risks that the Company is exposed to are credit risk, commodity price risk, foreign currency risk and liquidity risk. The Company has formal risk management policies and guidelines that set out its overall business strategies, its tolerance of risk and general risk management philosophy, and has established processes to monitor and control its exposure to such risks in a timely manner. The Company reviews its risk management processes regularly to ensure the Company's policy guidelines are adhered to.

Credit risk

Credit risk relates to the risk of loss resulting from the non-performance or non-payment by the Company's counterparties related to their contractual obligations with the Company. Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Company had limited credit risk exposure due to the fact that most of its trading activity in 2017 was carried out with established banks with good credit ratings. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

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The Company reviews each new counterparty with which it contemplates trading for credit worthiness before posting collateral. Limits are established for each counterparty.

Foreign currency risk

The following table demonstrates the sensitivity to a possible change in GBP, EUR and AUD exchange rates, with all other variables held constant. The impact on the Company's loss before taxation is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is deemed not to be material.

Currency	Currency name	Effect on loss before taxation		Effect on loss before taxation	
		December 31, 2017		December 31, 2016	
		+10%	-10%	+10%	-10%
		\$	\$	\$	\$
GBP	British Pound	(127,676)	127,676	(360,166)	360,166
AUD	Australian Dollar	316,074	(316,074)	(2,664,401)	2,664,401
EUR	Euro	(987,408)	987,408	(1,183,473)	1,183,473

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. An unmatched position of assets and liabilities potentially enhances profitability, but can also increase the risk of losses. The Company manages this risk by closely monitoring its current assets to current liabilities ratio and having adequate amount of credit facilities.

The following tables detail the Company's remaining expected maturity for its derivative and non-derivative financial assets and the contractual maturity for its derivative and non-derivative financial liabilities. The tables are based on the undiscounted cash flows of financial assets and liabilities as follows:

Financial Assets – Based on the undiscounted contractual maturities of the financial assets, except where the Company anticipates that the cash flow will occur in a different period

Financial Liabilities – Based on the earliest date on which the Company can be required to repay.

	2017 in \$			
	1 year or less	1-5 years	Greater than 5 years	Total
Financial liabilities:				
Amounts owed to group undertakings	80,439,034	—	—	80,439,034
Accrued and other liabilities	3,733,379	—	—	3,733,379
Trade and other payables	469,814	—	—	469,814
Derivative liabilities	18,668,523	—	—	18,668,523
Total	103,310,750	—	—	103,310,750

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	2016 in \$			
	1 year or less	1-5 years	Greater than 5 years	Total
Financial liabilities:				
Amounts owed to group undertakings	40,173,071	—	—	40,173,071
Accrued and other liabilities	6,442,865	—	—	6,442,865
Trade and other payables	589,907	—	—	589,907
Collateral and margin held	280,000	—	—	280,000
Derivative liabilities	178,431,382	—	—	178,431,382
Total	225,917,225	—	—	225,917,225

To the extent possible, settlements with counterparties are done via netting agreements.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In the normal course of business, the Company enters into various netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements or other similar agreements but not offset, as of December 31, 2017 and shows in the 'Net' column what the net impact would be on the Company's statement of financial position if all set-off rights were exercised.

	2017 in \$				
	Amounts Offset		Net Amounts Presented	Amounts Not Offset	Net
	Gross	Gross Offset			
Financial assets					
Derivative assets	18,557,660	(18,557,660)	—	—	—
Trade and other receivables	2,823,401	—	2,823,401	—	2,823,401
Due from related parties	26,496,361	—	26,496,361	—	26,496,361
Total	47,877,422	(18,557,660)	29,319,762	—	29,319,762
Financial liabilities					
Derivative liabilities	18,668,523	(18,557,660)	110,863	—	110,863
Trade and other payables	4,203,193	—	4,203,193	—	4,203,193
Due to related parties	80,439,034	—	80,439,034	—	80,439,034
Total	103,310,750	(18,557,660)	84,753,090	—	84,753,090

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	2016 in \$				
	Amounts Offset		Net Amounts Presented	Amounts Not Offset	Net
	Gross	Gross Offset			
Financial assets					
Derivative assets	123,571,476	(120,233,604)	3,337,872	—	3,337,872
Trade and other receivables	1,994,653	—	1,994,653	—	1,994,653
Due from related parties	41,894,753	—	41,894,753	—	41,894,753
Total	167,460,882	(120,233,604)	47,227,278	—	47,227,278
Financial liabilities					
Derivative liabilities	122,929,495	(120,233,604)	2,695,891	—	2,695,891
Trade and other payables	7,032,772	—	7,032,772	—	7,032,772
Due to related parties	40,173,071	—	40,173,071	—	40,173,071
Total	170,135,338	(120,233,604)	49,901,734	—	49,901,734

22 Determination of fair value

A number of the Company's accounting policies and disclosures required the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

(a) Cash and cash equivalents, trade receivables, due to/from related parties, , margin/collateral, trade and other payables, and loans and borrowings:

Carrying value approximates fair value due to the liquid nature of the assets and liabilities, as they are due on demand and bear interest at market rates.

(b) Derivative financial assets and derivative financial liabilities

Outstanding commodity contracts, futures and forward commodity contracts and commodity swap contracts are measured at their fair values using the published forward prices or broker quotes as of the reporting date, using the remaining contracted gas and power volumes.

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Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the assets and liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company categorises all exchange traded derivatives in Level 1 of the fair value hierarchy and uses exchange provided quotes for its positions valuation.

Level 2 – pricing inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, directly or indirectly, for substantially the full term of the financial instrument. The Company categorises all of its swaps in Level 2. The Company uses third-party broker quotes, industry pricing services and exchange traded curves for its positions valuation.

Level 3 – inputs are unobservable inputs for the assets or liabilities. These inputs reflect the Company's own estimate about the assumptions that market participants would use in pricing the assets or liabilities.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2017 in \$				
	Level 1	Level 2	Level 3	Total
Derivative financial liabilities				
OTC FX	—	110,863	—	110,863
Total	—	110,863	—	110,863
2016 in \$				
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
OTC FX	—	3,235,577	—	3,235,577
OTC swaps, forwards and options	—	102,295	—	102,295
Total	—	3,337,872	—	3,337,872
Derivative financial liabilities				
OTC FX	—	2,594,301	—	2,594,301
OTC swaps, forwards and options	—	102,295	—	102,295
Total	—	2,696,596	—	2,696,596

During the reporting periods there were no transfers between Level 1 and Level 2.

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23 Other financial commitments

Operating lease commitments

As of 31 December 2017, the Company has commitments for future minimum lease payments in respect of non-cancellable operating leases with a term of more than one year as follows:

	2017	2016
	\$	\$
Not later than 1 year	1,257,348	907,199
Later than 1 year and not longer than 5 years	3,772,043	3,970,132
Later than 5 years	5,029,390	6,616,887
	<u>10,058,781</u>	<u>11,494,218</u>

The office space lease expense under operating lease was \$1,140,234 in 2017 (2016:\$878,374) The office space lease expenses are recognised as an expense in the income statement.

24 Subsequent events

The Company evaluated subsequent events through to 03 August 2018, there were no events subsequent to 31 December 2017 that would materially affect these financial statements.