TRAFIGURA

2017 ANNUAL REPORT

TRAFIGURA GROUP PTE. LTD.

ADVANCING
TRADE

Financial and business highlights[1]

Group revenue

$136.4bn

2017	136.4
2016	98.1

Combined volume of commodities traded[2]

325.9mmt

2017	325.9
2016	264.4

Gross profit

$2.2bn

2017	2.2
2016	2.3

Total assets

$48.6bn

2017	48.6
2016	41.2

Oil and Petroleum Products revenue as a percentage of Group revenue

69%

2017	69
2016	65

Oil and Petroleum Products total volume traded

256.0mmt

2017	256.0
2016	205.4

Gross profit margin

1.6%

2017	1.6
2016	2.3

Total non-current assets

$8.1bn

2017	8.1
2016	8.5

Metals and Minerals revenue as a percentage of Group revenue

31%

2017	31
2016	35

Metals total volume traded

15.3mmt

2017	15.3
2016	14.9

Net profit

$0.887bn

2017	0.887
2016	0.975

Shareholders' equity

$6.0bn

2017	6.0
2016	5.5

Minerals total volume traded

54.6mmt

2017	54.6
2016	44.1

EBITDA[3]

$1.6bn

2017	1.6
2016	1.6

Average number of employees over year[4]

3,935

2017	3,935
2016	4,107

1 Trafigura's financial year runs from 1 October 2016 to 30 September 2017.

2 Million metric tonnes.

3 EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment losses and other operating income and expense.

4 Employee numbers exclude MATSA and Porto Sudeste employees as these assets are deconsolidated from Trafigura's balance sheet.

Cover image:
Ore storage inside warehouse at MATSA mine near Seville, Spain.

ADVANCING TRADE

Global trade brings the world closer together.

It grows the wealth of nations, forges common interests and builds mutual trust.

Trafigura makes trade happen. And we make it our mission to do that responsibly. We deploy infrastructure, skills and our global network to move physical commodities from places they are plentiful to where they are most needed.

We have been connecting our customers to the global economy for a quarter of a century. We increase prosperity by advancing trade.

Find out more about our role in Advancing Trade:
www.trafigura.com

Contents

The 2017 Annual Report is complemented by our 2017 Responsibility Report which reflects on Trafigura's progress in implementing responsible business practices and sets out metrics assessing our performance in managing our social and environmental impacts.

For further information please visit
www.trafigura.com/responsibility

Trafigura at a glance

Trafigura's core business is physical trading and logistics; our assets and investments complement and enhance these activities. With 62 offices in 35 countries, Trafigura's network is truly global.

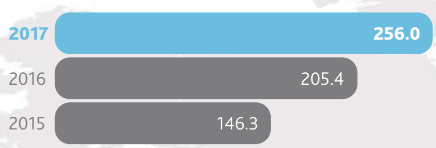
Trading activities

Oil and Petroleum Products

In a fragmented market where no single company has a dominant position, we are one of the world's largest traders by volume of oil and petroleum products. Trafigura is one of the few oil and petroleum products traders with global presence and comprehensive coverage of all major markets. The Oil and Petroleum Products Division is supported by offices across the world including in Calgary, Geneva, Houston, Johannesburg, Mexico City, Montevideo, Moscow, Mumbai, Qingdao and Singapore.

Oil and Petroleum Products (total volume traded)

256.0mmt



Metals and Minerals

We are one of the world's largest metals and minerals traders. We negotiate offtake and supply agreements with miners and smelters and invest in logistics through our subsidiary, Impala Terminals, to improve market access for our clients. The Metals and Minerals Division is supported by offices across the world including in Geneva, Johannesburg, Lima, Mexico City, Montevideo, Mumbai, Santiago, Shanghai, Singapore and Stamford.

Metals and Minerals (total volume traded)

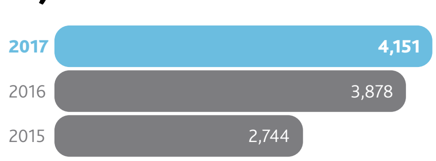
69.9mmt

Shipping and Chartering[1]

Our Shipping and Chartering desk is closely integrated into Trafigura's business model, providing freight services to commodity trading teams internally and trading freight externally in the professional market. Operations are based in regional offices in Athens, Geneva, Houston, Montevideo and Singapore. All post-fixture operations are managed from our Athens office.

Shipping and Chartering (fixtures)

4,151



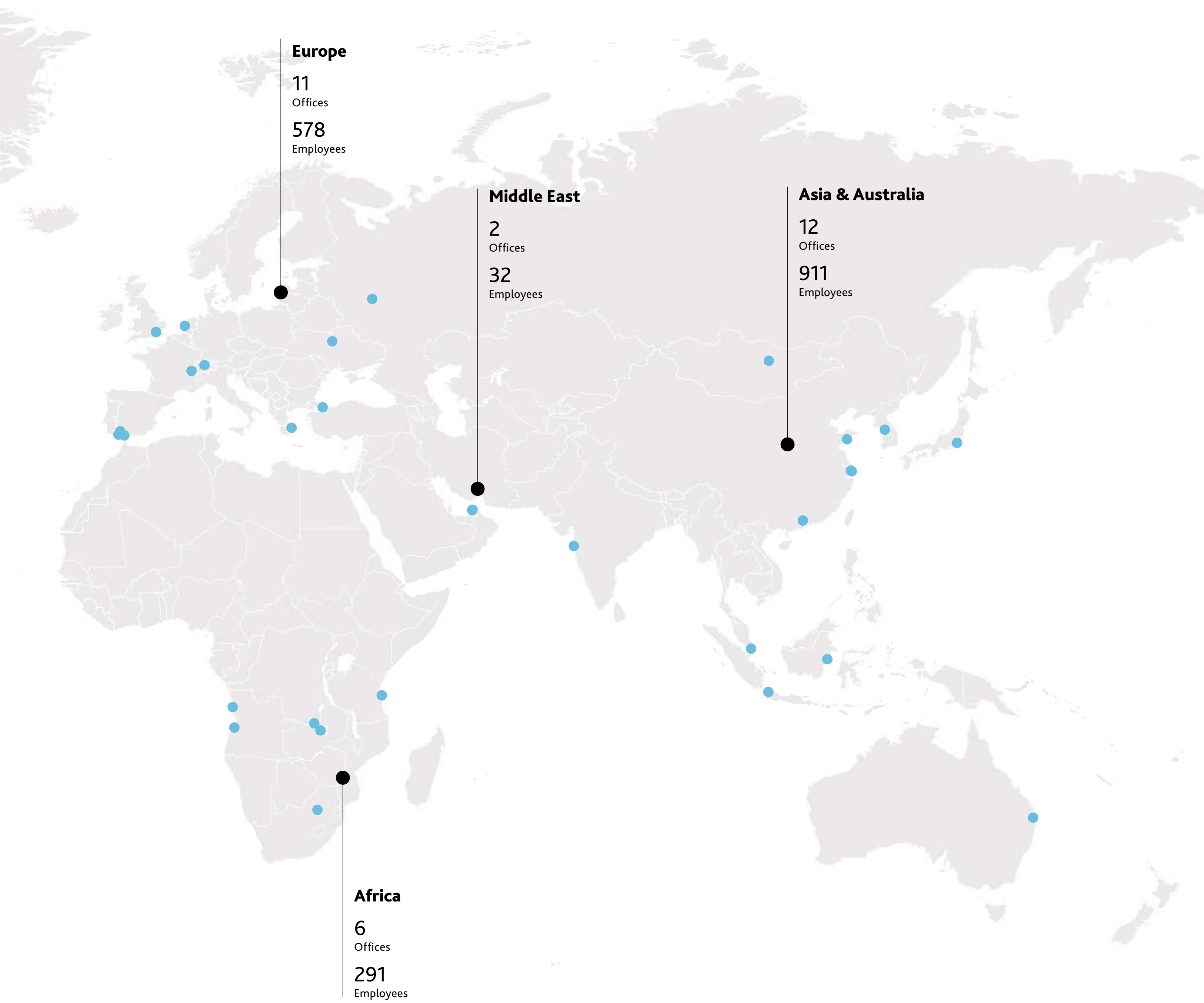
1 Financials relevant to Shipping and Chartering are consolidated within Oil and Petroleum Products/Metals and Minerals trading activities.

Global presence and key subsidiaries

Impala Terminals
Impala Terminals is a multimodal logistics provider focused on export-driven emerging markets. It owns and operates ports, port terminals, warehouses and transport assets. It has particular expertise in providing efficient logistic solutions in challenging environments and hard to reach locations.

Mining Group
The Mining Group manages mining operations, develops projects, conducts technical audits of existing and potential partner projects and provides advisory and support services to Trafigura's trading desks, trading partners and Galena Asset Management.

Galena Asset Management
Galena Asset Management provides investors with specialised alternative investment solutions through its investments in real assets and private equity funds. It operates independently, but benefits from the Group's insights into the global supply and demand of commodities.



Chief Executive's Statement

A resilient business model generating profit through the cycle

Jeremy Weir, Chief Executive Officer.

I am pleased to present Trafigura Group's 2017 Annual Report. This was another year of strong trading performance on a global scale, in which our company transacted more business with more customers in more geographies than at any time in its nearly 25 years of existence. In commodity markets that are more competitive and transparent than ever, these results demonstrate the benefits of our scale, our resilient and diversified business model, and our ability to generate profit consistently throughout the economic cycle.

The backdrop for the year was a robust global economy in which, for the first time since the global financial crisis, real GDP was expanding markedly in all key regions. This drove strong growth in demand for all the commodities we trade, and paved the way in some of them for a tighter balance between supply and demand and a consequent increase in volatility. However, while the trend was clear across commodities, the progress was uneven. In particular, the oil and refined product markets were still characterised for much of the year by oversupply and relatively low volatility, reducing margins and arbitrage trading opportunities.

Strong performance on volume, revenue and profit

In this mixed environment, Trafigura turned in a strong performance. Profit for the year was USD887 million, 9 percent below the level of USD975 million recorded in 2016, but broadly in line with profits registered in each of the last five years. Gross profit was USD2,239 million, just 2 percent below the year-ago figure of USD2,291 million. Our gross margin for the year was 1.6 percent, down from 2.3 percent recorded in 2016.

EBITDA, which we see as a more precise measure of operating performance since it strips out investment gains and impairments, was USD1,580 million, 3 percent below the figure of USD1,628 million recorded in 2016. Meanwhile profit attributable to owners of the company, excluding non-controlling interests, was USD97 million (13 percent) higher than in the previous year at USD848 million compared to USD751 million.

Highlights of the year included:

- Significant growth in volumes handled by both our trading divisions, Oil and Petroleum Products and Metals and Minerals, reinforcing our position as a top-tier trader across these markets and in all important geographies. It was especially pleasing to see our global reach increasing, for example through our establishment of a leading position in exporting crude oil and refined products from the US and the doubling of volumes sold into and out of India over the year.
- A 39 percent increase in revenue to USD136,421 million from USD98,098 million, reflecting increased volumes and higher commodity prices.
- A good profit performance in all our trading books, and a near-equal contribution to gross profit by both trading divisions. Metals and Minerals had an exceptionally strong year across the board from non-ferrous concentrates to refined metals and bulk minerals; in Oil and Petroleum Products, profit was lower than last year owing to reduced market volatility and resultant margin compression.
- Significant further progress in building our newer books, from liquefied natural gas to coal and iron ore. In LNG, Trafigura established itself as a leading independent trader some years ago and we extended this lead in 2017. In coal, this was the year where our investment in building a strong team over recent years generated significant returns.

- Continued investment in industrial assets that support access to trading flows. I am pleased to report our investment in the world-class Indian refining and distribution business Essar Oil and through Galena Private Equity Resources Fund into Terrafame, the Finnish nickel, cobalt and zinc producer. During the year we also announced support for a large order for oil tankers that will be used, when delivered, to carry Trafigura oil cargoes as well as to capture value from rising asset prices. These investments are good examples of our strategy of working with third-party investors to take advantage of opportunities while containing our own balance sheet exposure.
- Continuing progress in building value from prior investments, including our Porto Sudeste joint venture with Mubadala Investment Company in Brazil and our multimodal port and transport assets in Colombia, both of which ramped-up operations further during the year. We also provided financing, offtake and supply support arrangements for the smelting group Nyrstar, in which Trafigura holds a 24.6 percent stake.
- An ongoing focus on efficiency, cost management and reduction of capital expenditure. Despite the volume increases, we managed to keep general and administrative expenses at the same level as the previous year. We were able to renew and increase our credit facilities at tighter yields – especially important at a time when our need for working capital has increased owing to higher volumes and prices – and returned to the debt capital markets in a limited way. As a result of all these activities, our ratio of adjusted debt to net equity fell to 1.35x at year-end from 1.48x a year earlier and 1.56x at the end of 2015.

Scale, efficiency and diversification

These strong results underline three important points about our business. First, it is positioned to perform almost regardless of conditions in commodity markets and the global economy, as demonstrated in successive annual results during and since the global financial crisis of 2008/9. As a service provider to the global resources industry and as a counterparty to the world's leading banks, we pride ourselves on consistency and reliability of execution. In 2017 we delivered again.

Second, now more than ever commodities trading is a business where global scale and scope count. In the past few years we have dramatically expanded the business relationships we maintain on all six continents. These range from the oil producers of the Eagle Ford shale to the private refineries of China and India. They include fast-growing and liberalising markets for refined products and gas across Asia, Africa and Latin America, and miners, smelters and end-users of non-ferrous metals and bulk minerals in both north and south.

Crucially, maintaining this network depends on the quality and expertise of our people, and their capacity for teamwork, which I believe to be unrivalled in the industry. In addition, we have enhanced our financial strength by developing strong relationships with our banking network and growing our capital market issuance, which enables us to grow our trading volumes and invest in industrial assets that support the trading business. As importantly, we have invested significant amounts in systems, technology and infrastructure to help us operate efficiently at scale, including our important mid- and back-office support hubs in Shanghai, Mumbai and Montevideo.

These capabilities and relationships give us the ability to keep growing volume without adding cost and thus to maintain profitability in physical commodity markets that are by definition subject to constant margin attrition. Few other firms have the capacity to do this, which is why we are confident that we will continue to expand our market share and presence in the coming years.

Third, we are particularly confident in the benefits of diversification in our business across commodities where we have specialist knowledge. The oil and metals markets generally move according to distinct dynamics. In previous years, a strong profit performance in oil accompanied weaker results in metals and minerals. This year, oil margins have been under pressure owing to market conditions, while the metals business has turned in its best performance in years. This diversification helps to produce a stable overall profit stream and mitigates risk.

Outlook: positioned for further growth

As we look to 2018, we are optimistic about the opportunities we see for further developing our business, for a number of reasons.

First is the balance between supply and demand in the markets we trade, which should create greater volatility. We believe that for the first time in many years, commodities markets are being driven by events on both the demand side and the supply side.

The outlook for global economic growth and for commodity demand remains strong across the board. At the same time we see potential supply deficits emerging in various commodities in the short to medium term, owing to significant under-investment in developing new mining and oil production projects and to policy-driven production cuts in China.

In oil, we believe a supply deficit is likely to emerge in 2019 as production capacity fails to keep pace with rising demand. The zinc market already has a supply shortfall and a deficit is expected to emerge in copper by 2019; even aluminium, a market plagued by over-supply for many years, is tightening due to Chinese cutbacks.

Over the longer term, the prospects are at least as enticing as a result of the structural changes underway in the global economy including technological innovation and efforts to combat climate change. In 2017, we responded to these developments by establishing an in-house Strategic Research Group to consider the broad implications for our business.

The expected growth of electric vehicle (EV) sales has considerable implications for metals markets. Copper is already one clear beneficiary, but if as expected EVs account for an increasingly significant proportion of a growing global vehicle fleet from 2025, it will drive sharp rises in demand for nickel and cobalt. That provides a very promising environment for our growing cobalt and nickel trading activity and for our successful commercial collaboration with Terrafame in Finland.

On the energy side, too, a world that is seeking to reduce its reliance on fossil fuels over the longer term will create significant opportunities for us, for example in developing flexible supply models for power utilities enabling them to switch between coal, gas and renewables.

I strongly believe Trafigura is well positioned to profit from all these developments, thanks to the robust capabilities of our people, the strong pipeline of talent we continue to develop, our access to deep financial resources, and our capacity to target attractive asset investment opportunities. If so, there is every prospect that our strong performance in 2017 will be matched or exceeded next year.

Jeremy Weir,
Chief Executive Officer

Marketplace review

The Global Market Environment

Following a year of political surprises in 2016, the 2017 fiscal year saw a return to supply and demand fundamentals in commodity markets, driven by a synchronized global economic recovery.

Saad Rahim, Chief Economist and Head of Analysis.

For the first time since before the global financial crisis, the major economies of the world all appear to be growing in sync, resulting in strong demand for commodities. This demand has in turn been faced with supply constraints, the result of: voluntary cuts in the case of oil; policy-led supply cuts as in coal and aluminium; labour disputes and other temporary outages as seen in copper; and finally the impact of under-investment in the case of zinc. We believe the theme of under-investment is likely to be a critical feature of markets going forward, one worth examining in detail later in this section.

As a result of the divergent directions of supply and demand, prices of the commodities traded by Trafigura almost all ended the fiscal year higher, by 10-35 percent depending on the specific commodity. Nickel was the only exception, ending the fiscal year flat, albeit seeing a 20 percent move up since then. However, the price movements were by no means a uniform march upwards, with some major moves over the course of the year. Iron ore prices were a prime example of this, increasing by 70 percent from the start of the fiscal year before falling back to end the year up just 11 percent from last October. Oil prices, on two separate occasions during the year, dipped to 15 percent below the start of the fiscal year, ultimately ending up about 15 percent (since the end-year they have increased by a further 10 percent). Despite these swings, commodity prices overall ended the 2017 fiscal year up significantly, and that momentum appears to be continuing through into our current year, driven by an increasingly favourable supply and demand environment. Looking ahead, we continue to view commodity markets as healthy and expanding, suggesting strong, continuing growth for our business.

Global macroeconomic environment

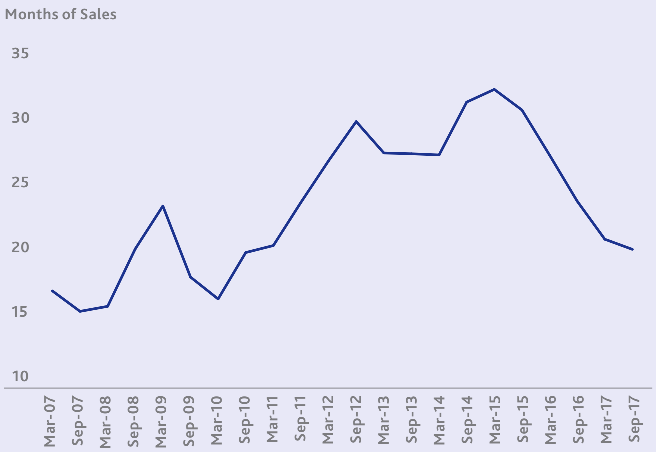
A decade on from the start of global financial crisis, the global economy is firing on all cylinders. The IMF projects that real GDP is growing at a rate of over 3.5 percent per year, with 2017 growth 0.5 percent higher than 2016. This level of growth has not been seen since the recovery phase immediately after the crisis, and has been a major driving factor in the recovery in commodity prices seen over the year.

One key difference during 2017 compared to recent years has been the relative strength of China. Chinese growth surprised to the upside this year, and growth was of a much healthier tenor as it was less credit-driven and more organic. In 2016 the Chinese authorities injected approximately USD3 trillion of new credit into the economy, but this year has seen much more targeted injections of fresh credit. The authorities have focused on three main overlapping areas: reducing excess industrial capacity; improving air quality; and shifting debt growth into non-corporate sectors. While the overall level of Chinese debt remains an area of concern in global markets, China has been taking decisive steps to address the issue.

A critical step in this process has been addressing unprofitable overcapacity in sectors such as steel, aluminium and coal, sectors including some of the most heavily indebted companies in the country. The reduction in loss-making capacity has seen margins among remaining producers improve materially, helping bring down debt ratios and boost profitability. In addition, these sectors have contributed to poor air quality, and as such a reduction in capacity should in turn help with the emissions problem. Over a three- to five-year period starting last year, China aims to remove the equivalent of 10 percent of global steel and coal output, while aluminium production curbs this year alone will remove some 7 percent of global output, albeit on a more temporary basis. As such, although the traditional narrative of China and commodity markets is one of demand, China has played a major role on the supply side this year as well.

Of course China's impact on the demand side remains alive and well. The Chinese real estate sector in particular is for many commodities the single most important sector globally in terms of direct demand impact, and the market was encouraged to see Chinese real estate prices, activity and sales all continue the positive trends of 2016, after a contraction in 2015.

Residential Floorspace Inventory – China



Source: China NBS, Trafigura Research

Growth in the US appears to have held up well over our fiscal year, although there are now signs that activity may be reaching a cyclical peak. The economy has continued its multi-year trend of strong jobs growth, with the result that unemployment is now back down to 4.1 percent, a far cry from the 10 percent it reached in 2009. With an improved labour market, we have seen consumption continue to hold up, albeit at a reduced level compared with recent years. Part of the reason for the slowdown in consumption, and an area to watch for the coming fiscal year, has been rising interest rates, in particular the 2-year Treasury rate (the main consumer rate). A near-quadrupling of this rate has had, as might be expected, an impact on vehicle sales, credit growth, consumer delinquencies and all the other signs associated with a rising interest burden on the consumer.

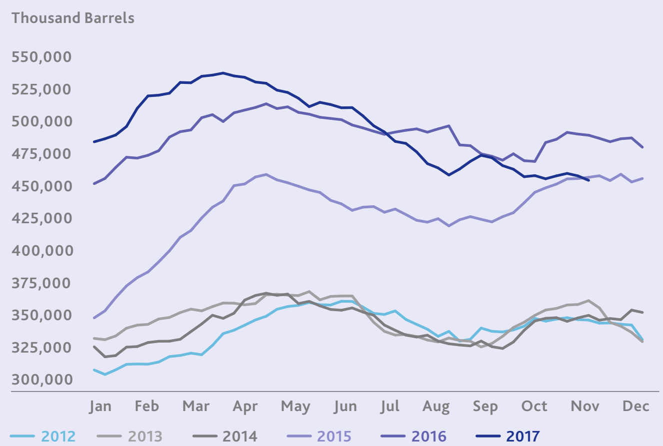
Of particular note has been the European story. After years of struggling merely to recover the ground lost first from the financial crisis and then from the Eurozone crisis, Europe reported healthy results across the board this year. A Euro that weakened almost to parity with the US dollar halfway through our fiscal year certainly helped to a degree, but that dynamic has since reversed, leaving the USD more than 15 percent weaker just six months later. This suggests that other factors were at work, namely a much stronger domestic consumption and investment environment, driven by an improved unemployment picture and the strongest capital expenditure numbers in a decade.

Japan continues its growth story from last year, with businesses spending at the highest levels in over a decade. South Korea, an excellent proxy for the health of world trade, has seen exports rebound 20-40 percent from the contractionary period of 2015-16. And finally emerging economies are looking much more robust as well. India has recovered from the dual shocks of demonetisation and then sales tax reform, and is on much stronger structural footing, while Brazil has halted the trend of deep contraction caused by recent political events. Emerging markets have also been generally helped by rising commodity prices.

Global energy markets

The dominant story in oil markets over the past year has been the agreement by OPEC and key non-OPEC producers to cut production by just short of 1.8 million barrels per day. This was the first agreed cut by OPEC in eight years, and also the first time since 2001 that both OPEC and non-OPEC producers participated in a cut. It was necessary due to the persistent glut in oil inventories, which had risen to record levels globally, particularly in the OECD economies. Crude oil stocks in the US alone had swelled by over 300 million barrels over historical averages. Crude oil was also building up in floating storage (aboard tankers), both driven by and exacerbating the market condition known as contango, whereby current prices are lower than prices in the future.

Crude Oil Stocks – United States



Source: DOE, Trafigura Research

Demand growth in 2017 was slightly weaker than the previous year but nonetheless strong by historical standards. India, which alone had accounted for over 25 percent of global oil demand growth the previous year, saw demand affected in the early part of the year by the regulatory changes mentioned above, but even there growth ended the period on a strong note. Chinese growth was slightly below expectations, but nonetheless added approximately 600,000 barrels per day versus the previous year. In the US, growth moderated as the year went on after ending 2016 on a strong note. The surprise was Europe, where strong macroeconomic growth propelled rising demand in key product markets. As emerging markets rode the rising commodity price wave, they too saw demand improve, as industrial activity and investment picked up.

But even strong demand and a coordinated production cut proved no match for the inexorable tide of rising US production. This reflected aggressive innovation, cost-cutting and productivity growth among US shale producers.

Rapid growth in US production outweighed the OPEC cut for most of the fiscal year, leading to inventories continuing to bulge into the first few months of the 2017 calendar year. On the other hand, OPEC members, particularly Saudi Arabia, surprised many market participants by showing much greater discipline than expected in applying the agreed production cuts. As a result prices for sour/Middle Eastern grades moved higher, followed eventually by the entire global complex. As the year progressed, inventories have finally come back down, in some cases to below the levels of even a few years ago.

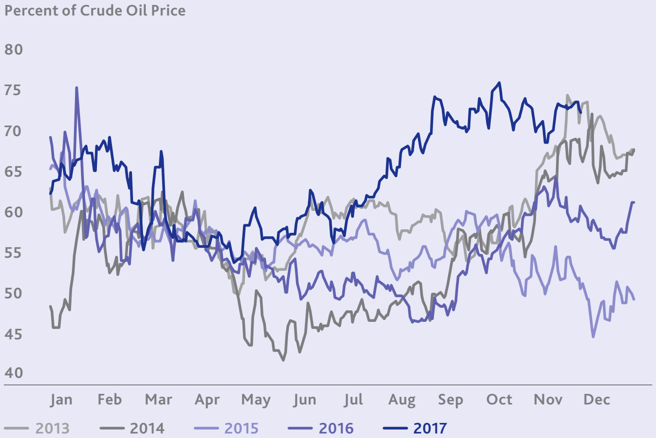
Marketplace review

Products were also bid up, in particular when hurricanes affected the US refining system, leading to shortages of key fuels. The cumulative result was that oil prices traded in a fairly narrow band for most of the year, but as we exited our fiscal year, oil prices were up close to 15 percent versus the start of the year.

Global refined product and refinery margins remained well supported through 2017, with the primary market theme being structurally unavailable refining capacity. The combination of deferred maintenance in Venezuela and Mexico, civil conflict in Libya, Iraq, Yemen and Syria and reduction of runs to match domestic crude availability in Brazil have effectively removed 2.5 million barrels per day of existing refining capacity from the global market. This effectively vanished capacity is stimulating product prices and sending an elevated margin signal to incentivise higher utilisation from marginal capacity in the US, Europe and India.

Petroleum product markets experienced another solid year of demand growth supported by healthy GDP recovery in Europe, continued US gasoline demand growth due to low prices and increased SUV sales, double-digit vehicle sales growth in India and industrial fuel demand stimulated by China's 'One Road, One Belt' initiative. Despite healthy demand for the core petroleum transportation fuels (gasoline, jet fuel, diesel) the emerging demand growth star of the petroleum complex is liquefied petroleum gases or LPG (propane and butane). After several years of global LPG oversupply and low prices as a side effect of US drilling activity, LPG demand growth has surged and is likely to exceed 500,000 barrels per day over the course of 2017.

Propane-Crude Oil Price Ratio



Source: Argus, Platts, Trafigura Research

LNG markets this year also saw surprisingly strong demand growth, mitigating a major supply increase – although the supply story was not without its hiccups, as new projects in Australia faced delays and outages during the ramp-up phase. This calendar year we have seen LNG supply rise 12 percent, while demand rose 13 percent. In total, liquefaction capacity should grow by 17 percent in 2017-18, or some 60 million tonnes, with the US (36 percent), Australia (44 percent) and Russia (18 percent) making the largest contributions.

On the other side of the equation, Asian demand grew very robustly this year, due in part to cold weather but also to a strong macroeconomic environment boosting electricity demand and industrial activity, and to environmental policies favouring a switch to gas from other fuels.

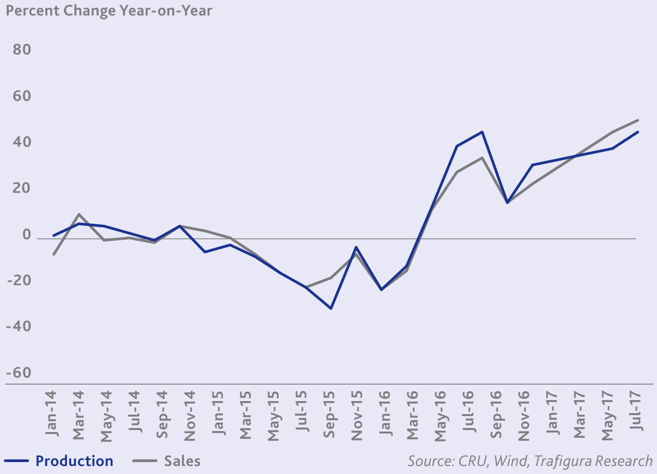
Global non-ferrous metals markets

Non-ferrous metals experienced a stronger year than energy markets. Most metals, with the exception of nickel, reached heights that would have been near-unthinkable at the start of the fiscal year, with copper touching USD7,000/tonne, zinc topping USD3,100/tonne, aluminium closing in on USD2,200/tonne and lead near USD2,500/tonne (all prices as of FY 2017 end). These levels were between 20 percent (lead) and 35 percent (copper and zinc) higher than at the start of the fiscal year, with aluminium in the middle. Nickel was a laggard, although since the close of the fiscal year has appreciated markedly on the back of a brighter outlook for usage in electric vehicles. As in energy, the story is of robust economic growth and increased demand combining with supply curtailments or shortfalls to create tighter balances.

However, for most of the fiscal year, copper prices seemed to have outrun market fundamentals. Prices had started to move up in October of last year, as Chinese macro data started surprising to the upside. The US presidential election triggered a sharp move upwards, followed by a steady climb thereafter. Supply disruptions, which had been significant in 2014-16, declined sharply in 2017.

Copper demand was boosted by the recovery in Chinese real estate and by an accelerated build-out of the Chinese electricity grid, as well as continued buoyancy in global auto sales. An important indicator for the health of the global copper market is Chinese air conditioning sales, which in some recent years have accounted for between 5 and 10 percent of global copper demand; as the chart shows, sales rebounded strongly this year.

Household Air Conditioning Production and Sales – China

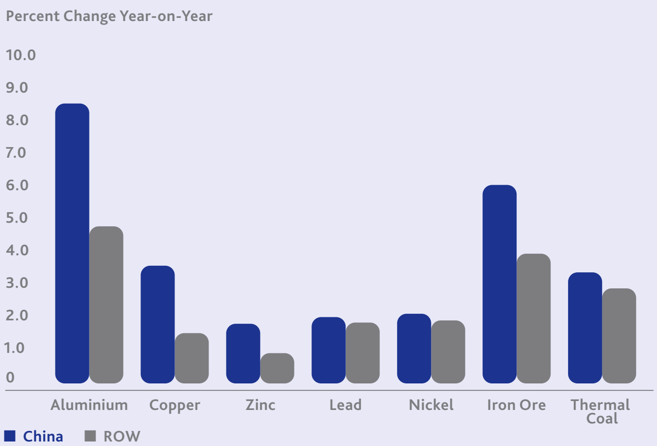


Source: CRU, Wind, Trafigura Research

Copper's early price rally was based on promises of major stimulus and infrastructure spending in the US, neither of which had materialised by fiscal year-end. The other major driver of prices of copper and other commodities over the year was the weakening US dollar; as the USD fell, commodity prices generally rose, as might be expected. Finally, as prices rose, an important secondary impact was felt in the shifting composition of copper supply, with much of the increase in demand met with copper scrap rather than cathode.

In the zinc market, as at the end of FY 2016, supply deficits outweighed all other considerations and drove prices higher. Mine supply is tight as a result of the closure of major mines last year and the decision by some producers to voluntarily shut-in material production capacity. Tightness in concentrate markets drove treatment charges (TCs) significantly lower, with spot TCs touching historical lows. Profitability at smelters suffered, with many having to cut output as concentrate stocks reached perilously low levels. Yet demand remained strong in the face of robust Chinese construction activity and global auto sales.

Metals and Bulks Demand Growth



The market is thus now beginning to drawdown stocks of refined metal. While this will eventually lead to smelter restarts, the market will remain tight for some time.

Lead markets remain similarly tight, with similar dynamics in play. Concentrate tightness led to record low stock levels, and TCs for clean units have fallen from nearly USD200 in mid-2015 to as low as USD20 at the end of the fiscal year; Chinese smelters have seen even lower levels around USD50, and are getting back to break-even only through the return on by-products. Demand continued to grow as automotive battery demand, particularly in China, held up well over the year.

Aluminium was in the headlines all year due to the announcement of impending smelter capacity reductions in China. Some of these closures are temporary, to reduce emissions during the winter heating months, but other closures targeted illegally built or otherwise unauthorised smelters. Total capacity targeted appears to be around 3.5 million tonnes per year, equivalent to over 5 percent of global supply.

Here again relatively robust demand ran up against tighter supply. Growth in vehicle sales, coupled with an increasing focus on lighter-weight vehicles, particularly in the OECD, continued to boost global aluminium demand.

Nickel prices moved in a +/- 15 percent range for most of the year, reflecting fluctuations in supply, and ended almost exactly flat at around USD10,300 per tonne.

Towards the end of the fiscal year, increasing optimism concerning electric vehicle adoption rates pushed nickel prices higher. Nickel will almost certainly be one of the key metals used in electric vehicle production, but years of under-investment mean that the world is likely to find itself constrained in terms of future supply to meet these needs.

Global bulk markets

Iron ore markets experienced a wild ride, rising 70 percent from the start of the fiscal year to March 2017. The run-up started due to the closure last September of 40-60 million tonnes per annum of illegal induction furnace capacity in China. These plants used steel scrap as a raw material feed and when they closed, the legal mills stepped up to fill the gap, driving a significant uplift in iron ore demand, a widening spread between prices of higher and lower grades and a buildup of stocks. A subsequent wave of destocking drive prices back down and iron ore ended the financial year at about USD70 per tonne.

Coal presented a mirror-image to iron ore. After a minor rally following the US presidential election, prices remained essentially flat to early summer. At that point, prices started a steady march upwards, ending the fiscal year up approximately 25 percent. The main drivers here seemed to be weather, higher economic activity, and supply outages and shortfalls in some major producers.

Conclusion

Trafigura's 2017 financial year saw a continuation and strengthening of many of the trends we saw in 2016. Our view last year was that markets were becoming more balanced and that stronger global consumer demand should help propel markets forward. The reality exceeded those expectations, with robust economic growth driving a sharp increase in demand for many commodities. On the other hand, supply constraints due to under-investment and to regulatory policy are increasingly making themselves felt. As a result we expect that 2018 will be the year that continued demand growth starts to run up against the hard facts of inadequate supply growth across a number of the key commodities.

Saad Rahim,
Chief Economist and Head of Analysis

Financial review

Profitable growth in physical trading across the board


Christophe Salmon, Chief Financial Officer.

The Trafigura Group turned in another strong financial performance in 2017. Profit for the year was lower than in 2016 as a result of margin compression and competitive markets. But volumes grew strongly in both trading divisions and all our trading books made a positive P&L contribution, with metals and minerals performing especially well.

Group revenue
$136.4bn

2017	136.4
2016	98.1

Total non-current assets
$8.1bn

2017	8.1
2016	8.5

Gross profit
$2.2bn

2017	2.2
2016	2.3

Total assets
$48.6bn

2017	48.6
2016	41.2

Gross profit margin
1.6%

2017	1.6
2016	2.3

Shareholders' equity
$6.0bn

2017	6.0
2016	5.5

Net profit
$0.887bn

2017	0.887
2016	0.975

EBITDA[1]
$1.6bn

2017	1.6
2016	1.6

In the years since publishing its first public Annual Report in 2013, Trafigura has prided itself on delivering a broadly consistent profit performance in its core physical trading business. Stripping out the impact of financial items such as one-off gains and impairments, the company has recorded annual net profits within a range between USD850 million and USD1.1 billion every year since 2012.

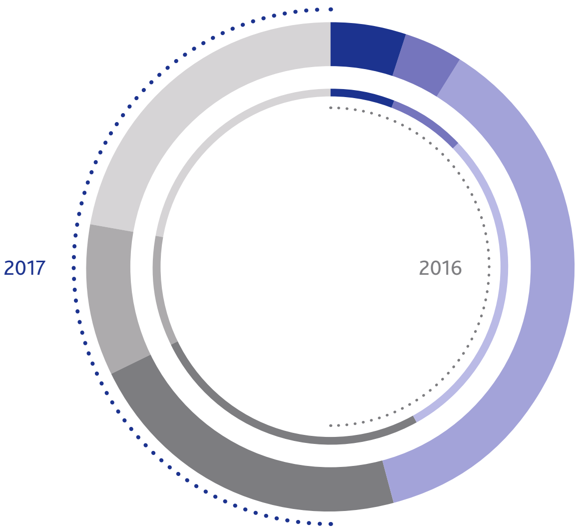
The 2017 financial year, ending 30 September 2017, was no exception, with profit for the year coming in at USD887 million, compared with the figure of USD975 million recorded in 2016. While that comparison shows a 9 percent fall from 2016 to 2017, profit attributable to owners of the company was higher, at USD848 million compared with USD751 million in 2016.

As important was the composition of our 2017 profit, with both trading divisions, Oil and Petroleum Products and Metals and Minerals, making roughly equal contributions to gross profit. This reflected an outstanding performance in metals and minerals on the one hand; and pressure on margins in oil trading on the other, against a backdrop of reduced price volatility and intense competition. But it underlined the resilience of our diversified business model to navigate the different commodity market cycles to which we are subject.

For Trafigura, 2017 was also a year of financial discipline, in which capital expenditure came down significantly, we made further progress in reducing our leverage, and nevertheless we continued to invest in attractive industrial assets. We also managed to maintain and increase our financial liquidity by refinancing our revolving credit facilities on improved terms and by returning to the debt capital markets for the first time in two years.

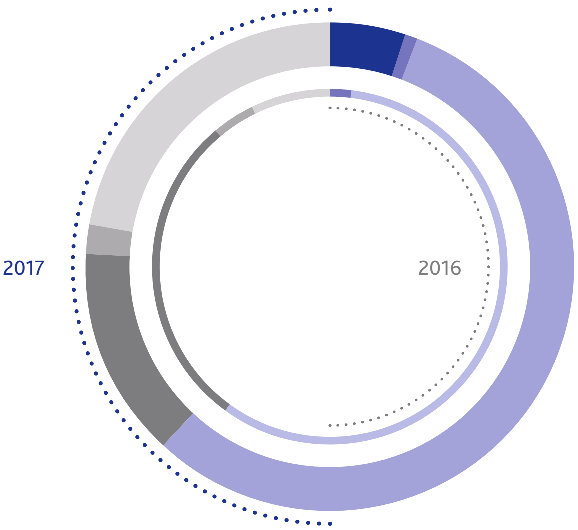
1 EBITDA (earnings before interest, tax, depreciation and amortisation) is operating profit excluding the share in results of equity-accounted investees, depreciation and amortisation, gains/losses on divestments of subsidiaries, equity-accounted investees and other investments, impairment losses and other operating income and expense.

Oil and Petroleum Products Revenue by geography (%)



	2017	2016		2017	2016
Middle East	5%	6%	Europe	22%	26%
Africa	4%	7%	Latin America	10%	10%
Asia & Australia	37%	29%	North America	22%	22%

Metals and Minerals Revenue by geography (%)



	2017	2016		2017	2016
Middle East	5%	–	Europe	14%	29%
Africa	1%	2%	Latin America	2%	4%
Asia & Australia	56%	58%	North America	22%	7%

Profitability

Revenue in 2017 totalled USD136,421 million, an increase of 39 percent from the figure of USD98,098 million recorded in 2016. This reflected the continuing strong expansion of our traded volumes and a generally healthier commodity price environment. Total volume of commodities traded rose by 23 percent to 325.9 million tonnes from 264.4 million tonnes, with oil and petroleum products volumes rising 25 percent to 256.0 million tonnes, and metals and minerals volumes increasing 18 percent to 69.9 million tonnes.

Gross profit was USD2,239 million, a decrease of 2 percent from the figure of USD2,291 million recorded in 2016. This represented a gross profit margin of 1.6 percent compared to the margin of 2.3 percent registered in 2016; pressure on margins was especially intense in oil trading, reflecting intense competition and subdued price volatility. General and administrative expenses including staff costs were USD945 million, almost flat compared to 2016 despite the volume increases. This continuing cost containment shows that we have built a highly scalable business model, based in part on operating efficiencies enabled by our consolidated mid- and back-office support centres in Mumbai, Montevideo and Shanghai.

In divisional terms, the gross profit figure reflected a 22 percent decrease in gross profit in oil and petroleum products to USD1,139 million, and a 32 percent increase in gross profit in metals and minerals, with gross profit at USD1,100 compared to USD831 million in 2016. This was the first year in which the gross profit in metals and minerals exceeded USD1 billion, showing an exceptionally strong performance by that division after several years in which the contribution from oil trading to gross profit was preponderant. The fact that the two divisions made near-equal contributions underlines the benefits of diversification in our business model, featuring two groups of commodities whose market dynamics are generally uncorrelated.

From an operating profit perspective, we believe that EBITDA is the appropriate indicator to assess our performance given the amount of depreciation and amortisation that arises from our fixed asset portfolio. EBITDA in 2017 was USD1,580 million, compared to USD1,628 million the previous year, a decrease of 3 percent but still continuing a strong run of EBITDA performance in recent years.

Net financing costs this year totalled USD256 million, more than double the 2016 level. This mainly reflected the increased need for working capital created by higher volumes and commodity prices. Trafigura's financial income and expense line items include interest on cash balances and loans respectively, as well as interest from commercial operations.

Share of profit/(loss) of equity-accounted investees was a loss of USD232 million largely reflecting losses of USD318 million in relation to our equity investments in Porto Sudeste and Nyrstar partly offset by gains of USD82 million from Puma Energy and MATSA.

Capital allocation

In last year's Annual Report, we signalled that Trafigura had reached the end of an intensive cycle of investment in industrial and logistical assets that offer synergies with our physical trading business, and accordingly that capital expenditure was being reduced. This pattern was maintained in 2017, with capital expenditure coming in at USD391 million, a 48 percent reduction from the previous year. We expect capital expenditure to continue at or around this reduced level in coming years. But we also expect Trafigura to continue to invest in assets that offer opportunity, where appropriate with third-party investors.

Financial review

Assets

As at 30 September 2017, total assets amounted to USD48,607 million, an increase of 18 percent from the figure of USD41,230 million at the same date in 2016 – reflecting the significant increase in trading volumes during the year. Fixed and non-current assets were 5 percent lower at USD8,098 million compared to USD8,528 million a year earlier. The fall reflects an overall reduction in construction activity; the main investments during the year were in our existing Colombian multimodal port and transport project and in the construction of a splitter unit in Mexico. Equity-accounted investees were broadly flat at USD3,488 million. This reflected the net effect of acquisitions, disposals and income and losses from various investments, including our holdings in Puma Energy, MATSA, Porto Sudeste and Nyrstar. The number also included our share of an investment in Essar Oil Limited, owner of a major oil refinery and retail distribution network in India. In 2017, Trafigura's share in the consortium that made the investment amounted to USD270 million.

Prepayment increased from USD3,205.2 million to USD3,739.2 million year-on-year which reflects the role played by structured trade finance in supporting our access to greater trading volumes: the average duration of the prepayments has reduced as evidenced with the USD337 million decrease in prepayment of more than 12 months tenor. Loans receivable were 16 percent lower than last year at USD671 million.

Current assets rose by 24 percent to USD40,442 million from USD32,702 million at the 2016 year-end. Inventories were 21 percent higher at USD13,927 million compared to USD11,538 million a year earlier. Of the total inventories as of 30 September 2017, USD8,508 million were held in storage and USD5,404 million were in transit. In line with Trafigura's risk management policies, all stock was either presold or hedged at all times throughout the year.

Group equity was USD6,385 million as of 30 September 2017, compared to USD5,847 million as at 30 September 2016. Current liabilities, including short-term bank borrowings, were up to USD34,274 million from the 2016 figure of USD27,652 million.

Cash flow

Operating cash flow before working capital changes was USD1,650 million in 2017, up from the figure of USD1,615 million in 2016. Trafigura believes its financial performance is best assessed on the basis of cash flow before working capital changes, since the level of working capital is predominantly driven by prevailing commodity prices and volumes variations are financed under the Group's self-liquidating finance lines: working capital needs increased by USD4,880 million (USD4,179 million in 2016) and were entirely financed by a parallel increase in short-term debt. Investing activities resulted in a net cash use of USD412 million compared to a net use of USD67 million in 2016. Net cash generated from financing activities was USD5,930 million compared to USD2,502 million in 2016. The overall balance of cash and cash equivalents as of 30 September 2017 was USD4,989 million, an increase of USD1,847 million from the figure of USD3,142 million at the same date the previous year.

Inside Nyrstar's smelter in Port Pirie, South Australia.

Essar Oil's refinery in Vadinar, India.

Public ratings

Trafigura does not hold a public rating and does not seek to obtain one. There are a number of reasons for this, including the fact that Trafigura's strategy has always been to obtain funding from stakeholders who understand its business model, rather than make investment decisions on the basis of a rating. In addition, holding a rating could cause Trafigura to take more short-term focused decisions in order to maintain a particular rating level. This would conflict with the Group's focus on long-term value creation and maintenance of a strong balance sheet. Trafigura has been highly successful in securing funding without a public rating and had access to over USD51 billion, as at 30 September 2017, in credit facilities from diverse funding sources.

Financial discipline is inherent to Trafigura's business and finance model due to its reliance on debt markets for capital and liquidity. Trafigura's significant expansion of its sources of financing over the years has been achieved on the basis of the Group maintaining an acceptable and sustainable credit standing, consistent with an investment grade profile. The Group's financial discipline is reinforced by the financial covenants provided to our unsecured lenders and is underlined by the strong support we receive from our banking group and investors.

Bank financing

As a privately owned company, Trafigura funds itself primarily through the banking and debt capital markets, relying on a combination of diversified funding sources and strong banking relationships. For a number of years and throughout various commodity cycles and financial market environments, Trafigura has cemented strong relationships with its lending banks.

Trafigura's banking group remained stable and consisted, as at 30 September 2017, of 122 banks across the world. Cyclicality and volatility is a characteristic of many industries, not just commodities trading. Just as we rely on an open dialogue with our banking counterparties at times of increased stress or volatility within the banking market, likewise banks and investors rely on clear and comprehensive communication from Trafigura when increased commodity market volatility brings new questions to the fore. As such, Trafigura has significantly and demonstrably increased its transparency over the past few years, with very positive feedback indeed from its main stakeholders.

Access to deep and constant liquidity is a key reason for Trafigura's leading competitive position and we see communication with banks, financial stakeholders and trading counterparties as instrumental to maintaining this position. Trafigura sources funding from a number of markets: syndicated bank loans, securitisation markets, bond markets and trade finance. During our fiscal year, we have been focusing on growing our access to liquidity to meet our increasing working capital requirements resulting from the combined increase of commodity prices and volumes traded by the Group. As a result, we achieved an increase in our total available lines to reach USD51 billion, up from USD45 billion at the end of September 2016, with a significant portion coming from new transactional lines. Of those total current lines, there is approximately USD14.5 billion which remains unutilised, ensuring resilience during volatile market conditions.

As at 30 September 2017, the Group had USD8.7 billion (2016: USD8.5 billion) of committed unsecured syndicated loans of which USD2.2 billion (2016: USD3.2 billion) remained unutilised. The Group had USD4,989 million of cash and cash equivalents.

Financial review


The Jungfrau Explorer LPG vessel sailing through the Panama Canal.

Over 2017, Trafigura refinanced both of its flagship revolving credit facilities (RCFs) in Europe and Asia, which represent the cornerstone of Trafigura's unsecured funding as well as a large proportion of the Group's banking pool. In October 2016, Trafigura refinanced its Asian RCF and term loan facilities (TLFs) for a value of USD1,665 million, with the support of 25 banks. As part of the transaction, the 2015 364-day USD RCF and one-year CNH TLF were both refinanced, along with the maturing three-year USD TLF from 2013.

The Asian RCF closing was followed in early 2017 by the refinancing of the European RCF which closed on 23 March 2017. Trafigura's refinancing strategy is reassessed every year in light of the prevailing market environment and this year, Trafigura took a slightly different approach to the exercise whereby only the 364-day USD RCF was refinanced, while the three-year USD RCF from the 2016 European RCF was extended by one year, resetting the maturity back to three years. The 364-day RCF refinancing closed at USD2,270 million, providing the Group with a net increase in liquidity of USD360 million. A total of 41 banks committed to the facility, including seven entirely new lenders to Trafigura.

Debt and capital markets issuance

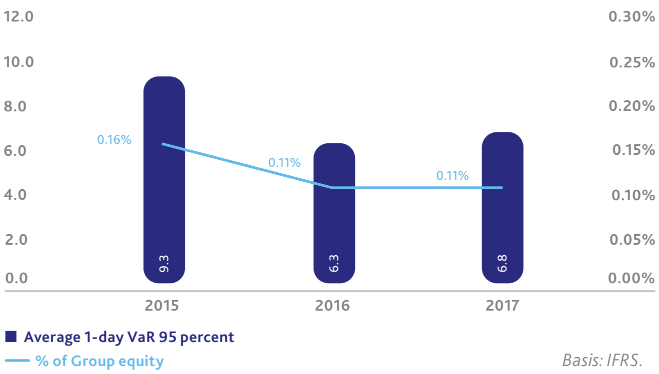
Over the past five years, Trafigura has increasingly sought financing outside of the traditional commodity trade finance loan markets to diversify funding sources, lengthen our maturity profile and allow us to continue to grow our access to funding in support of growth.

On 14 March 2017, Trafigura issued a second US Dollar denominated perpetual bond for a total of USD600 million. The Company also has an outstanding Singapore Dollar denominated perpetual bond. This new March 2017 issuance was priced at 6.875 percent and is listed on the Singapore Stock Exchange. It was very well received in Europe and Asia with a number of new accounts participating (close to 200 accounts in total) and an investor distribution of 39 percent from Asia and 61 percent from Europe. This issuance also saw increased participation by institutional investors which made up 55 percent of the allocation. The transaction confirmed Trafigura's ready access to the capital markets and has allowed the Group to further diversify its investor base and reinforce its balance sheet.

On 26 June 2017, Trafigura Securitisation Finance Plc (TSF), the receivables securitisation vehicle of the Group, issued a new series of public notes totalling USD500 million on the 144A/RegS Asset-Backed Securities (ABS) markets. With this issuance, TSF pre-emptively refinanced its 2014-1 notes, reaching maturity in October 2017. The new 2017 offering included a new feature with fixed-rate notes which attracted new investors, hence diversifying further the investor base of the programme in the ABS market. The transaction was very well received, with distribution in Europe and the US and participation from a total of 18 investors in the fixed and floating rate tranches.

Value at risk

(USD million)



Basis: IFRS.

The Value at Risk (VaR) metric is one of the various risk management tools that Trafigura uses to monitor and limit its market risk exposure. Trafigura uses an integrated VaR model which captures risks including commodity prices, interest rates, equity prices and currency rates (see further details in Note 27). During 2017, average 95 percent one-day VaR for derivative positions was USD6.8 million (2016: USD6.3 million) which represented less than 1 percent of Group equity.

Shareholder structure

Trafigura is owned by its management and about 600 of its senior employees, who are therefore focused on the long-term success of the business, promoting management depth and stability, and encouraging prudent risk management. The decision as to which employees may become shareholders is discretionary based on individual performance, seniority and future potential.

Trafigura has continuously built up its shareholders' equity since inception in 1993 and the Group retains profits to further increase its capital base. Any share buy-backs are subject to sufficient liquidity being available and to the company remaining compliant with financial covenants.

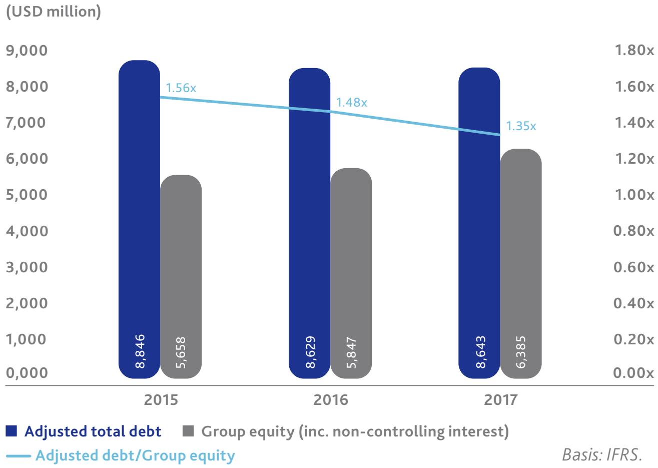
Leverage and adjusted debt

As a physical trading group, Trafigura relies on a specific funding model. As a result, one cannot apply the same financial analysis framework as for other, more typical industrial companies.

Banks and rating agencies have historically considered financial leverage after excluding some specific balance sheet items (e.g. inventories, securitisation), resulting in the use of adjusted debt as an overall leverage metric. The adjusted debt metric represents Trafigura's total long- and short-term debt less cash, deposits, readily marketable inventories, debt related to the Group's securitisation programme and the non-recourse portion of loans. This metric is a better measure of the Group's financial leverage than a simple gross debt metric. In particular, the following adjustments are made:

- The securitisation programme is taken out on the basis it is an entirely distinct legal entity from Trafigura with no recourse to the Group and is only consolidated into the financial statements in accordance with the Group's accounting rules.
- Cash and short-term deposits are deducted from debt.
- Pre-sold or hedged stock is deducted from debt. This reflects the great liquidity of the stock and the ease at which this could be converted to cash. As previously described, Trafigura's policy is to have 100 percent of stock hedged or pre-sold at all times.
- Non-recourse invoice discountings or portion of loans (for example non-recourse portions of bank financings used to extend prepayments to counterparties) are deducted from debt.

As at 30 September 2017 the ratio of adjusted net debt to Group equity stood at 1.35x, down from 1.48x at 30 September 2016. This steady reduction which started in 2015 reflects multiple initiatives to deleverage our balance sheet including disposing of non-core assets and reducing capex. We are committed to continuing to reduce the ratio in 2018, in line with our aim of ensuring the ratio does not stay significantly above 1.0x over the longer term.



Basis: IFRS.

Taxation

Trafigura operates in a multitude of jurisdictions and adheres to applicable local and international tax law in the countries in which it operates, including legislation on transfer pricing. The Group's tax policy is to pay appropriate tax according to work carried out in each jurisdiction, as determined by a functional analysis of operations using standard measures wherever possible, underpinned by reports prepared to fulfil local transfer pricing requirements. The Group's effective tax rate – the average rate at which consolidated pre-tax profits are taxed – varies from year to year according to circumstances, but in 2017 it was 8.4 percent (2016: 10.2 percent).

Outlook

As Jeremy Weir points out in his CEO statement, we see a positive outlook for the markets in which we trade, underpinned by increasing demand, tightening supply and the potential for greater price volatility. As such we believe the need for the marketing, logistics and risk management services we provide can only grow over the coming year.

Our financial strategy is to continue to strengthen our capacity to provide these services by optimising our liquidity position, securing the resources to provide our customers with financial solutions where required, and mustering capital to invest in attractive opportunities, either alone or in collaboration with third-party investors. Doing all this means maintaining access to ample liquidity and working capital from our global banking network and securitisation programme; continuing to access unsecured credit facilities for our corporate needs; and tapping the debt capital markets from time to time for any longer-term capital requirements.

After the 2017 financial year-end, we added a potentially powerful additional financing tool to our armoury with the launch of a USD470 million, non-recourse funding programme backed by inventories of crude oil and refined metals. This met an enthusiastic response from the banking and investment communities and will provide us with a supplementary source of working capital as well as helping our banks to cope with increasing regulatory capital constraints.

Last but not least, we will stick for the foreseeable future to the path of financial discipline, cost control and deleveraging charted in 2016 and 2017, while maintaining a close eye on counterparty credit risk. As for investment in assets, we are convinced the approach we have developed, of investing with counterparties and third-party investors to limit our balance sheet exposure, yield increasing benefits in 2018 and beyond.

Christophe Salmon,
Chief Financial Officer

Performance review

Oil and Petroleum Products Trading

Trafigura consolidated its position as one of the world's leading traders of crude oil, refined products and natural gas in 2017, further boosting volumes in a difficult market.

José Larocca, Head of Oil and Petroleum Products Trading.

Highlights

- Total volumes of oil and petroleum products traded exceed 5.3 million barrels per day.
- LNG volumes traded increase by 27 percent.

69%
Contribution to global revenue
(2016: 65 percent)

256.0mmt
Total volume traded
(2016: 205.4mmt)

Oil and Petroleum Product volumes traded (mmt)	2017	2016
Biodiesel	**0.6**	0.6
Bitumen	**0.5**	1.0
Condensates	**1.6**	2.0
Crude oil	**103.6**	85.9
Fuel oil	**44.3**	33.0
Gasoline	**27.8**	22.0
Liquefied natural gas (LNG)	**8.1**	6.4
Liquefied petroleum gas (LPG)	**4.1**	4.1
Middle distillates	**40.4**	36.4
Naphtha	**16.9**	14.0
Natural gas	**7.9**[1]	–
Total	**256.0**	**205.4**

1 Million metric tonnes of oil equivalent.

Market environment and performance

The global markets for crude oil and refined products presented a much more challenging backdrop in 2017 than in the previous year. Many products were in chronic over-supply, and for significant periods of the year volatility was low. Markets however, remained fluid and dynamic, with all segments operating on a truly global basis and prone to rapid flow reversals and product substitutions.

It was a situation that played to Trafigura's strengths in global arbitrage and to our collaborative culture, with seamless information sharing between trading desks and across timezones. The division performed well in the circumstances, with volumes increasing by a further 25 percent year-on-year to more than 5.3 million barrels a day. However, fierce competition combined with the lack of volatility put margins under pressure and as a result the division's gross profit was reduced from the level reached in 2016.

Trafigura's strategy is not to build volume for its own sake but to seek critical mass across regions and product segments as a top-tier global player. Each of our trading books again made a positive contribution, confirming that we have the most diversified oil trading operation in the industry. We continued to add new capabilities, for example by adding natural gas trading in the US and Europe to our leading position in LNG. And uniquely in the industry, we frequently moved key personnel between desks and regions to disseminate best practice and maintain a fresh perspective on rapidly changing market conditions.

Regionally, we further strengthened our position as a leading exporter of crude, gasoline and distillates from the US and consolidated our position as one of the most active suppliers of crude to, and purchasers of, products from China. Performance in India was another highlight, with significant growth in product offtake from its world-class refineries, while we continued to do substantial business in Russia with Rosneft and other key players.

Looking ahead, we see difficult conditions continuing in the short term, but we believe the supply-demand balance should start to tighten significantly during 2018 given continuing robust growth in demand, the global drawdown in stocks as a result of OPEC's production curbs, and the effects of under-investment in the replacement of declining wells and the drilling of new ones. We will be well positioned to benefit from any consequent increase in volatility. While we see potential for further volume growth, for example in adding incremental volumes of crude into India and in continuing to build our arbitrage flows from the US, we can afford to focus on the most profitable opportunities going forward.


Essar Oil's refinery in Vadinar, India.

Crude oil

The global crude oil market spent much of 2017 dealing with the repercussions of the landmark agreement by OPEC and Russia in December 2016 to set a production ceiling. Initial scepticism over the importance of this decision evaporated when it became clear that parties to the agreement were complying much more closely than had been the case in other recent OPEC attempts to curb output, thus removing at least one million barrels per day of supply from the market. While growing US shale production made up some of the gap, the OPEC move fundamentally changed market dynamics. Thanks to rising consumption of refined products, strong refining margins and record refinery run rates, demand for crude began to outstrip supply, precipitating a steady drawdown of global crude stocks and moving the price curve from a deep contango to backwardation. At the same time, the crude market saw a fundamental structural change, with the emergence of the US as a significant crude exporter dramatically increasing the global arbitrage opportunities in a manner similar to established trading patterns in refined products. The opportunity to export US crude to Asia, with notable buyers including China's independent refiners and, increasingly, Indian refiners, was particularly attractive for much of the year.

Trafigura was well positioned to take advantage of these changes. At the start of the year we reinforced the crude oil desk and our Houston office by transferring a number of traders experienced in refined products markets. We further developed our customer relationships with refiners and producers in all parts of the world. In the US we further developed our crude gathering business in Texas, supported by asset positions such as the Corpus Christi storage and export terminal where Trafigura has a minority stake and exclusive throughput rights. In Asia, we further strengthened our Singapore office and became the first trading company to open an office in Qingdao, the Chinese port city around which many of the private refiners are clustered. In India we established a new commercial team which grew our Indian business substantially.

In consequence Trafigura became both one of the leading exporters of US crude and the largest importer of US crude into Asia. Overall the volume of crude we handled rose year-on-year in 2017, but margins were squeezed by increasingly fierce competition, and trading opportunities were constrained by a relative lack of volatility for much of the year. Looking ahead, with the global crude market now closer to balance, we expect greater volatility to generate new opportunities for profitable trading. In particular, we expect the completion towards the end of the fiscal year of our investment alongside Rosneft and UCP in Essar Oil, owner of one of India's largest private oil refineries, to further reinforce our position in the global crude market.

Gasoline

For global gasoline markets, 2017 was, as expected, a challenging year. With refining margins strong, the market was periodically over-supplied, price volatility was low for much of the year and competition intense. However, the picture was not uniform, and the market did offer attractive trading opportunities. While the Atlantic basin fought high stock levels and over-supply for much of the year, Asia was much stronger, as a result of healthy demand growth and refinery outages in the Arabian Gulf region. This mismatch created global and regional arbitrage opportunities and helped to prevent global stocks building to the critical levels seen in 2016. Towards the end of our fiscal year, the market was thrown into turmoil by Hurricane Harvey, the first major hurricane to hit the US Gulf coast in nine years. With three million barrels per day of refinery capacity knocked offline, prices spiked in the Atlantic basin and large volumes of gasoline flowed from Northwest Europe to Mexico and the US East Coast to compensate.

Trafigura's gasoline trading desk was well positioned to respond to these developments, by moving nimbly and by virtue of being organised on a global basis with seamless communication between hub offices. After a number of senior personnel changes at the start of the year, the team was very focused on growing its global market share, and volumes handled increased by over 26 percent year-on- year. The biggest driver of this growth was an increased focus on markets east of Suez, while we also built our business significantly in the US, notably on the East Coast. Trading margins per barrel, on the other hand, were squeezed by competition and by the lack of price volatility in the first three fiscal quarters.

Looking ahead, we will remain focused on Asian markets, with the additional advantage afforded by Trafigura's equity investment in, and growing commercial relationship with, India's Essar Oil. We also plan to further increase our US footprint in 2018 and to rebuild supply volumes into West Africa. We expect the enhanced market volatility observed towards the end of the year to continue, partly as a result of uncertainty regarding energy and environmental policies in the US.

Performance review

Fuel oil

Fuel oil has been a challenging market for some time, with both supply and demand falling as the global refining industry focuses on higher-value products, as maritime consumption decreases with increasing efficiency in the global shipping fleet, and as natural gas replaces fuel oil in the power generation mix. These trends continued in 2017, with demand falling slightly less than supply, leading to a tighter supply-demand balance, rising prices and a move in the price curve by year-end from contango to backwardation. These were tough conditions for trading, not least because the loss of a contango price structure removed one of the revenue sources supporting our cost base.

The key strategic objective Trafigura's fuel oil trading desk set itself this year was that of consolidation after a transformational performance in 2016. We succeeded in consolidating our greatly expanded position in the fuel market and found additional opportunities for growth, with volume increasing by 34 percent. Physical trading margins however were sharply reduced and profits declined accordingly. The best growth opportunities were in Asia, where demand remains healthy. In Egypt, on the other hand – traditionally a major consumer – consumption fell sharply as natural gas replaced fuel oil for power generation.

Our number one priority looking forward is to reset our cost base for a backwardated market. We expect continued market tightness as the decline in supply continues to outpace that in demand – a trend that could be pronounced by increased consumption of fuel oil as a refinery feedstock as the supply-demand in the crude market tightens.

Middle distillates

The story of 2017 in trading of middle distillates was the growth of India as a centre both of supply and demand. India's growing domestic market for diesel, its super-efficient refining industry and its pivotal location on east-west shipping routes made Indian exports a crucial swing factor in the global market. As domestic diesel consumption exceeded forecasts for much of the year, India exported less diesel than expected, creating tightness in the Far East and pushing the global price curve from contango into backwardation. From August, the trend was exacerbated by the loss of refinery production on the US Gulf Coast due to the impact of Hurricane Irma, which took 25 million barrels out of the market. With demand for diesel and jet fuel continuing to grow worldwide, the consequence has been a significant drawdown of global middle distillate stocks through the year.

Trafigura is a top-three player in the middle distillates market which plays to our strengths in global arbitrage, and we grew volumes by a further 11 percent in 2017 on top of 25 percent growth in 2016. Market conditions, however, were fiercely competitive as an increasing number of players sought to establish a global footprint, which put pressure on margins, although Trafigura remains well positioned for this competition with its global presence.

We built significant capacity to serve the Indian market during the year with a new commercial team in Mumbai, while maintaining strength in our regional hub in Singapore. We continued our focus on the Chinese refining industry which is now producing significant quantities of low-sulphur diesel that can meet the most exacting quality specifications of western import markets. We also increased our presence in the global market for jet fuel which has been an important focus for us for some time.

More generally, 2017 saw Trafigura become a prime mover in the drive towards lower-sulphur diesel specifications around the world, delivering the first cargo to meet a new lower-sulphur diesel standard in Ghana, for example, and winning a tender to supply lower-sulphur specifications in Mozambique. We expect this trend to continue in 2018, with the Platts benchmark in Asia moving to 10 ppm and low-sulphur diesel thus becoming a global standard. Trafigura remains well positioned to maintain its leading role in this market over the coming year.

Naphtha

Trafigura maintained its leading position in global naphtha trading in 2017 and grew volumes further from what was already a record level in 2016. For much of the year the market was range-bound and stable, close to balance between supply and demand. Towards the end of the northern hemisphere summer, two developments brought volatility back into the market. Firstly, a spike in propane prices caused a structural shift in global petrochemical demand in favour of naphtha. Secondly, dynamics of the gasoline market during hurricane season in the US created distortions within the naphtha complex which our global team was able to help satisfy.

Trafigura is well placed to react quickly to market changes, leveraging our culture of close cooperation between trading desks and locations. We further strengthened and diversified customer relationships, and we continued to focus on using infrastructure assets where Trafigura has an interest, to build a reliable supply base. These include the Corpus Christi terminal and the 100,000 barrels per day throughput capacity splitter which is majority-owned and operated by Buckeye Partners LP, Puma Energy's Napa Napa refinery in Papua New Guinea and, following conclusion of our acquisition of a 24 percent stake in August, Essar Oil's Vadinar refinery in India. We expect these relationships to provide increasingly important support for further development of our buy-side customer base in 2018.

Condensates

The global condensates market was over-supplied for much of the year, owing to technical issues with some key splitters. However, underlying demand for condensate elsewhere remained generally strong, especially in the Far East, as splitters worked at close to full capacity to take advantage of robust aromatics and olefins margins. Towards the end of our financial year the supply-demand balance tightened as a result of unplanned production outages.

Trafigura is the largest independent global trader of condensates and our trading desk had a satisfactory year with profits and volumes remaining stable despite a challenging market. We maintained our position developing new markets for emerging condensates grades. In particular we increased exports from the US, where we continued to ship significant volumes of condensate and super light crude to Europe and the Far East from Buckeye's Corpus Christi storage and export terminal in Texas. We doubled splitter throughput capacities at Corpus Christi by agreeing exclusive access to an additional 50,000 barrel per day capacity splitter operated by Magellan Midstream.

Looking ahead, we are very optimistic for 2018, given our assets in the US and Asia as well as our strong relationships with key buyers, particularly in Asia.

LNG

During 2017 the LNG market continued its dramatic growth with production ramping-up notably in Australia, the US and Angola, which was met by a strong increase in Far East demand, particularly China. Another factor contributing to the growth of the market was the displacement of coal by gas in the power generation mix in Europe. The market reached new levels of liquidity, transparency, and competitiveness, as well as more integration with natural gas markets in the US and Europe.

Unfortunately, these improved conditions have yet to create sufficient momentum for the establishment of an internationally recognised price benchmark to trade and hedge against. In April 2017 Trafigura made its own contribution to the development of a transparent and liquid market by launching an initiative to promote a standard Master Sales and Purchase Agreement (MSPA) for LNG.

All these factors have helped Trafigura continue its profitable growth in LNG and maintain its position as the world's largest independent trader while also developing an important position in natural gas trading in the US and Europe (see separate article below). We expanded the global trading team to prepare for further growth and added strength in Singapore to reflect the increased geographical diversification of our LNG business and to sharpen our focus on the Asian market. We also invested in infrastructure, continued our work on an import facility that can accept floating storage and regasification units (FSRUs) in Teesside, North-Eastern England, and taking a minority stake in an FSRU project at Port Qasim, Pakistan. We expect these, along with the development of our natural gas trading activity in the US and Europe, to help drive further growth in the coming years.

Natural gas

Natural gas trading is a new business line for Trafigura, focused on the US and Europe with team members in Houston, Geneva and Kiev; and it has got off to a strong start.

In the US the year saw a shift in market dynamics, driven by the growth of shale gas production, rising LNG exports, the emergence of a new gas export route overland to Mexico and the continued market deregulation there. Trafigura aims to add value for its customers in each of these areas, and in our first full year of US trading we became one of the largest movers of gas in Texas with substantial volumes and significant storage assets.

In Europe the market is being reshaped by fuel switching, the arrival of new supplies of LNG, improvement of interconnectivity and by liberalisation of markets in Eastern European countries such as Ukraine. We became the first international trader to open an office in Kiev to support the growth of our Ukrainian business. Overall Trafigura's natural gas volumes grew to 7.9 million metric tonnes oil equivalent (mmtoe) in 2017.

Looking ahead, we expect European and US natural gas to become a substantial business for us, helped by synergies with our market-leading position in LNG and coal.

LPG

The LPG market was one of the fastest growing segments of the global petroleum products markets in 2017. Demand is surging because LPG is favoured by governments as providing a cleaner burn relative to other fossil fuels and is easily transportable in 3-5kg cylinders for use in home cooking and heating. Moreover the logistical costs have fallen dramatically: freight and export costs, for example have come down by almost USD200 per tonne in the past three years alone, making LPG more competitive on a British Thermal Unit (BTU) and volume basis with traditional liquid fuels for power generation, heating and cooking, and transportation.

The year was defined by a number of developments that presented exciting trading opportunities. First, Chinese LPG imports increased by two million tonnes, to feed domestic retail demand and a wave of new propane dehydrogenation plants. This diverted feedstock that would otherwise have gone to the chemical cracking pool in Japan, South Korea and Taiwan, forcing those countries to back-fill with naphtha and condensate. Second, exports from the Arabian Gulf fell as a result of OPEC production cuts. Third, partly offsetting that reduction, exports to Asia increased from the US as a result of the shale oil boom, and from West Africa and Europe.

Despite challenging conditions in part due to problems with contractual performance by commercial counterparties, Trafigura's LPG trading desk still turned in a respectable profit, albeit lower than in 2016. The key objective in 2017 was to increase our business east of Suez and especially in China, doubling down on our historically strong position in Northeast Asia. We increased exports from the US via the Corpus Christi export processing terminal and developed our global arbitrage business on the back of changing flows. At the same time, we made the most of the logistical opportunities afforded by our access to infrastructure and retail markets in West Africa, a net importer of butane and net exporter of propane.

Looking ahead, we expect LPG demand to continue increasing, both in domestic use and by replacing heavier feedstocks in power generation. Supply is also expected to grow rapidly thanks to higher prices, notably from US shale fields and gas fields offshore Australia and Southeast Asia. Trafigura is hiring additional LPG traders in China to penetrate what is likely to remain the world's fastest growing import market, and will look to continue to build share in other fast-growing markets such as India, Africa and Latin America.

Biodiesel

The continued low oil price environment continued to prevent discretionary blending of biodiesel. Uncertainty concerning regulatory matters in the US and Europe – ranging from US tax and renewable fuel policy to countervailing duties on various biodiesel imports being dropped by the European Union as they were being adopted in the US – created additional complications for the business. The commitment of consumers and regulators around the world, however, is unwavering in calling for increased penetration of renewable fuels as a source of low-carbon intensity energy. In response to this environment, Trafigura maintains expertise to evaluate and act on market movements as they occur and we participate in the biodiesel market in areas where we add value despite the uncertain environment.

Performance review

Metals and Minerals Trading

Trafigura is one of the world's largest traders of non-ferrous concentrates and metals and of bulk minerals. In improved but still challenging market conditions, the Metals and Minerals division had an exceptional 2017, both expanding volume and sharply increasing profitability.

Julien Rolland (left), Global Head of Coal and Iron Ore.
Amin Zahir (right), Global Head of Refined Metals and Concentrates.

Highlights

- Trafigura maintains its position as market leader in concentrates and refined metals.
- Volumes traded increase by 18 percent year-on-year.

31%
Contribution to global revenue
(2016: 35 percent)

69.9mmt
Total volume traded
(2016: 59.0mmt)

Metals and Minerals total volume traded (mmt)	2017	2016
Non-ferrous metal concentrates	7.9	8.2
Non-ferrous refined metals	7.4	6.6
Coal	46.4	37.7
Iron ore	8.1	6.4
Total	**69.9**	**59.0**

Market environment and performance

Non-ferrous concentrates and refined metals

The global market for non-ferrous metals and concentrates saw significant changes during 2017. Robust economic growth boosted demand across the board, and supply and demand of many commodities moved towards a more balanced position, or in some cases a supply deficit. These tightening conditions led to significant increases in prices that have been further buoyed by the return of the investment sector in commodity markets. The general mood of pessimism and anxiety in 2016 has been replaced with optimism and increasing confidence in 2017.

As ever in recent years, many of the moves in market sentiment revolved around China. After a period of concerns about growing debt levels in the Chinese economy, growth there turned out to be surprisingly robust. Combined with capacity closures and supply disruptions, this underpinned a significant run-up in non-ferrous metal prices. The tightening tendency was also supported by moves on the part of the Beijing authorities to curb production and processing of some key materials, for reasons to do variously with improving the country's urban environment and with strengthening the profitability of state-owned enterprises.

Trafigura's Metals and Minerals Trading division had an excellent year, expanding traded volumes by 18 percent to 69.9 million tonnes from 59 million in 2016. The division's contribution to gross profit grew by 32.4 percent to USD1,099.7 million from USD830.9 million the previous year.

In non-ferrous concentrates and refined metals, Trafigura trades 14 different commodities which are managed through eight books. Although prices do reflect a better outlook for industry participants, for our trading purposes the impact is small as the determining factors are concentrate treatment and refining charges (TC/RC) and metals and premiums or discounts.

The commodities showing the sharpest moves were zinc and lead concentrates, nickel and cobalt concentrates and alumina. In refined metals, however, the trading environment remained difficult, with a lack of volatility in metal premiums/discounts and negligible yield in spread income.

There were two principal reasons for the improvement in performance. First, the depressed trading environment of the last three years has led to some competitors either exiting the business or scaling back their operations. This has offered Trafigura the opportunity to grow volumes, which we successfully seized on the non-ferrous side by encouraging close collaboration between trading teams focused on each category of concentrates and refined metals.

Second, we saw the benefits of our focus on physical trading and bespoke approach to customer business, based on offering tailor-made solutions to challenges facing our counterparties. Our reputation as a diligent and reliable service provider was already strong, but feedback from our customers suggests that it continued to grow during 2017.

Bulk minerals

The bulk minerals, coal and iron ore, presented a mixed picture. The global coal market was healthier than it has been for years and prices rose appreciably during the year, driven by growing demand combined with supply curbs and disruptions. Iron ore continued to struggle, partly because of cuts in steel production capacity in China which curbed consumption and dramatically increased quality premia and discounts across the market. These are relatively new books in Trafigura's portfolio and have taken time to reach critical mass. But both trading segments moved towards greater maturity in 2017, as our strategy of focusing on specific niche markets paid off. Volumes grew in both, and the coal book made a significant contribution to the division's profit.

Non-ferrous concentrates

Copper concentrates

In the global copper concentrates market 2017 was a volatile year with periods of tightness and weakness, but with supply and demand roughly in balance overall. In the first quarter of the calendar year major disruptions at two of the world's biggest copper mines took a significant portion of supply off the market: a protracted labour dispute at Chile's Escondida mine and a disagreement between Freeport McMoran and the Indonesian Government over future contractual arrangements at the Grasberg facility in Indonesia. With renewed strength in the Chinese economy underpinning demand, these disruptions contributed to a significant run-up in copper metal prices from a low of USD4,732 per tonne in October 2016 to highs above USD6,500 in September 2017.

Trafigura is a global market leader in copper concentrates, and our trading desk had a strong year, with traded volume growing by more than 12 percent and increased profitability.

Our relationships with counterparties were stronger than ever, enabling us to build market share further in the face of efforts by new players to buy their way into the market. We maintained our strong position with producers in Peru where new mining projects continued to ramp-up, and our unrivalled network in the Chinese copper industry. We were also well positioned to support smelters that were heavily exposed to the supply disruptions in the first quarter, taking a longer-term view in order to further cement our long-term relationships.

Towards the end of our fiscal year, the concentrates market was showing signs of seasonal weakness. In the longer term we are conscious of some uncertainty over the future course of Chinese regulation and environmental policy and the possible impacts on the smelting industry. However, we expect smelter demand at the very least to plateau with growth upside depending on how the market evolves over the coming years. We believe that the relative lack of investment in new mining projects in recent years will manifest in a bullish copper environment in the longer term.

Zinc and lead concentrates

The supply and demand balance in zinc concentrates was in deficit throughout our 2017 fiscal year, helping propel prices from their low averaging USD2,314 per tonne in October 2016 to a high averaging USD3,210 per tonne in September 2017. This deficit also put pressure on treatment charges as they decreased sharply throughout the year. Mine closures announced and implemented in 2016 kept the market tight and created intense competition to secure scarce supplies.

The lead concentrates market was also in deficit, with prices rising from their October average of USD2,040 per tonne to USD2,377 in September 2017. Similar to zinc concentrates, treatment charges and refining charges for lead concentrates also dropped substantially.

Overall Trafigura's lead and zinc concentrates desk increased aggregate volumes handled and profitability during the year. In zinc concentrates we focused on growing the trading book to accommodate increasing concentrate requirements as a result of the disappearance of global stocks.

Thanks to our global focus we were able to secure the right units at the right price and time whilst increasing our footprint in consumer markets. This was particularly the case in Europe from February 2017, where a new offtake agreement with Terrafame (operator of a major nickel and zinc mine in central Finland in which Trafigura's Galena Asset Management subsidiary took a 15.5 percent equity stake) has further strengthened our position in the region. In lead concentrates, we achieved our trading book size target while boosting profitability.

Looking ahead, the team expects to continue to grow the books' size and profitability and maintain a global footprint in what will remain challenging markets for both zinc and lead concentrates, featuring intense competition to secure units. New mining projects will continue to ramp-up, including a Trafigura joint venture, the Castellanos mine in Cuba, as well as MMG's Dugald River project in Australia and Vedanta's Gamsberg mine in South Africa.

Nickel and cobalt

The global nickel market continued to suffer in 2017 from the after-effects of over-supply in prior years. Even though production cuts tipped the overall market balance from a surplus to a small deficit, the decision of Indonesia to allow renewed exports of laterite ore neutralized any potential positive effect on prices. Even though nickel demand for stainless steel production remains strong, LME stocks are still at high levels and the potential increase in nickel demand for battery production for this year at least was still a matter for forecasts than a driver of prices. This was not the case for the cobalt market where the forecast demand for electric vehicles has finally given a substantial push to the cobalt prices after years of depressed prices due to oversupply.

Performance review


Terrafame nickel and zinc mine, Sotkamo, Finland.

Trafigura continued to expand its global footprint in nickel trading by diversifying its product base to include ferro nickel, nickel pig iron, laterite ore and nickel intermediates. We were thus able to cater to the needs of counterparties across the stainless and battery consumer spectrum and offer financing solutions to suppliers affected by the low nickel price environment. Our strategic relationship with Terrafame, operator of a major nickel and zinc mine in central Finland, has placed us in a leading position to trade nickel feed for batteries, completing our portfolio of nickel related products. We have also substantially increased our cobalt trading portfolio to cater for the demand increase from the battery sector and also engaged with our suppliers to develop and commence the implementation of a pilot responsible sourcing programme according to the OECD's guidelines and as outlined in Trafigura's 2017 Responsibility Report.

With sales of electric vehicles on the rise, nickel and cobalt demand in this market segment is expected to grow exponentially. Recent announcements, from governments and major car makers, of a shift to electric vehicles are giving strong support for sustainable future growth of demand, and we expect prices for both metals to strengthen as LME nickel stocks are drawn down and global requirements for responsibly sourced cobalt feed for electric vehicle batteries is expected to soar. Nickel price will also benefit from stainless steel demand which is expected to remain strong. With no major production increase foreseen, the swing factor on nickel can only be increased laterite ore supply and NPI exports from Indonesia and the Philippines.

We will continue expanding our nickel and cobalt trading portfolio with larger volumes and a diversified product base in a marketplace which increasingly expects traders to offer a complete package of services and assurances relevant to social and environmental due diligence rather than just availability of product.

Alumina

China continued to be the focal point of the global alumina market during 2017, with price movements driven by the growth of Chinese aluminium smelting capacity on the one hand and government policy decisions on the other. Our year started with relatively high prices caused by transport bottlenecks in China as increased demand from smelters collided with regulatory restrictions on the trucking fleet. After a correction mid-year, prices were propelled upwards again from August by market uncertainty over government moves to reduce aluminium production during the environmentally sensitive winter months. This action, expected to take effect in November after our fiscal year-end, targets both aluminium smelters and alumina refineries, but the market is concerned that it will create a supply shortage in alumina by disproportionately reducing refining capacity.

Trafigura's alumina trading desk had a satisfactory year as volatile conditions created profitable trading opportunities. Volumes handled were flat as a tightening supply and demand balance encouraged more direct deals between producers and consumers. However, we were pleased to add new customers in China and elsewhere and added headcount in China to build the business further.

An encouraging development was the growth of an alumina futures contract on the Chicago Mercantile Exchange, which became an important trading tool for the Group during the year.

Looking ahead, we expect the alumina market to remain tight as a result of continued growth in Chinese aluminium smelting capacity, with a small supply shortfall in China made up by imports from Australia and other countries in the Asia-Pacific region. With its strong China-focused trading team Trafigura is well positioned to develop its market position further.

Non-ferrous refined metals

Refined copper

The global refined copper market showed strong demand growth and periodic tightness in the supply demand balance during Trafigura's fiscal year, with prices rising from a low of USD4,750 per tonne in October 2016 to highs close to USD7,000 per tonne in September. Although supplies from primary sources were tight at the start of the year due to various disruptions, including a protracted strike at Chile's Escondida mine and a dispute over contractual terms at Freeport-McMoran's Grasberg mine in Indonesia, the immediate pressure was relieved by the release of stocks of copper scrap that had been accumulated during the preceding period of persistent market weakness. However, with Chinese economic performance surprising on the upside and copper demand rising by 3.6 percent year-on-year, the overall trend towards a tighter market continued through the year.

Trafigura's refined copper desk had a very strong year, handling record trading volumes and by focusing on end-user business, further growing our substantial China operation as well as diversifying our book by geography and by product grade. Increasingly we are deriving synergies by working closely with the copper concentrates trading team, building on Trafigura's traditional strength in concentrates and generating margin along the entire copper value chain.

Looking ahead, we expect the supply and demand balance in refined copper to continue to tighten through 2018 and 2019 and we aim to continue to diversify our business. In addition to maintaining our focus on China, we see strong growth prospects in India, where our Ryker copper-rod joint venture with Polycab, India's leading manufacturer of cable and wire, will start production early next year in the state of Gujarat.

Refined zinc and lead

Throughout 2017 the global refined zinc market was in a structurally tight position, as the effects of mining capacity closures in 2015-16 continued to work their way through the supply chain from concentrates to refined metal. Far from softening at mid-year as some expected, the market continued to tighten in the second half with Chinese consumption exceeding forecasts and availability of concentrates there falling short owing to a decrease in metal content produced by Chinese mines, and shuttered mining capacity elsewhere failing to come back online. This marked a big change in sentiment; in consequence refined zinc prices rose from lows of around USD2,500 per tonne in June to highs of close to USD3,300 in September, and market volatility increased.

The global refined lead market was more balanced than zinc as increased recycling volumes made up for cuts in mining production. Thanks to the massive recent growth in China's vehicle fleet, lead from recycled batteries now accounts for more than 60 percent of the market and provides a natural buffer to balance the market. Despite this, the lead market also saw rising prices and enhanced volatility driven partly by speculative bullish sentiment carried over from other metals and partly by uncertainty caused by erratic implementation of environmental regulations in China.

Trafigura's refined zinc and lead trading desk had an excellent year, with traded volumes rising more than 13.6 percent in zinc and more than 39.5 percent in lead, and profits significantly increased across the board. We worked closely with the zinc and lead concentrates desks, an area of long-standing strength for the company, to build our position in refined metals, which is a more transparent and competitive business. We grew market share both in China and in the rest of the world, where Trafigura's investment in, and commercial zinc offtake agreements with Nyrstar helped build our reputation as a steady, reliable market participant. In lead, Trafigura further built out its position as a leading market player in China and also grew share in Southeast Asia and Latin America.

Refined zinc storage.

Performance review

Looking ahead, we see continuing tightness in refined zinc supplies as it now seems clear that production capacity shuttered by Glencore in the past two years will not come back on stream soon. New mines are expected to come on stream in the first half of 2018, including Trafigura's own Castellanos joint venture in Cuba, Vedanta's Gamsberg mine in Namibia and MMG's Dugald River facility in Australia, but the new supplies will not provide significant relief until the second half of our next financial year at the earliest. Meanwhile we expect to continue to grow volumes and profit in 2018. In refined lead, the market is undergoing structural change in China, with the spot market generating more liquidity and more trading opportunities. In both metals we expect the following year to be a particularly crucial one as new offtake agreements with Nyrstar for lead and zinc take effect on 1 January 2019. While lead faces well-known long-term challenges as a result of the global drive towards electric vehicles, there is still plenty of road ahead for lead batteries.

Aluminium

Conditions in the global aluminium market greatly improved in 2017, after a time period of chronic stock overhang and range-bound prices. The principal driver was production constraints in China, today the world's leading producer.

During the winter heating season the Chinese authorities enforced a variety of measures including production cuts and closure of unlicensed illegal capacity, with the aim of reducing pollution around major conurbations. The effect was to reduce annual supplies by more than four million tonnes, and to push prices up by more than 20 percent since the start of calendar year 2017 – to levels where producers in China and the rest of the world are profitable. The industry outlook is optimistic, with aluminium fabricators reporting healthy margins and full order books, driven mainly by increased demand from the automotive and aerospace sectors.

The Trafigura trading team delivered a strong performance this year, a key differentiator being Trafigura's bespoke approach to customer business. Our traders focused on delivering the best possible services to our counterparties and clients by offering them impactful and tailor-made creative solutions to challenges they faced. We significantly grew our volumes by developing substantial physical offtake and supply arrangements around the world, and maintained a strong position in China.

Refined zinc storage.

Bulk minerals

Impala Terminals and Mubadala's Porto Sudeste iron ore export facility, Brazil.

Iron ore

The determining events in the global iron ore market during our 2017 fiscal year were the significant measures taken by Beijing to restructure the Chinese steel industry, which had a big impact on ore purchasing patterns by steel mills. First the authorities closed down large parts of the most polluting production capacity, induction furnaces based on processing scrap; this took out between 50 and 60 million tonnes of steel capacity. Then they placed a cap on production, freezing volumes at individual mills. Between them these measures drove steel prices up and significantly strengthened profitability among producers. They also had major consequences for the iron ore market, both in reducing purchase volumes and increasing the spread between quality premia and discounts paid by steel mills.

Trafigura continued to pursue its strategy focused on building a flow of iron ore exports from Brazil via the Porto Sudeste terminal jointly controlled by subsidiary Impala Terminals and Mubadala. Volumes handled by the export facility near Rio de Janeiro continued to rise, supported by the start-up of operations at the Mineração Morro do Ipê mine in Minas Gerais acquired by Trafigura Mining Group during the course of 2016. With prices showing a firmer trend during the year, our trading book showed an increased profit and overall volumes handled rose by 27 percent to 8.1 million tonnes. A new departure in our business in China involved the development of domestic sales from Chinese ports. By buying stocks held at ports and selling them to inland steel mills in local currency, we were able to access a significant number of new on-shore customers who do not habitually buy from the seaborne market; we added new members to the team in Shanghai and Qingdao to support this initiative.

We expect to continue in a similar vein in 2018, with Porto Sudeste continuing to ramp-up and a continuing quest for acquisitions in the Brazilian mining sector that would provide supplies to feed the export terminal.

Coal

The global coal market was healthier in 2017 than for some time. A five-year downtrend in coal prices was broken during 2016 with officially mandated cuts to Chinese production, and persistent Chinese demand has continued to support the market through 2017. Elsewhere, supplies were tightened by small but regular disruptions in major coal origins, both weather and strike related. The European electricity market has also supported coal (and gas) demand as hydro availability has been limited and the French nuclear fleet has lost capacity as a result of safety concerns. European prices averaged 60 percent higher in 2017 than in the previous year.

Against this backdrop Trafigura's coal trading desk had a good year, consolidating our position as a global trader while maintaining our focus on niche markets and on coal grades that do not trade on exchanges. Our traded volumes from Indonesia rose significantly and improving international prices also created more opportunity to source coal from the US. We added new team members in China and India, promoting sales liquidity to match strong origination books and ensuring we have the commercial talent to match increased overall volumes. In addition we further built out our business in pet coke and coking coal. Overall our traded volume grew by 23 percent to 46.4 million tonnes, and profit increased significantly from 2016.

Looking ahead, we continue to see scope for profitable growth in coal, while remaining mindful of the challenges facing this business over the longer term as efforts gather pace to reduce the role played by coal in the global power generation mix.

Performance review

Shipping and Chartering

Trafigura Maritime Logistics arranges shipping and freight services for Trafigura's commodity trading teams as well as for third-party clients. It operates as a service-provider securing competitive and reliable freight for in-house oil, metals and minerals traders, and the Wet and Dry Freight desks also function as profit centres in their own right.

Rasmus Bach Nielsen (left), Head of Wet Freight Shipping.
Alan Cumming (right), Head of Dry Freight Shipping.

Highlights

- Significant hedging and vessel trading optimisation ensured another profitable year for wet freight despite difficult tanker market conditions.
- Large forward position accumulated in wet freight with attractive optionality.
- Further increase in volume and profitability recording our second best result historically in dry freight.

4,151

Shipping and Chartering fixtures
(2016: 3,878)

2017 Wet and Dry Freight Activity	Wet	Dry
Number of fixtures	**3,051** 2016: 2,974	**1,100** 2016: 904
Average time-charter fleet[1]	**60 – 65** 2016: 65 – 70	**45 – 50** 2016: 35 – 40

1 A vessel on hire for longer than three months.

The 2017 financial year presented a mixed market picture across our shipping and chartering desks. Challenging conditions in the oil tanker market contrasted with a steady improvement in dry and bulk freight. In wet freight, Trafigura capitalised on access to attractive financing terms by supporting a major long-term position in additional shipping capacity, while on the dry side we used the firming conditions to build position length and volume in the time-charter market. Both segments were profitable, while the Dry Freight desk had its second most profitable year.

Wet freight

The wet freight market remained challenging in 2017, with freight rates under pressure from a continuing increase in supply and the demand side impacted by lack of oil arbitrages as well as OPEC's production curbs. One exception to the generally bearish picture was the spike in rates precipitated by a sudden surge in demand on the transatlantic route after Hurricane Harvey shut down a significant proportion of US refining capacity. But the increase proved very short-lived and the subsequent rate collapse caused more damage to rates than the previous rate spike – a rare outcome following Hurricanes. Overall indications are that there is still some way to go before supply and demand once again reaches equilibrium across tanker segments.

Trafigura's Wet Freight desk continued to offer a significant cargo programme to tanker owners across the world, with a broadly similar number of fixtures concluded as in 2016 and with 80 percent of all Trafigura controlled wet cargoes again carried on third-party-controlled vessels. Throughout the year immediate freight risk exposure was reduced by keeping chartering commitments short and we continued to extract full value of our significant cargo infrastructure with close to 60 percent of all Trafigura controlled tonnage fixed on internal cargoes.

A key event was a confirmed order placed by an Asian financial counterparty for initially 22 new-build crude and product tankers to be built in South Korea and China and to be leased to Trafigura on delivery with options to purchase at a later stage. Subsequently eight optional ships have been confirmed. The state-of-the-art vessels will be delivered from the end of 2018 with the bulk arriving in the first quarter of 2019, at which point they are intended to be traded within Trafigura's wet freight trading division. Separately a second-hand liquefied petroleum gas tanker was acquired under a long-term leaseback arrangement likewise supported by a strong cargo programme and with potential ownership upside.


Hyundai Samho shipyard, South Korea, where a number of the Suezmax vessels will be built.

Despite taking direct control of this new tonnage, Trafigura will remain a major user of third-party vessels for many years to come, and in this spirit we continued to build our relationships within the ship-owning fraternity during the course of 2017. In September we were pleased to become one of the 14 founding members of the newly-established Global Maritime Forum, a not-for-profit organisation that will serve as a platform for industry leaders in seaborne trade to collaborate in promoting long-term sustainable growth and in confronting collective challenges.

Looking ahead, we see the wet freight market remaining under pressure from continued over-supply during 2018 but expect to see that pressure starting to reduce as a number of older vessels are likely to be scrapped if the current freight environment continues.

Dry freight

After a number of years trading in conditions of distress, global dry freight markets took on a considerably healthier tone in 2017. At the end of Trafigura's fiscal year in September, Capesize vessels were fetching rates of USD18,000 per day, significantly higher than the previous 18 months' average. The steady market improvement reflected robust growth in cargo volumes, especially in coal and grains, and was visible across all vessel classes. With more vessel owners now able to cover operating and financing expenses, the market seemed better balanced than for some time, and there was no sign of the kind of ordering spree that tipped the market into over-supply in previous years.

This was a market that offered more trading opportunities and Trafigura's Dry Freight desk made the most of them by taking longer positions, especially in those markets where we already have a strong competitive advantage such as Latin America's Pacific coast and the iron ore export route from Brazil. We grew volumes handled to 35 million tonnes from 30 million in 2016, expanded our fixtures from 970 to 1,100 and substantially increased profit, making 2017 our second best year. At the same time the proportion of our desk's activity accounted for by Trafigura cargoes grew from 50 percent to 60 percent as we handled a significantly larger share of in-house coal cargoes and as volumes from the Brazilian iron ore export terminal at Porto Sudeste continued to ramp-up. We expect the market's steady improvement to continue through 2018 and intend to continue with our proven strategy of focusing our growth on areas where we have a perceived competitive advantage.

Performance review

Impala Terminals

Impala Terminals is a multimodal logistics provider focused on export-driven emerging markets. We own and operate ports, terminals, warehouses and transport assets which together offer end-to-end logistics solutions for dry and liquid bulk cargoes, general cargo and containers.

Nicolas Konialidis, CEO, Impala Terminals.

Highlights

- EBITDA increases year-on-year by 66 percent.
- Over 50 percent increase in iron ore throughput volumes through Porto Sudeste export terminal in Brazil.
- Huelva terminal in Spain handles 1.2 million metric tonnes in 2017, a 38 percent increase on 2016.

$389.8m
Sales revenue
(2016: USD375.8 million)

16
Countries of operation

1,428
Employees
(2016: 1,625)

23
Locations worldwide

22.6mmt
Combined volumes handled[1]
(2016: 15.0mmt)

1 Includes all materials handled: general cargo, bulk iron and coal, concentrates, containers, liquids including crude oil and refined products.

With the investment and construction activity of recent years largely complete, the focus for Impala Terminals in 2017 was ramping-up commercial operations and volumes handled while optimising efficiency and operational controls. Despite challenging conditions in some of the countries where we trade, at all of our sites we saw business increase, and in a number of locations we were able to support continued growth by diversifying the services offered. Of our total turnover, 75 percent is generated by Trafigura in-house business and the remaining 25 percent from third parties. Impala's EBITDA increased year-on-year by 66 percent.

Our major investments in Colombia, Peru, Brazil, Paraguay, Mexico and Spain are largely complete, so capital investment fell sharply and management concentrated on making incremental improvements to the facilities, efficiencies in operations and on adding new services to complement the core activity. A particularly pleasing development was the continued growth of our container services at selected sites. Our global container logistics and freight-forwarding desk handled more than 75,000 containers in the year, a volume of 1.9mmt.

At the same time, we placed the organisation on a more sustainable footing by standardising processes for procurement, maintenance, finance and – of paramount importance – management of Health, Safety, Environment and Communities (HSEC). By systematically sharing experience and expertise between sites and encouraging cooperation across the organisation, we have created a real centre of excellence in logistical services, blending and bulk handling for the Group.

Growth at core sites

In Colombia, we have invested more than USD1 billion in an inland port at Barrancabermeja and a multimodal transport system linking the Caribbean coast with the industrial heartland along the Magdalena River. The last phase of our river port in Barrancabermeja is still under construction and will be completed by the end of 2017. We steadily increased volumes of outbound crude oil and inbound naphtha through the port. A major challenge for our barging operation is the shallow draught of the river in places, making navigation difficult and forcing us to run barges with suboptimal loads. This issue was planned to be resolved through a major dredging project overseen by the river authorities, but unfortunately this initiative has been delayed as a result of problems between the original contractor and the government.

We are hopeful that a new dredging project will get underway in 2018, leading to an eventual improvement in river conditions that will enable us to carry bigger cargoes and offer dry bulk and container operations which will replace the costly and lengthy trucking alternative. A recent forecast predicts the current 4mmt moving on the river will increase five-fold following river dredging. Impala is ideally placed to capitalise on such growth.


Impala's terminal in Huelva, Spain.

In Brazil, the state-of-the art Porto Sudeste iron ore export terminal that we jointly own with Mubadala continued to ramp-up volumes, with an estimated 10mmt of ore moving through the port in 2017, a 43 percent increase on 2016. With this increased tonnage we have been able to see the huge potential of the port achieving our targeted discharge and loading rates. We expect the trend in volume growth to continue through 2018 as the joint Mubadala/Trafigura iron ore mining assets in Brazil are planning to increase production.

At Callao in Peru, our major export, blending and storage terminal has been covered with a new roof, creating what is one of the world's largest covered warehouses and helping to attract significant growth in throughput from Peru's dynamic mining sector. We look forward to next year when we plan to rebuild the administration office, laboratory and maintenance yard. To complement our core mining activity and relating sea freight forwarding we also launched a container yard operation at Callao, allowing us to expand our services to third-party customers.

In Paraguay, with a full fleet of 27 barges now in operation on the Parana River working for Trafigura, national oil companies and other traders, we expanded our customer base. Meanwhile we have contracted rotainer handling services at our terminal in Manzanillo on Mexico's Pacific coast to ensure the loading in bulk is handled in a more environmentally conscious manner, while in Chile and Bolivia we optimised the supply chain of our small collection of sites in country. At our Burnside facility on the Mississippi River in Louisiana, US, volumes handled grew as US coal exports resumed, complementing the pet coke business we have established at the site.

At Huelva in southern Spain, our newly constructed concentrates blending and storage terminal expanded its business with the regional mining industry, handling 1.2mmt in 2017, a 38 percent increase on 2016. The Huelva facility is looking to complement its core activities of export, blending and storage of mining related products by assessing new projects to handle scrap, clinker or wood chips.

In Africa, we handled record volumes of cargoes this financial year for Trafigura as well as for other trading and mining related companies. Going forward we will continue to expand our service offering to the mining industry whilst working to create a more diversified client base across other industries. To this end, we have launched a search for a strategic investor for our African assets in order to create a stronger organisation capable of competing for this additional business.

In Dubai our operation is 90 percent based around third-party client business and we have recently doubled the site's footprint with a new contract. Our warehousing activity has diversified to also provide racking and our Less than Container Load (LCL) business is rapidly expanding. The Dubai terminal remains one of the leaders in the Impala Group.

Looking ahead, we intend to maintain our focus on increasing volumes, improving efficiency and competitiveness at all our sites. We will continue to look at additional port and other multimodal logistics projects to add to our world-class portfolio of assets that, over the long term, will generate attractive returns as well as providing safe and reliable support to all of Impala's clients.

Performance review

Mining Group

Trafigura's Mining Group manages a portfolio of mines in Europe, Asia, Africa, North America and Latin America, ranging from wholly owned facilities to joint ventures and minority investments. As well as generating equity value for the Trafigura Group and volumes for our metals trading books, it provides advisory and support services to the rest of the Group.

Nicolas Treand, Global Head of Mining Operations.

Highlights

- Completion of construction of Castellanos lead and zinc mine in Cuba.
- MATSA's Magdalena mine in Spain is fully ramped-up in 2017.
- Metals recovery at MATSA's processing plant rises sharply.

0.7mmt
Non-ferrous concentrates extracted[1]

11.0mmt
Coal extracted

0.5mmt
Iron ore extracted

1 Includes copper concentrates, zinc concentrates and lead concentrates.

The highlight of 2017 for the Mining Group was the completion of construction at the Castellanos lead and zinc mine in Cuba, the first new mining project in that country in more than 20 years and the largest foreign industrial investment in the last decade. Elsewhere it was a strong year for metal recovery and profitability at the Minas de Aguas Teñidas (MATSA) copper mining complex in southern Spain, a 50-50 joint venture with Mubadala, but a more difficult time for the Catalina Huanca zinc and lead mine in Peru.

The 2017 fiscal year also saw an initial ramp-up of operations at the Mineração Morro do Ipê iron ore mine in Brazil's Minas Gerais state, in which we own a controlling stake along with Mubadala.

Castellanos coming on stream in Cuba

The Castellanos lead and zinc mine is owned by a joint venture, Empresa Minera del Caribe, between Trafigura (49 percent) and Cuban parastatal Geominera (51 percent). For a capital outlay equivalent to EUR235 million, construction was completed, on time and on budget, within 18 months from start to finish, and at year-end the facility's one million tonne per annum processing plant was being commissioned. When output reaches full capacity during 2018, the mine is expected to produce 100,000 tonnes of zinc concentrate and 50,000 tonnes of lead concentrate per annum. Testing to date suggests that concentrates produced will be at the clean end of the quality spectrum.

The mine has a reserve life of 22 years and is thus an important addition to Trafigura's mining portfolio as well as an important source of foreign exchange earnings for Cuba. The mine was constructed in full compliance with prevailing economic sanctions on Cuba, with procurement from countries unaffected by the embargo; similarly, sales of concentrate will be conducted in a sanctions-compliant manner.

The Castellanos lead and zinc mine in Cuba.

Significant improvement at MATSA

At our Spanish mining joint venture, it was a year of consolidation and optimisation, with ore extraction constant at 4.4 million tonnes and the financial result greatly improved. Metal recovery at MATSA's processing plant rose sharply during the year, showing the full benefit of the investment and modernisation programme of prior years. Production at the new Magdalena mine was fully ramped-up in 2017. In addition to its known reserves of copper and zinc, the mine was found during the year to contain commercial volumes of free gold which can be processed via a straightforward process requiring relatively modest capital investment. This is expected to yield significant additional earnings for MATSA going forward. MATSA's third mine, Sotiel, continued operating, its commercial life prolonged as a result of the recent rise in metal prices. Overall at current rates, MATSA is generating 550,000 tonnes per annum of copper, lead, and zinc concentrates for Trafigura's trading book. However, we believe there is significant potential for further expansion in the district, and we are allocating a significant capital expenditure budget for greenfield and brownfield exploration in 2018.

Adapting Catalina Huanca to new natural challenges

Despite the recent upturn in zinc prices, it was a difficult year at our lead and zinc mine in the Ayacocha region of Peru, Catalina Huanca, as a result of health and safety problems and technical issues in the mine. We regret to report the deaths of two contractors working in the mine on 18 August 2017 as a result of a rock fall. (Please refer to our 2017 Responsibility Report for more details).

The technical problems related to the discovery of unusual concentrations of CO_2 in the rock and of salt in the water. Production at the mine has been impacted since June 2016, with the overall loss of output amounting to 10 percent for the year. In consequence it was decided to invest USD20 million in a remediation programme including a new ventilation system and a water treatment facility. Beyond that investment programme, which completes the modernisation of the mine commenced when Trafigura took ownership in 2008, we will continue to work on plans to extend the life of Catalina Huanca. Current reserves amount to 2.2 million tonnes, which give the mine a life of 3.5 years, but inferred resources could stretch its life to 10 years.

Ramping-up in Brazil

The Mining Group has also been spearheading the quest for iron ore production assets that can feed the Porto Sudeste export terminal in Brazil jointly owned by Trafigura subsidiary, Impala Terminals, and by Mubadala. In 2016, we and Mubadala acquired a controlling stake in the Ipê and Tico mines located in the iron ore quadrangle of Minas Gerais state. In March 2017, having acquired the necessary licences and refurbished the Ipê facility, we started ramping-up production based on tonnes already mined and stockpiled at the site. During the 2017 fiscal year, output amounted to 550,000 tonnes compared with full capacity of two million tonnes. For the larger, six million-tonne capacity Tico Tico mine, we have commenced what in Brazil is a complex permitting process, with production expected to begin in 2020. With consolidation in Brazil's independent mining sector expected to continue, we remain on the lookout for mining assets that we could look to vertically integrate with Porto Sudeste.

Galena Asset Management

GALENA asset management

In 2016 Galena Asset Management, Trafigura's wholly-owned investment subsidiary, announced a change of strategy, shifting from its previous diversified interests in derivatives trading and trade finance to a focus on investment in real assets in the style of a private equity manager. In our 2017 fiscal year we completed this transition, selling our trade finance fund to Singapore-based asset manager EFA Group and fully investing funds raised by the first Galena Private Equity Resources Fund.

The most significant event of the year was our investment, announced on the 10 February, in Finnish nickel, cobalt and zinc producer Terrafame. This was a showcase for our investment strategy, involving a close, multi-faceted co-operation with Trafigura. The Galena Private Equity Resources Fund agreed to invest EUR75 million for a 15.5 percent stake in Terrafame and in addition funded a EUR75 million convertible secured loan facility extended to Terrafame. For Galena investors, this transaction offered a unique opportunity to invest alongside Trafigura and benefit from the parent company's commodities expertise particularly in mining. For Terrafame, the choice of working with Galena was mainly motivated by the ability for the company to access a wide range of services offered by the Group, from deal-structuring and funding to technical expertise and marketing. In November 2017, Trafigura and Galena announced an additional USD175 million funding package to support Terrafame's future investment and business initiatives associated with the electric vehicle battery segment.

The Terrafame investment has been the third undertaken by the Private Equity Resources Fund since the fund launched in 2012. Not long after the initial Terrafame investment, Trafigura and Galena together with the company's management explored ways of enhancing the value of Terrafame's business.

Other investments include Bowie Resource Partners, a US coal miner and Mawson West, a copper mine in the Democratic Republic of the Congo. With these three investments the available capital of the fund has been used and all future investments will be undertaken through a successor fund, which Galena commenced pre-marketing in the summer.

Another interesting fund that Galena is developing and is likely to close in the coming year focuses on investment in mid-and downstream energy infrastructure projects in Mexico capitalising on the current liberalisation of the oil market. Here too the support of Trafigura and in particular the Mexican team will be key.

Risk management

How Trafigura manages risk

Trafigura operates in dynamic markets that pose a wide range of risks, whether financial, political, operational social or environmental. In consequence, a rigorous and conservative approach to risk management is an integral element of Trafigura's business and has been a central focus of the Group since its foundation.

As a rule, the Group actively manages and mitigates wherever possible the identifiable or foreseeable risks inherent to its activity – for example in systematically hedging exposure to flat prices and in extensively using insurance and financial tools such as letters of credit.

It has also ensured a degree of diversification in its business – trading a wide range of commodities with diverse and uncorrelated market dynamics in various geographical regions – that in itself reduces the Group's exposure to risk. Unlike many financial assets, physical commodity markets provide many opportunities for risk diversification. The premium paid for copper in China, for example, has little to do with the pricing relationship in LPG between the US and Europe.

Diversification results in lower overall exposure and higher risk-adjusted performance. As we extend our trading capabilities, we are diversifying the business further.

Trafigura's risk management system

To manage the full range of risks to which it is exposed, the Group has developed a system with multiple lines of oversight.

The first line consists of managers of the trading divisions and operating companies, overseen directly by the executive members of the Board of Directors.

Trafigura has a flat corporate governance structure featuring short and direct channels of communication and control (see separate section on Governance on page 38).

The Board of Directors has principal oversight responsibility, sets the risk management framework, determines the overall risk appetite of the business, and ensures that the appropriate structures and processes are in place to handle each category of risks in an appropriate manner.

The second line consists of a series of corporate functions that establish policies and processes for managing different categories of risk, as well as providing analysis, advice and implementation support.

Market and price risk

Risk Committee and Chief Risk Officer

Trafigura systematically hedges all index price exposure incurred as a result of its trading activities within a framework set by the Board of Directors and implemented by the Risk Committee and the Chief Risk Officer (CRO).

The CRO reports directly to the Chief Operating Officer and the Board of Directors. The CRO is a key member of the Risk Committee, which includes company directors and senior traders. The Committee meets at least weekly to manage overall exposures, assess the impact of changing market dynamics and limit risk exposures and concentrations.

Trafigura's ongoing programme of investment in risk management systems includes a reporting system which automatically notifies the risk management and trading teams whenever a book nears its risk limits.

The CRO works proactively with trading teams to analyse changing market conditions and ensure that hedging strategies are focused on current market dynamics. Rigorous methodologies for managing market risk are used across the company. The CRO's risk team employs advanced statistical models that capture the non-normal dynamics which are an important feature of commodity markets.

The risk team focuses on aggregate risk, paying particular attention to term-structure and intra-commodity spreads. Risk concentrations are continuously reviewed in the context of changing market dynamics. The CRO manages strategic hedging activity dynamically to reduce risk concentrations and limit company-wide exposure.

Finance and credit risks

Finance Committee and Finance Department

The Finance Department supports the activities of the whole Group and is involved at the earliest stage of transactions and projects. Overseen by the Finance Committee, it is responsible for assessment of financial risk and has the capacity to veto any transaction. Within Finance, the Credit Department's key role is to safeguard the balance sheet. It performs fundamental credit analysis, assessing credit risk associated with the Group's counterparts, setting internal limits, monitoring exposures and overseeing documentation.

Compliance risks

Compliance Committee and Head of Compliance

Trafigura's Global Head of Compliance oversees the implementation and further development of our compliance programme, reporting to the COO and to the Trafigura Compliance Committee. The Compliance Department focuses on financial and commercial compliance, incorporating KYC, anti-money laundering, trade sanctions and anti-bribery and corruption. The Compliance Committee is chaired by Trafigura's CEO.

Risks pertaining to health, safety, environment and communities

HSEC Steering Committee and Corporate Affairs

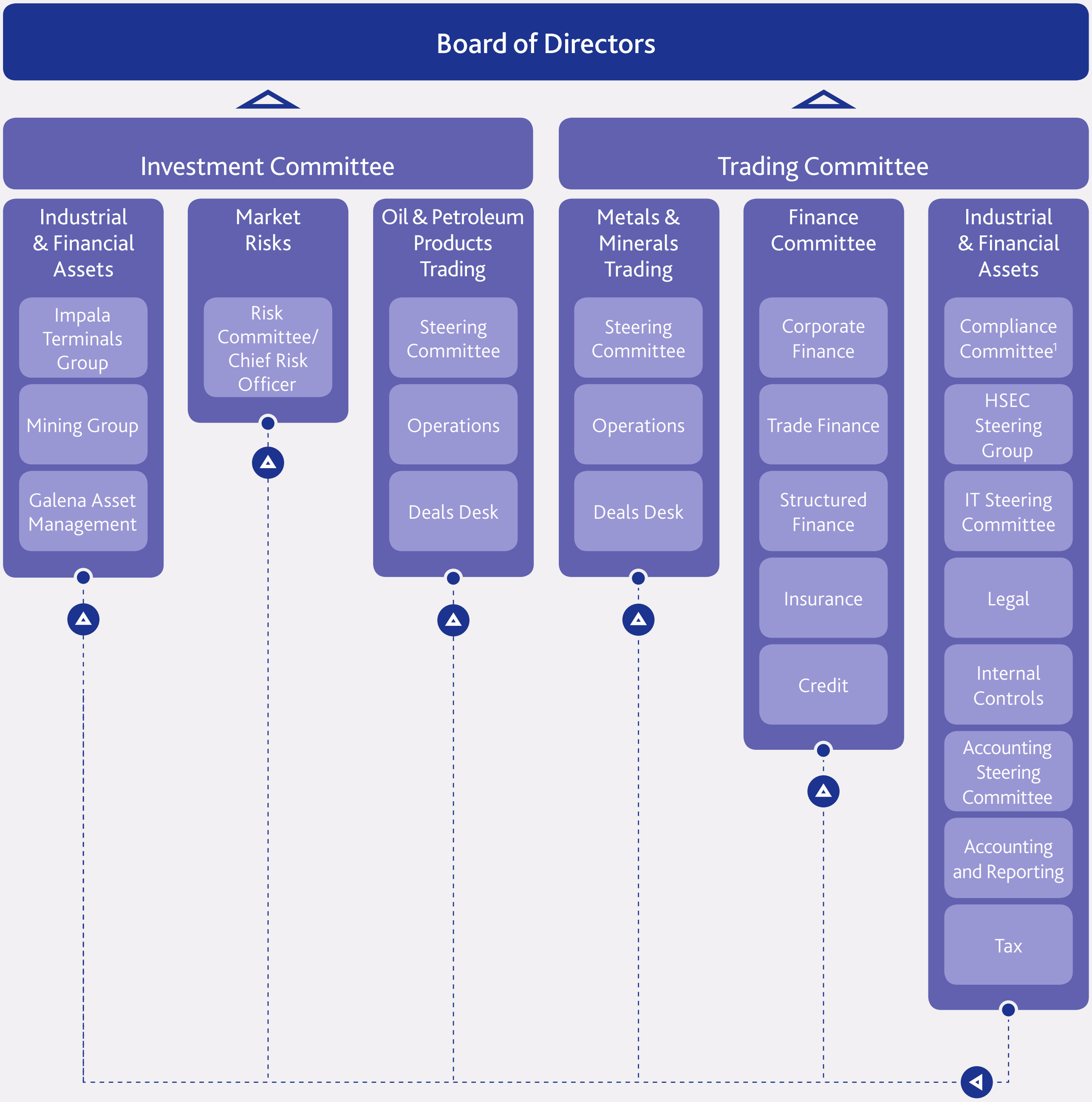
This committee is chaired by a member of the Board of Directors and the Head of Corporate Affairs and senior representatives from across the Group. It is mandated by the Board to promote best practice, oversee the management of HSEC risks and ensure that Trafigura's Corporate Responsibility Policy and Business Principles are implemented consistently across the organisation.

Control risks

Internal Controls Team

The Internal Controls team supports management across the Group in annually assessing risks and controls for the governance, trading, IT and support processes. Results of these activities are reported to the Board of Directors accompanied by action plans to strengthen controls and further mitigate risks where required. Internal Controls manage these annual framework cycle activities and external auditors validate the existence of the Trafigura Internal Control System every year. Additionally the team performs site reviews to assess how local management manages risk and to identify opportunities for improvement, and advises on process design for new IT applications.

Overview of Trafigura's risk management system



1 The Trafigura Group Pte. Ltd. Compliance Committee is chaired by our CEO. The Global Head of Compliance chairs the Compliance Committees of all Group companies.

Risk management

Key risk	Mitigation and actions	
Markets and prices • Volatility in commodity prices, spreads, interest and exchange rates. • Fluctuations in the supply of, or demand for, commodities which we trade.	• It is a fundamental objective of Trafigura's business model to be able to operate successfully in all market conditions. The Group's policy is to hedge all index price exposure related to physical transactions on a deal-by-deal basis. • As a matter of policy, 100 percent of stock is at all times either pre-sold or the index price is hedged. • Despite such hedging Trafigura remains exposed to basis risk, i.e. the risk of changes in the difference between the price of the commodity being hedged and the hedging instrument. The group carefully monitors all its hedging positions on a daily basis in order to avoid excessive basis risk resulting from these imperfect correlations.	• In terms of exchange rate risks, the majority of sales and purchases are denominated in US dollars. Exposure to other currencies is hedged and financing raised in currencies other than the USD is immediately swapped into dollars. • Concerning interest rate risks, our policy is to borrow short-term working capital at floating rates, with any rate changes passed through to our customers, and to fix rates for medium- and long-term financing via the swaps market. • Freight costs are hedged by our Shipping and Chartering Desk via Forward Freight Agreements (FFAs) and bunker costs.
Finance and liquidity	• Trafigura relies on a deep pool of financing from banks for working capital to support its business, consisting of three pillars: trade finance, securitisation and unsecured committed revolving credit facilities. • For longer-term capital needs we raise funds from time to time on public bond markets or through private placements with investment institutions. We follow a strict policy of matching the maturity of our assets and liabilities, with longer-term assets supported by longer-term borrowings.	• We take a conservative approach to managing our funding liquidity, with more than one-third of committed facilities unutilised at all times under normal market conditions, and immediately available cash of around USD500 million always on hand. Our transactional financing base allows the underlying assets to be 100 percent marked-to-market value, matching liquidity needs for any related margin calls. (See CFO statement, p10)
Compliance	• Trafigura's Compliance Department oversees Group activities, in partnership with front-office functions, to ensure that we operate appropriately, and that our controls are relevant and robust. It focuses on promoting a sound compliance culture across the organisation, in which everyone recognises their personal responsibility for meeting our compliance objectives. The team adopts a risk-based approach, allocating energy and resources to the issues that matter most to our core business and our stakeholders.	• The Department's activities include counterparty due diligence (KYC); anti-money-laundering; sanctions and trade restrictions; anti-bribery and corruption; and financial market conduct. **See** *2017 Responsibility Report.*
Economic and financial sanctions	• The Group takes its compliance obligations with regard to international sanctions extremely seriously. Ensuring this position is respected in all our business activities, and that we fulfil the undertakings on sanctions that we give as part of our credit facilities, is a key focus for the trading desks with support from the Compliance, Legal and Finance departments.	**See** *2017 Responsibility Report.*

Key risk	Mitigation and actions	
Counterparty, country and credit risk	• On counterparty and credit risk, Trafigura uses internal credit limits established by the Credit department. • Trafigura lays off political risk in relation to countries below a certain risk rating as gauged by Dun & Bradstreet, by purchasing political risk insurance. • Credit limits reflect Trafigura's own appetite for risk and are based on a credit analysis of the client as well as the size of the relevant transaction when compared to Trafigura's balance sheet.	• In light of lower commodity prices in 2015, we paid particular attention to screening our portfolio of prepayment agreements with producers for credit risk. • Exposures in excess of a credit limit are covered through the insurance or bank markets. • The Group prides itself on having had an extremely low incidence of credit losses throughout its history.
Digital infrastructure/ cyber-security	• The company takes IT security extremely seriously and is investing in state-of-the-art systems to protect the integrity of its IT architecture and processes against the threat of fraud or other potential damage from cyber-attack.	
Legal, taxation and regulation • Changes in taxation arrangements in various territories. • Collateral effects of changes in financial regulatory framework.	• Trafigura is increasingly focused on managing legal, taxation and regulatory risks, given the multiple jurisdictions in which it operates and its global scope. Trafigura adheres to applicable local and international tax law in the countries where it operates, including legislation on transfer pricing. We are following the unfolding discussions on Base Erosion and Profit Shifting (BEPS) within the Organisation for Economic Co-operation and Development, and will adapt our reporting to respond as and when this produces more concrete recommendations.	• We are also following closely the discussions about potential new forms of regulation that may be imposed on commodities trading firms, for example under the European Union's MiFid 2 legislation. We have made representations to the appropriate authorities about the risks and unnecessary costs of introducing position limits in commodity derivatives markets and of imposing regulatory capital requirements on commodity trading firms.
Corporate responsibility	• Our Corporate Responsibility Policy and Business Principles articulate the leadership team's priorities and commitments for social and environmental governance. At the operational level, they outline what is expected from everyone in the Group, its divisions and operating companies. Each division and operating company is required to supplement the Policy and Principles with relevant, sector-specific standards and procedures to manage the impacts of their operations. • The HSEC Steering Committee requires all divisions and operating companies to maintain a material risk register describing the key issues they need to manage and mitigate.	• All HSEC incidents are recorded and categorised for severity on Safeguard, the Group's HSEC data management system. Incidents registered as levels 3, 4 or 5, involving significant spills or single or multiple fatalities, as well as high-potential near misses are investigated and the results and remedial actions are presented to the Steering Committee. • We engage actively with leading industry forums, including the UN Global Compact and the EITI. **See** *Trafigura's 2017 Responsibility Report for further information on these activities. www.trafigura.com/responsibility.*

Funding model

Finance to meet diverse business needs

Our funding strategy matches sources of funding to financing requirements. We have developed diverse financing strategies that maximise scalability, flexibility and business resilience.

Continuing access to capital

Trafigura's activities require substantial amounts of capital. We source, store, blend and deliver commodities around the globe. We invest in terminals, logistics and physical infrastructure to improve the efficiency of our trading operations.

Our diversified funding model allows us to continue to operate effectively and successfully in all market conditions. Its scalability and structure protects the business from market shocks and provides flexibility and the ability to capitalise on opportunities as they arise.

We have put a global programme of flexible, short-term facilities in place to finance our day-to-day operations and a programme of longer-term, corporate facilities to finance our asset acquisition and other corporate requirements. Available funding exceeds our everyday requirements. This provides headroom for unusual market conditions. We also maintain substantial cash balances to ensure we will always meet day-to-day capital commitments, even in unexpected circumstances.

Our approach to funding

Diversification improves competitiveness and access to capital

We diversify both the sources and the structure of our financing to minimise risk and maximise operational effectiveness.

We raise funds in a variety of markets in the US, Europe and Asia-Pacific. We have lending arrangements in place with 122 banks around the world. We are therefore not constrained by credit restrictions for specific financial institutions, sectors or regions.

We raise capital with a range of repayment schedules, from very short-term facilities to maturities greater than 10 years. This spreads our exposure across the yield curve.

Match-funded, collateralised lending reduces credit risk

As a matter of policy, we match the type of financing to the business requirement. We have established a three-pillar funding structure to put this into practice.

We use short-term financing for trading. These loans are secured against the underlying physical commodities. Lines are marked-to-market each week so the level of financing tracks the value of the underlying collateral as prices change. We raise longer-term debt to finance fixed assets and investments.

How our funding model works in practice

Key: The chart on the right illustrates the interaction between the three different types of financing Trafigura uses during the life of an example trade.

Example crude oil transaction:
Trafigura agrees today:

(1) To buy one million barrels of crude from an oil major loading in 41-45 days @ Brent-\$1/bbl. The Brent price is fixed as the average during the loading period.

(2) To sell one million barrels of crude to a refinery for delivery in 101-105 days @ Dubai+\$4/bbl. The Dubai price is fixed as the average during the loading period.

- **Revolving line:** Cash flows arising from hedging activity and freight costs.
- **Transactional line:** Cash flows arising from the physical transaction and its financing by the LC issuing bank.
- **Securitisation line:** Cash flows between Trafigura and its separately capitalised special purpose vehicle (SPV).

△ Cash inflow
▽ Cash outflow
◁▷ Market-contingent cash flow

Transaction component	Day 1 Trade agreement	Days 2>40 Pricing period
	Brent contract = \$50 Dubai contract = \$49	Oil major issues invoice to Trafigura
Physical trade	Trafigura agrees: **(1)** To buy crude, **(2)** To sell crude (see key for trade details)	
Finance physical buy leg by issuing letter of credit (LC)		Bank issues LC, drawable on loading date
Hedge buy leg with Brent futures	▽ Buy 1,000 Brent futures @50 -\$2m (initial margin)	◁▷ Mark-to-market daily (variation margin)
Hedge sales leg with Dubai futures	▽ Sell 1,000 Dubai futures @49 -\$2m (initial margin)	◁▷ Mark-to-market daily (variation margin)
Freight cost		
Physical sales leg		
Net cash flow		

Trafigura funding model

Cash on hand

Headroom

- Transactional facilities
- Securitisation Programme
- Corporate Credit facilities

Transparency promotes stability

As a private company relying on debt to finance its operations, Trafigura's performance is closely scrutinised by a large group of banks worldwide. We comply with the financial covenants attached to our syndicated bank facilities. Members of the finance team regularly meet our banks. These meetings often include operationally focused personnel (from Credit, Compliance and Trading Desks) who provide additional insight into our business model. As an issuer of publicly listed debt, we also meet the transparency requirements of our bond investors. Our interim and full-year reports are published online. We hold regular calls and presentations to update investors and respond to specific queries directly.

Our three-pillar funding structure

1. Transactional facilities

All transaction-based lending is fully collateralised. We fund day-to-day trading through one-to-one (i.e., bilateral) agreements with individual banks. For most transactions, this starts with a bank issuing an LC on behalf of the buyer in favour of the seller. The physical commodity being financed by the LC is specified as security. On delivery, the seller of the commodity draws down the LC, which then converts into a secured loan from the LC-issuing bank. The loan is marked-to-market at least weekly until maturity so that the amount being financed always corresponds to the value of the underlying commodity. This secured loan is repaid by the cash flow from the on-sale of the commodity from Trafigura to the end-buyer, with a receivable created once the sale has been agreed. This receivable is either repaid when the counterparty pays Trafigura according to the credit terms of the transaction or from the securitisation programme if the receivable is sold into the programme.

2. Securitisation programme

Trafigura manages a securitisation programme through a separately capitalised SPV. The programme further diversifies Trafigura's funding sources and, thanks to its investment-grade ratings from Moody's and S&P, is a cost-effective financing mechanism. Most trades are financed on a trade-by-trade basis with bilateral trade finance loans, but Trafigura can fund eligible receivables once an invoice has been issued by selling them to the SPV. Securitising our receivables accelerates the rotation of existing credit lines, since secured bilateral loans can be repaid faster with the programme proceeds.

3. Corporate credit facilities

Trafigura invests in fixed assets to support our trading activity. We finance these with long-term debt adhering to our policy of matching assets with liabilities. We issue securities and negotiate lending facilities in diverse markets. Funding sources include eurobonds, perpetuals, revolving credit facilities, private placements and term loans.

Public ratings

Trafigura does not hold a public rating and does not seek to obtain one. The Group focuses on strengthening its balance sheet through long-term value creation.

We obtain our funding from stakeholders who understand our business model in detail and whose investment decisions are not driven by ratings. We have significantly expanded our sources of financing over the years by maintaining a sustainable credit standing that is consistent with an investment-grade profile.

Likewise, the absence of a rating means that Trafigura's business and investment decisions are not taken on the basis of maintaining a particular rating level, something which becomes particularly important at times of high-market volatility.

Days 41>45 **Loading**	Days 46>100 **Transportation**	Days 101>105 **Delivery**
Average Brent contract = $52 Average Dubai contract = $50		Trafigura issues invoice to refinery. Invoice is securitised with SPV as beneficiary.
Buy 1m bbls @ Brent-$1 Counterparty draws on LC -$51m		Sell 1m bbls @ Dubai +$4 (transaction value = $54m)
Drawdown amount moves onto balance sheet as secured loan: +$51m	Loan marked-to-market (physical excess/deficit)	Securitisation programme refinances loan -$51m (principal) -$85,000 (1% interest) for 60 days
Sell 1,000 Brent futures @52 +$2m (initial margin) (realised p/l = +$2m)		
Buy 1,000 Dubai futures @50 +$2m (initial margin) (realised p/l = -$1m)		
Charter tanker for 65 days @ $3.50/bbl -$3.5m		
		Securitisation vehicle receives payment for cargo from refinery +$54m on 30 days payment terms

Loading / Transportation	
• Return of initial margin:	+$4m
• Realised profit on futures:	+$1m
• Transportation costs:	-$3.5m
Total:	**+$1.5m**

Delivery	
• Proceeds from physical sale:	+$54m
• Repayment of loan principal:	-$51m
• Payment of loan interest:	-$85,000
Total:	**+$2.92m**

Net result

+ $415,000

Corporate governance

Board of Directors and Committees

Trafigura is owned by its management and senior employees, who are therefore focused on the long-term success of the business, promoting management depth and stability, and encouraging prudent risk management.

The reference parent company of the Group is Trafigura Group Pte. Ltd. (TGPL), incorporated in Singapore. All Group activities and assets globally are consolidated under TGPL, which is also the entity for all Group corporate reporting.

Board of Directors

The principal oversight body for the Group is the Board of Directors, a unitary structure established in accordance with Singapore law. The Board of Directors has overall responsibility for the strategic direction and management of the Group across all its investments and activities. It is responsible for oversight of the Group, shareholder relations and commercial and financing strategy. Members of the Board of Directors are listed on the opposite page. Formal meetings of the Board of Directors take place in Singapore at a minimum of four times a year.

In practice, those Directors with executive responsibilities are in constant touch with each other, and are actively involved in a range of management steering committees, as outlined here. Management of the Group is characterised by short reporting lines, flat structures, clear delineation and segregation of responsibilities, and personal accountability.

Employee remuneration at all levels is linked to Group performance as well as individual contribution. As shareholders, senior traders and front- and back-office personnel have a personal stake in the business and are therefore invested in its long-term success.

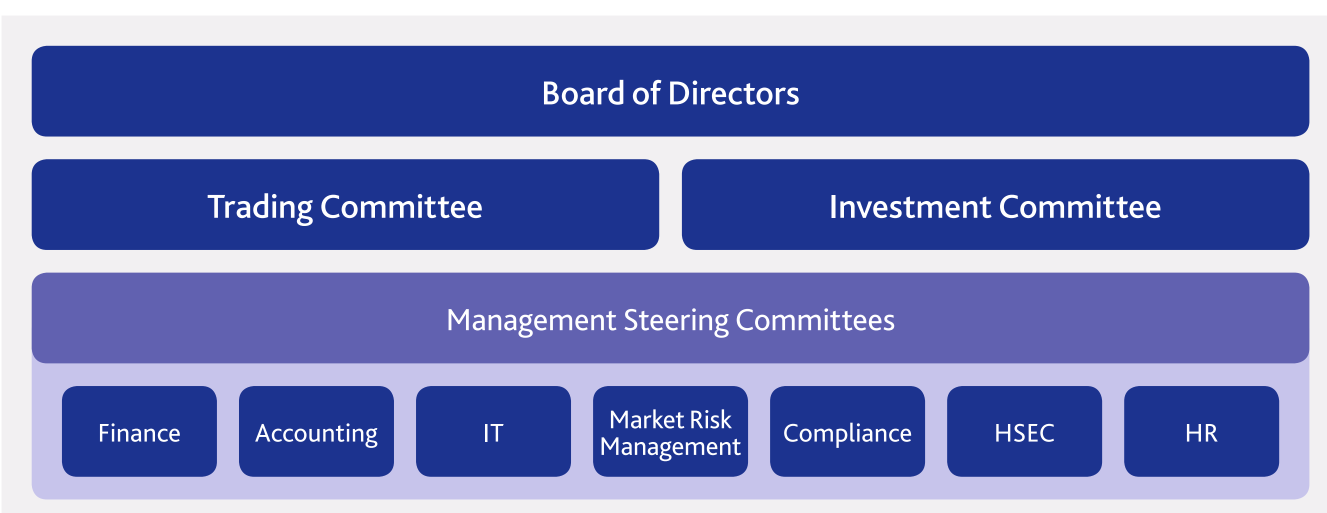
Management Steering Committees

Under the Board of Directors, a number of management steering committees coordinate the day-to-day management of Trafigura.

Two Management Committees sit below the Board of Directors to oversee the trading business on the one hand and investments on the other. The Trading Committee is responsible for managing the trading activities of Trafigura within the financial and operating parameters set by the Board.

The Investment Committee is responsible for defining and implementing an investment strategy and risk framework for the Group and its subsidiaries. The work of these committees has already enhanced our management process. In addition the following steering committees continue to provide vital support:

- Finance Committee
- Accounting Committee
- IT Steering Committee
- Market Risk Management Committee
- Compliance Committee
- HSEC Committee
- HR Group



Left to right: Christopher Cox, Pierre Lorinet, Andrew Vickerman, José Larocca, Jeremy Weir, Mike Wainwright, Sipko Schat, Mark Irwin.

Board of Directors

Jeremy Weir, Chief Executive Officer

Jeremy Weir was appointed CEO of Trafigura in March 2014, after a career spanning nearly three decades in commodity and commodity derivative markets. An Australian national, he joined the Trafigura Group in 2001 as head of metals derivatives, structured products and risk management. Immediately prior to his current appointment he served as a Management Board Director, Head of Risk and CEO of Galena Asset Management and Trafigura Mining Group. Before Trafigura, Jeremy spent nearly nine years between 1992 and 2000 with N M Rothschild. Jeremy holds a BSc (Hons), Geology Major from the University of Melbourne.

Mike Wainwright, Chief Operating Officer

Mike Wainwright was appointed Chief Operating Officer and Trafigura Management Board member in January 2008. His principal focus is the management of the middle and back office support teams for the trading division in addition to direct responsibility for the Group's profit and loss. Mike joined Trafigura in 1996 as an accounts assistant in the Oil Division. He has held various roles within the Group, covering accounting, deals desk and middle-office IT development. A UK national, Mike holds a BSc in Mathematics and Actuarial Studies from Southampton University.

José Larocca, Head of Oil and Petroleum Products Trading

José Larocca was appointed to the Trafigura Management Board and Head of the Oil and Petroleum Products Trading Division in March 2007. He was one of the company's earliest employees, joining Trafigura in London in 1994 on the Oil Deals Desk before taking a series of commercial roles, including as a trader of naphtha and gasoline. Prior to joining Trafigura, José worked for two years at Interpetrol, a small oil trading company in Buenos Aires. An Argentine national born in Switzerland, he holds a diploma in International Trading from the Bank Boston Foundation (Buenos Aires).

Pierre Lorinet

Pierre Lorinet was Chief Financial Officer of Trafigura from 2007 until 2015. In September 2015, Pierre joined the Board of Directors of Trafigura Group Pte. Ltd. and was also nominated on to the Board of Directors of Puma Energy. In 2017 he became independent Director and Chairman of the Audit Committee for COFCO International Ltd, the international trading subsidiary of COFCO group. Prior to joining Trafigura, Pierre worked for Merril Lynch in London and Banque Indosuez in Bahrain. A French national, he holds a Master's degree in Business from ESCP Europe in Paris and an MSc in Finance from Lancaster University.

Sipko Schat

Sipko Schat joined the Board of Directors in January 2016. A Dutch citizen, Sipko worked in the Rabobank Group for over 25 years, where he was a member of the Executive Board of Rabobank Nederland. He was also responsible for the Wholesale Clients division of Rabobank International and managed the Wholesale Management Team. Sipko is a Non-Executive Director of various companies including an independent member of the Supervisory Board and Chairman of the Risk Committee for Rothschild & Co (formerly Paris Orléans); Chairman of the Supervisory Board of Vion N.V., an international food company; and a senior independent Director of OCI N.V., a global producer of natural gas-based fertilizers and industrial chemicals. Sipko holds a Master of Laws degree from the University of Groningen, the Netherlands.

Mark Irwin

Mark Irwin is a UK-qualified chartered accountant who joined Trafigura as financial controller in 1994 and was appointed as a Director in 2004 to provide support for Trafigura's corporate and IT infrastructure. Mark holds a degree in Computer Science and Accounting from the University of Manchester.

Christopher Cox

Christopher Cox was formerly the Head of the Metals and Minerals Trading Division at Trafigura and a member of the Management Board between March 2004 and December 2011. A qualified geologist, his experience in global investment and trading relationships greatly enhances Trafigura's ability to continue its expansion in sub-Saharan Africa and further afield. Chris was educated in South Africa and holds a BSc (Hons) in Geology and an MBA from the University of Cape Town Graduate School of Business.

Andrew Vickerman

Andrew Vickerman spent almost 20 years with Rio Tinto, one of the world's leading mining companies, the last 10 as a member of the Executive Committee with responsibility for Global Communications and External Relations. An economist by background, with a PhD in economics from Cambridge University, he has previously worked for The World Bank and other international agencies.

Contents for the
Financial statements

Contents

Report of the auditor on the consolidated financial statements of Trafigura Group Pte. Ltd.

To the Shareholders and Board of Directors

Opinion

We have audited the consolidated financial statements of Trafigura Group Pte. Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 2017 and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 50 to 88 give a true and fair view of the consolidated financial position of the Group as at 30 September 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for opinion

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

We are independent of the Group in accordance with the provisions of the IESBA Code of Ethics for Professional Accountants, 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.

Our audit approach

Trafigura Group Pte. Ltd. is one of the world's largest independent commodity trading and logistics companies. The Group trades operationally across different geographical locations around the world within two primary segments, Oil and Petroleum Products and Metals and Minerals, both which are supported by the related shipping and chartering activities. The Metals and Minerals segment also encompasses the mining and logistics businesses. The Group also invests in terminals, storage warehouses, mines and other commodity-related assets, either directly or through equity stakes in joint ventures and associate companies over which they may have significant influence.

This was our first year audit of the consolidated financial statements of the Group. Initial audit engagements involve a number of considerations not associated with recurring audits, including obtaining evidence about whether the Group's opening balances contain misstatements that can materially affect the current period's consolidated financial statements and that the accounting policies are appropriately reflected in the opening balances and have been consistently applied in the current period's consolidated financial statements.

As such, our audit approach included a comprehensive transition plan that outlined the steps required to gain an initial understanding of the Group and its business, including its control environment, accounting policies and information systems. Our transition plan included, but was not limited to the following:

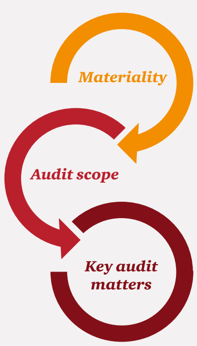
- We assessed and evaluated our compliance with independence requirements prior to our acceptance of the audit by performing an extensive review and confirmation process of any services provided to the Group and any other relationships between the Group and PwC offices in all the territories where there are operations;
- We met key management to gain an understanding of the Group's activities, any complex and significant business arrangements and areas of significant judgement (eg valuations, tax provisions, accounting policy alternatives) identified in the prior year financial reporting. These meetings also covered several items considered as 'Key audit matters' and described in the section below;
- We reviewed management's documentation regarding internal controls over financial reporting to assist in developing an understanding of the Group's financial reporting, business processes and relevant internal controls;
- We met with the predecessor auditors at the Group's key locations and reviewed their working papers in order to familiarise ourselves with the audit work performed, the Group's internal controls over financial reporting, the evidence relied upon by the predecessor auditor when issuing the prior year opinion and the audit documentation regarding key areas of management judgement; and
- Through our 2017 audit procedures, we obtained evidence regarding the Group's opening balances and the consistent application of appropriate accounting policies in the current period.

As a part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, especially in respect of significant accounting estimates that involved making assumptions and considering the impact of future events that are inherently uncertain. In Note 3(x) *Use of estimates and judgements of the financial statements,* the Group describes the areas of key judgements made in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the higher inherent risks of material misstatement, many of these areas were also considered by us to be key audit matters and are described in more detail in the section 'Key audit matters' of this report. We also addressed risk of management override of controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We ensured that the audit teams both at Group and at the component levels included the appropriate skills and competencies necessary for the audit of the Group's consolidated financial statements, including specialists in the areas of information technology, valuation, actuarial and taxes.

The outline of our audit approach is as follows:

Overview



Overall Group materiality: USD 65'000'000

We concluded full scope audit work at four components and specified procedures at two components. Specified procedures were also performed by a non-PwC audit firm over the valuation of Puma Energy Holdings Pte. Ltd. Overall our audit scope addressed approximately 92% of the Group's revenue and 84% of the Group's total assets.

As key audit matters, the following areas of focus have been identified:

- Complex trading systems and processes
- Fair value of physical commodity contracts and commodity hedges
- Impairment testing of non-current assets in Colombia and Brazil
- Evaluation of uncertain tax positions and valuation of deferred tax assets
- Determination of control of subsidiaries and joint arrangements

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 356 legal entities that are accounted for in financial ledgers. For the Group's financial reporting, these ledgers are aggregated into nine components: Oil and Petroleum Products, Metals and Minerals, Financing, Warehousing, DT Group, Mining, Overheads, Tax and Consolidation.

We identified four components that, in our view, required an audit of their financial information due to their size or risk characteristics. For these four components, the audit work was performed either centrally by the Group audit team or by another PwC audit firm at one of the Group's global service centres located in Mumbai, India or Montevideo, Uruguay under the direct guidance of the Group audit team. Additionally, we identified two components, that in our view, required specified procedures to be performed due to the significant or higher risk areas and were also included to achieve appropriate coverage over material balances.

We determined the level of our involvement in the audit work performed by the component auditors for the two other components where specified procedures were performed as well as for the work performed at the global service centres to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. Additionally, specified procedures were also performed by a non-PwC audit firm over the assertions surrounding the valuation of Puma Energy Holdings Pte. Ltd., a large equity investment of the Group.

In order to exercise the appropriate direction and supervision, the Group audit team performed the following procedures:

- We issued detailed audit instructions to the component auditors prescribing the scope of the work to be performed, the outcome of our risk assessment resulting in key audit areas, materiality to be applied and the reporting requirements to the Group audit team;
- Site visits were conducted by senior members of the Group team in Colombia, USA and China where briefings were held with local management and component audit teams to enable us to expand our understanding of the activities of the Group and potential implications on our audit approach;
- Members of the Group audit team worked directly on-site with the local teams performing audit procedures at the two global services centres in India, Mumbai and Montevideo, Uruguay;
- The Group audit team had several calls during the year with the component auditors to discuss the audit approach, progress of the audit and observations or findings, if any;
- Memorandums describing the procedures performed and results of the audit, as well as the audit reports issued by the component auditors were reviewed by the Group audit team. Observations and conclusions were also discussed with the component auditors and Group management; and
- To facilitate our direct review, local PwC teams in India and Uruguay documented their audit work directly in the Group audit team's files.

Further audit procedures over Group functions (including those relating to taxation, equity-based remuneration, valuation of certain non-current assets, litigation, consolidation and financial reporting disclosures) were performed by the Group audit team.

By performing the procedures described above at the components, combined with the additional procedures at a Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 65’000’000
How we determined it	5% of the three-year average profit before tax, adjusted for impairment losses, reversals and the impact from the sale of assets.
Rationale for the materiality benchmark applied	We chose profit before tax as the measure because, in our view, it is the measure against which the performance of the Group is most commonly assessed and is a generally accepted benchmark. We used a three-year average to allow for the volatility in earnings normally encountered in the commodity trading markets. The impairment losses, reversals and impact from the sale of assets are adjusted to normalise the profit before tax for non-recurring elements outside the normal course of business.

We agreed with the Board of Directors that we would report to them misstatements above USD 3’250’000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Complex trading systems and processes

Key audit matter	How our audit addressed the key audit matter
The Group's business is focused on commodity trade flows, including the transporting, storing and blending of a diverse portfolio of commodities to exploit natural arbitrage opportunities. To ensure the accurate capture of all the transactions for financial reporting, the Group relies on complex front-office trade and risk management systems with varying levels of integration, supported by manual reconciliations. The high volume of transactions and complexity of the systems heightens the risk of inaccurate or incomplete recording of transactions within the system. Minor errors, which repeat, could, have a material impact on the consolidated financial statements. Furthermore during 2017, the Group also migrated certain of its front-office and risk management systems to new platforms. This transition increased the challenges to ensure a robust control environment and the integrity of the financial information.	With the assistance of our specialists in trading and information technology, we performed the following: • Evaluated and tested the design and operating effectiveness of the Group's controls over the accounting and financial reporting of the trading operations, adapting our audit approach for any findings identified; • Tested the IT General Controls and IT dependencies controls associated with the various front, middle and back office systems and activities, including the changes associated with the migrated systems; • Performed data analytics to assist our testing of the revenue cycle (trade to cash) increasing our coverage and ensuring focus on non-standard, and therefore, more risky transactions; and • Agreed a sample selection of individual trade-related transactions to supporting documentation, including obtaining external confirmations where appropriate. As a result of these procedures, we were able to conclude that the financial reporting for the underlying trading transactions was complete and accurate.

Fair value of physical commodity contracts and commodity hedges

Refer to "Use of estimates and judgements" in Note 3(x) and Note 27

Key audit matter	How our audit addressed the key audit matter
The Group discloses USD 231 million and USD 327 million of "Level 3" financial assets and liabilities, respectively, for its physical commodity contracts which are the most judgemental category in the IFRS fair valuation hierarchy. Changes in these estimates may significantly impact the Group's future results. The majority of the physical purchase or sale commodity contracts entered by the Group are, however, short-term in nature. The significance in both size and volume of these short-term contracts, including an IT-supported, yet manual process to assess anomalies, presents inherent valuation risks. These shorter term contracts do involve less judgement in determining the fair value for financial reporting; however, the Group does hold a portfolio of long-dated physical commodity contracts that require more assumptions. The Group has also entered into a number of derivatives to hedge a tolling agreement with a splitter refinery. The fair value of the tolling agreement was USD 163 million at 30 September 2017, hedged with derivative instruments totalling USD 179 million. Ineffectiveness of this hedge relationship would impact the consolidated statement of income. The fair valuation of these physical contracts and commodity hedges involves significant estimates, especially when the Group is required to use unobservable inputs, adopt market based assumptions or make comparisons to similar instruments. These judgements become more significant in less liquid markets or for longer-dated contracts. These fair valuations are calculated and managed manually.	We included financial instrument and treasury specialists directly in our team to evaluate management's approach to estimating the fair valuations and performed the following: • Evaluated the Group's process and controls for capturing and reviewing the inputs into the fair value estimates, including the relevant IT systems; • Substantively tested the forward curve calculations for a sample of physical and paper contracts across all commodities traded by the Group, including the verification of the relevant inputs, such as observable benchmark prices for similar products or adjustments for quality and location; • Evaluated the reasonableness of the methodology and any assumptions adopted by management in their forward curve pricing and hedging models, especially those of higher judgement for unobservable inputs. This was performed by benchmarking management's approach to our understanding of industry practices, agreeing or comparing the model support to observable market pricing inputs, and evaluating the reasonableness of using differing alternatives to calculating fair value. We also verified the consistent application across the population; and • Where manual calculations were involved, tested the mathematical accuracy of the models and verified the input curves to external sources. We were able to conclude that the significant judgements were reasonable and free from bias as well as the appropriateness of the valuation models used and their consistent application.

Impairment testing of non-current assets in Colombia and Brazil
Refer to Notes 11, 13, and 16

Key audit matter	How our audit addressed the key audit matter
The Group invests in ports and terminals to support its trading activities. With the input of local management, the Group assesses market conditions and country specific risks to determine if there are any triggering events that may be indicators of an impairment of the asset carrying amounts. This resulted in two significant investments being reviewed by management: *Impala Terminals Colombia inland port* The Group has constructed a river port to transport wet and dry bulk cargoes along the Magdalena River, one of Colombia's main waterways. The carrying amount of the total multimodel project as one cash generating unit was USD 1,065 million at 30 September 2017. The port's potential profitability is hindered by the Colombian government's delays of its planned dredging of the Magdalena River. The depth of the Magdalena River determines the ease of navigability and how much each barge convoy can load. The dredging project is now delayed until a new contractor is mandated to complete the project; management expects the dredging project to commence in 2018 and to be completed by 2019. These delays impact the volume and timing of future cash flows. Management also used other significant assumptions in its valuation model, including discount rate, tariffs, mix and level of volumes and costs and expenses. Management's assessment resulted in no impairment being recorded. *Investment in Porto Sudeste do Brazil S.A. including the fair value of the related debt securities* The Group holds a 49.2% interest in a joint venture which owns and operates an iron ore port facility in Brazil. In 2016, the Group recorded a USD 250 million impairment primarily due to the depressed iron ore prices and low volumes. The Group's exposure at 30 September 2017 was USD 65 million. Although volumes and pricing have improved in 2017, there is still limited headroom between the estimated fair value and actual carrying amounts. Management re-assessed the impairment risk in 2017 and determined no further impairment was required. Linked to this investment, the Group also holds listed debt securities totalling USD448 million which are accounted for at fair value through profit and loss. The performance of these debt instruments is dependent on the future throughput results of the port. As there is limited liquidity of these debt securities, the fair value is based on a Level 3 valuation using the key assumptions of the port's business plan that underlie the impairment test. A 10% discount is also applied due to lack of marketability. Management engaged an independent valuation expert to assist them in their valuation of these instruments. The estimates and judgements used in the impairment and fair value assessments are significant, open to bias and are considered to be a key audit matter.	Building on the visibility already gained during the auditor transition process, we obtained the valuation models and met with management to gain an overview of the triggering events, market and operational factors and key assumptions supporting the Group's impairment assessment. With the assistance of our internal valuation specialists, we performed the following procedures for the impairment risks in Colombia and Brazil: • Gained an understanding of the controls and process for collecting the inputs into the valuation models to evaluate the design of the Group's controls over its impairment assessment and challenged the appropriateness of the inputs and significant assumptions, including the cash flow projections, discount rate, volumes, tariffs, costs and expenses as well as the impact of the expected finalisation of the river improvement project specific to Colombia. • Re-performed the valuation calculations; benchmarked the valuation model with generally accepted valuation techniques; compared historical estimates used by management to actual results, recognising that both assets have only been in operations for limited amount of time; • Re-performed the calculations supporting the sensitivity analysis prepared by management for the forecasted assumptions over volumes, discount rates, commodity prices, foreign exchange and operating costs; we performed our own independent calculations where applicable, especially when only a lower headroom was available. The risk of management bias was considered in our work. • Assessed the appropriateness of disclosures included in the financial statements, including key assumptions used and inherent sensitivities of the financial results to these assumptions. Specifically for the listed debt securities, we have also assessed the objectivity and competence of the valuation expert used by management to determine the fair value of the listed debt securities. The procedures performed over the port impairment model were used to determine the appropriateness of the fair value calculation of these instruments. We were able to conclude that the significant judgements were reasonable and free from bias as well as the appropriateness of the valuation models used and their consistent application.

Evaluation of uncertain tax positions and valuation of deferred tax assets
Refer to "Use of estimates and judgements" in Note 3(x) and Note 10

Key audit matter	How our audit addressed the key audit matter
The Group has significant intercompany transactions among companies in the numerous jurisdictions where it operates, with certain jurisdictions having varying levels of maturity in regards to acceptance by the local tax authorities of global transfer pricing practices that are specific to the Group in each territory. Changes in the tax legislation, interpretations or the underlying business model, as well as one-off transactions, may create or crystallize tax exposures in a particular country. The Group's assessment on whether it should provide for an uncertain tax position involves significant judgements over the applicable tax legislation in the jurisdiction of the underlying transactions and interpretation of complex transfer pricing rules. At 30 September 2017, the Group's deferred tax asset resulting from net operating losses was USD 169 million. The assessment of the valuation of deferred tax assets resulting from net operating losses and temporary differences involves judgement around the feasibility of the long-term future profitability and development of the activities.	To assess the recognition and valuation of the Group's capitalized net operating losses and resulting deferred tax assets, also the provision for uncertain tax positions made by the Group, we performed the following with the assistance of our tax specialists: • Agreed net operating losses to prior year returns to determine their existence and assessed if the associated deferred tax asset were properly netted against any deferred tax liabilities; • Reviewed management's assessment of the recoverability of the deferred tax assets by testing the assumptions supporting projected forecasts. The assumptions supporting this analysis were consistent with the impairment assessment described above, including the review of differences between historical estimates and actual results; • Evaluated the probability of future cash outflows of specific, uncertain tax risks identified by the Group; • Assessed the Group's application of its transfer pricing policies that are specific to the Group in each jurisdiction, paying particular attention to changes in the applicable local fiscal regulations. Further, we tested a sample of intercompany transactions to their applicable transfer pricing policies. • Analysed the tax positions by benchmarking the assumptions and methodologies adopted by the Group to our understanding of local tax practices. We also assessed the adequacy of the Group's disclosures on deferred tax assets and uncertain tax positions using our understanding. We did not identify any material differences between our independent assessment and the amounts of the deferred tax assets and provisions recorded by management; we found the judgements made by management to be reasonable.

Determination of control of subsidiaries and joint arrangements
Refer to "Use of estimates and judgements" in Note 3(x) and Note 13 and 26

Key audit matter	How our audit addressed the key audit matter
Under the financial reporting framework, the Group is required to determine whether it controls an entity, and consequently, whether it needs to consolidate that entity into the consolidated financial statements. Specifically, the Group assesses whether it has the power over the relevant activities of the entity, exposure to its variable returns or the ability to use power to impact returns of the entity. This is considered a key audit matter because of the judgements often required to assess the impact of complex contractual terms and underlying business rationale. The Group has certain investments in companies, which are not consolidated and whose results are accounted for in the Group's consolidated financial statements based on their equity share ownership. The most significant of the Group's investments is a 49.6% investment in Puma Energy Holdings Pte. Ltd. which was deconsolidated as of 30 September 2013 following the sale of the majority interest. The Group is also a partial guarantor to an entity, Trafigura Investment Sarl, which was also restructured and deconsolidated in 2014 using external banks to source trade finance funding. The impact of the decision regarding the existence of control significantly impacts the accuracy, completeness and presentation of the financial statements and potentially, the debt covenant ratios which are included in the covenants to the Group's debt financing arrangements.	We obtained an understanding of the investments and entities, their structure and relationships to the Group (funding, supply agreements, governance structures) and their business rationale. In particular, we sought to capture any changes in the relationship that would impact the original assumptions adopted for investments existing in prior years. We inquired of various members of management to corroborate the representations being received and reviewed contracts, supply agreements, amendments, minutes and other supporting documentation offering further clarity into the question over control. We involved our accounting specialists to assist in our assessment of management's conclusions against the IFRS guidance and to ensure we had considered all possibly factors in this assessment. As a result of our procedures, we determined that the judgements adopted by management were reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements of Trafigura Group Pte. Ltd. and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as issued by the IASB, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers SA

/s/ TRAVIS RANDOLPH	**/s/ EWA ANSELM-JEDLINSKA**
Travis Randolph	**Ewa Anselm-Jedlinska**

Geneva, Switzerland
8 December 2017

A. Consolidated statement of income

	Note	2017 USD'M	2016 USD'M
Revenue	7	**136,420.7**	98,097.8
Cost of sales		**(134,181.7)**	(95,806.6)
Gross profit	4	**2,239.0**	2,291.2
Other income/(expenses)	8	**163.2**	(233.2)
General and administrative expenses	9	**(945.0)**	(946.7)
Results from operating activities		**1,457.2**	1,111.3
Finance income		**557.1**	387.0
Finance expense		**(813.4)**	(507.7)
Net financing costs		**(256.3)**	(120.7)
Share of profit/(loss) of equity-accounted investees	13	**(232.2)**	94.3
Profit before tax		**968.7**	1,084.9
Income tax expense	10	**(81.4)**	(110.2)
Profit for the year		**887.3**	974.7
Profit attributable to			
Owners of the Company		**847.7**	750.8
Non-controlling interests	22	**39.6**	223.9
Profit for the year		**887.3**	974.7

See accompanying notes

B. Consolidated statement of other comprehensive income

	Note	2017 USD'M	2016 USD'M
Profit for the year		**887.3**	974.7
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Gain/(loss) on cash flow hedges	21	**(17.4)**	43.8
Tax on other comprehensive income	10	**(1.0)**	(2.8)
Exchange loss on translation of foreign operations		**18.6**	(70.0)
Share of other comprehensive income from associates		**(38.2)**	(44.6)
Items that will not be reclassified to profit or loss:			
Net change in fair value through other comprehensive income assets	16	**8.6**	(31.7)
Defined benefit plan actuarial gains/(losses), net of tax		**0.7**	–
Other comprehensive income for the year net of tax		**(28.7)**	(105.3)
Total comprehensive income for the year		**858.6**	869.4
Total comprehensive income attributable to:			
Owners of the Company		**819.0**	631.1
Non-controlling interests		**39.6**	238.3
Total comprehensive income for the year		**858.6**	869.4

See accompanying notes

C. Consolidated statement of financial position

	Note	30 September 2017 USD'M	30 September 2016 USD'M
Assets			
Property, plant and equipment	11	**2,190.8**	2,345.0
Intangible assets	12	**203.7**	230.5
Equity-accounted investees	13	**3,487.9**	3,464.4
Prepayments	14	**608.8**	945.3
Loans receivable	15	**670.7**	801.3
Other investments	16	**635.0**	540.3
Derivatives	27	**147.5**	97.3
Deferred tax assets	10	**153.2**	103.8
Total non-current assets		**8,097.6**	8,527.9
Inventories	17	**13,926.7**	11,537.7
Trade and other receivables	18	**17,506.3**	15,199.9
Derivatives	27	**462.9**	476.3
Prepayments	14	**3,130.4**	2,259.9
Income tax receivable	10	**88.4**	78.7
Deposits	20	**338.3**	7.9
Cash and cash equivalents	20	**4,988.7**	3,141.9
Total current assets		**40,441.7**	32,702.2
Non current assets classified as held for sale	11	**68.3**	–
Total assets		**48,607.6**	41,230.1
Equity			
Share capital	21	**1,503.7**	1,503.7
Capital securities	21	**1,247.3**	646.7
Reserves	21	**(606.1)**	(558.7)
Retained earnings	21	**3,900.5**	3,956.3
Equity attributable to the owners of the Company		**6,045.4**	5,548.0
Non-controlling interests	22	**339.4**	299.1
Total group equity		**6,384.8**	5,847.1
Liabilities			
Loans and borrowings	23	**7,401.1**	7,234.2
Derivatives	27	**267.8**	237.8
Provisions	24	**90.9**	69.3
Deferred tax liabilities	10	**188.6**	189.5
Total non-current liabilities		**7,948.4**	7,730.8
Current tax liabilities	10	**207.6**	245.6
Loans and borrowings	23	**23,853.5**	18,033.0
Trade and other payables	25	**9,778.4**	8,952.5
Derivatives	27	**434.9**	421.1
Total current liabilities		**34,274.4**	27,652.2
Total group equity and liabilities		**48,607.6**	41,230.1

See accompanying notes

D. Consolidated statement of changes in equity

		Equity attributable to the owners of the Company									
USD'000	Note	Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year	Total	Non-controlling interest	Total Group equity
Balance at 1 October 2016		1,503,727	(549,763)	(23,023)	14,057	646,724	3,205,489	750,817	5,548,028	299,079	5,847,107
Profit for the year		–	–	–	–	–	–	847,710	847,710	39,583	887,293
Other comprehensive income		–	23,865	8,583	(61,800)	–	661	–	(28,691)	(21)	(28,712)
Total comprehensive income for the year		–	23,865	8,583	(61,800)	–	661	847,710	819,019	39,562	858,581
Profit appropriation		–	–	–	–	–	750,817	(750,817)	–	–	–
Dividend	21	–	–	–	–	–	(933,877)	–	(933,877)	–	(933,877)
Transfer revaluation reserve to retained earnings FVOCI instruments	16	–	–	(18,186)	–	–	18,186	–	–	–	–
Acquisition of non-controlling interest in subsidiary		–	–	–	–	–	–	–	–	735	735
Share-based payments	28	–	–	–	–	–	82,151	–	82,151	–	82,151
Capital securities issued	21	–	–	–	–	600,000	(5,519)	–	594,481	–	594,481
Capital securities (currency translation)		–	–	–	–	594	(594)	–	–	–	–
Capital securities dividend		–	–	–	–	–	(70,656)	–	(70,656)	–	(70,656)
Dilution gain from capital contribution in equity-accounted investees		–	–	–	–	–	4,377	–	4,377	–	4,377
Reclassification		–	175	–	–	–	(175)	–	–	–	–
Share of other changes in equity of associates		–	–	–	–	–	1,916	–	1,916	–	1,916
Other		(5)	–	–	–	–	8	–	3	(9)	(6)
Balance at 30 September 2017		**1,503,722**	**(525,723)**	**(32,626)**	**(47,743)**	**1,247,318**	**3,052,784**	**847,710**	**6,045,442**	**339,367**	**6,384,809**

See accompanying notes

		Equity attributable to the owners of the Company									
USD'000	Note	Share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Capital Securities	Retained earnings	Profit for the year	Total	Non-controlling interest	Total Group equity
Balance at 1 October 2015		1,503,727	(420,828)	(57,313)	(27,765)	640,617	2,726,577	1,235,891	5,600,906	56,734	5,657,640
Profit for the year		–	–	–	–	–	–	750,817	750,817	223,926	974,743
Other comprehensive income		–	(129,832)	(31,701)	41,822	–	–	–	(119,711)	14,389	(105,322)
Total comprehensive income for the year		–	(129,832)	(31,701)	41,822	–	–	750,817	631,106	238,315	869,421
Profit appropriation		–	–	–	–	–	1,235,891	(1,235,891)	–	–	–
Dividend	21	–	–	–	–	–	(719,059)	–	(719,059)	–	(719,059)
Transfer revaluation reserve to retained earnings FVOCI instruments		–	–	65,991	–	–	(65,991)	–	–	–	–
Acquisition of non-controlling interest in subsidiary		–	–	–	–	–	–	–	–	4,532	4,532
Share-based payments	28	–	–	–	–	–	77,656	–	77,656	–	77,656
Subsidiary equity distribution		–	–	–	–	–	–	–	–	(502)	(502)
Capital securities (currency translation)		–	–	–	–	6,107	(6,107)	–	–	–	–
Capital securities dividend		–	–	–	–	–	(48,990)	–	(48,990)	–	(48,990)
Acquisition of subsidiaries from parent company	21	–	–	–	–	–	6,479	–	6,479	–	6,479
Reclassification		–	897	–	–	–	(897)	–	–	–	–
Share of other changes in equity of associates		–	–	–	–	–	(33)	–	(33)	–	(33)
Other		–	–	–	–	–	(37)	–	(37)	–	(37)
Balance at 30 September 2016		**1,503,727**	**(549,763)**	**(23,023)**	**14,057**	**646,724**	**3,205,489**	**750,817**	**5,548,028**	**299,079**	**5,847,107**

See accompanying notes

E. Consolidated statement of cash flows

	Note	2017 USD'M	2016 USD'M
Cash flows from operating activities			
Profit before tax		**968.7**	1,084.9
Adjustments for:			
Depreciation	11	**135.8**	148.4
Amortisation of intangible assets	12	**63.2**	56.3
Provisions	24	**18.8**	(6.7)
(Gain)/loss on fair value through profit and loss instruments	16	**(118.7)**	134.2
Impairment losses on financial fixed assets	16	**23.8**	39.8
Reversal of Impairment losses on non-financial fixed assets	8	**–**	(243.6)
Impairment losses on non-financial fixed assets	8	**17.4**	75.1
Impairment losses on equity-accounted investees	13	**4.2**	250.0
Net finance costs		**256.3**	120.7
Share of (profit)/loss of equity-accounted investees	13	**232.2**	(94.3)
(Gain)/loss on sale of non-financial fixed assets	8	**0.4**	(12.4)
(Gain)/loss on sale of equity accounted investees	8	**(3.0)**	5.4
(Gain) on sale of other investments	8	**(0.6)**	(0.1)
(Gain)/loss on divestments of subsidiaries	8	**(30.8)**	(20.3)
Equity-settled share-based payment transactions	28	**82.2**	77.7
Operating cashflow before working capital changes		**1,649.8**	1,615.1
Changes in:			
Inventories		**(2,387.8)**	(3,925.1)
Trade and other receivables and derivatives		**(2,343.0)**	701.3
Prepayments		**(534.5)**	(392.9)
Trade and other payables and derivatives		**385.0**	(562.5)
Cash generated from/(used in) operating activities		**(3,230.5)**	(2,564.2)
Interest paid		**(819.8)**	(544.8)
Interest received		**523.8**	376.4
Dividends (paid)/received		**35.8**	13.2
Tax (paid)/received		**(180.8)**	(107.7)
Net cash from/(used in) operating activities		**(3,671.5)**	(2,827.1)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	**(318.7)**	(668.3)
Proceeds from sale of property, plant and equipment	11	**159.6**	514.0
Acquisition of intangible assets	12	**(51.6)**	(48.9)
Proceeds from sale of intangible assets		**0.1**	0.8
Disposal of assets/liabilities held for sale		**(0.3)**	–
Acquisition of equity accounted investees	13	**(374.9)**	(543.7)
Disposal of equity accounted investees	13	**26.5**	26.6
Acquisition of loans receivable and advances	15	**(119.6)**	(116.6)
Repayment of loans receivable and advances	15	**168.2**	31.5
Acquisition of other investments	16	**(72.8)**	(20.7)
Disposal of other investments	16	**107.6**	121.4
Acquisition of subsidiaries, net of cash acquired		**(0.8)**	–
Disposal of subsidiaries, net of cash disposed of	6	**64.7**	637.1
Net cash from/(used in) investing activities		**(412.1)**	(66.8)
Cash flows from financing activities			
Proceeds from the issue of capital securities	21	**594.5**	–
Payment of capital securities dividend	21	**(69.6)**	(49.0)
Proceeds from capital contributions to subsidiaries by non-controlling interests	22	**0.7**	3.4
Dividend/Payment in relation to the share redemption by the direct parent company	21	**(568.9)**	(719.1)
Proceeds from long-term loans and borrowings	23	**586.3**	100.8
Payment of finance lease liabilities	23	**(5.2)**	(12.2)
Increase of short-term bank financing	23	**5,392.6**	3,177.7
Net cash from/(used in) financing activities		**5,930.4**	2,501.6
Net increase/(decrease) in cash and cash equivalents		**1,846.8**	(392.3)
Cash and cash equivalents at 1 October	20	**3,141.9**	3,534.2
Cash and cash equivalents at 30 September (note 24)		**4,988.7**	3,141.9

F. Notes to consolidated financial statements

1. Corporate information

The principal business activities of Trafigura Group Pte. Ltd. (the Company) and together with its subsidiaries (the Group) are trading and investing in crude and petroleum products, non-ferrous concentrates, refined metals and bulk commodities such as coal and iron ore. The Group also invests in assets, including through investments in associates, which have strong synergies with its core trading activities. These include storage terminals, service stations, metal warehouses and mines.

The Company is incorporated in Singapore and its principal business office is at 10 Collyer Quay, Ocean Financial Centre, #29-00, Singapore, 049315.

The immediate and ultimate holding companies of the Company are Trafigura Beheer B.V. and Farringford N.V., respectively. Trafigura Beheer B.V. is incorporated in The Netherlands and Farringford N.V. is incorporated in Curacao.

The consolidated financial statements for the year ended 30 September 2017 were authorised for issue by the Board of Directors on 7 December 2017.

2. Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements have been prepared under the historical cost convention except for inventories, derivatives and certain other financial instruments that have been measured at fair value. The consolidated financial statements have been prepared on a going concern basis.

a. Functional and presentation currency

The Group's presentation currency is the US dollar (USD) and all values are rounded to the nearest tenth of a million (USD'M 0.1) except when otherwise indicated. The US dollar is the functional currency of most of the Group's principal operating subsidiaries. Most of the markets in which the Group is involved are USD denominated.

3. Significant accounting policies

The consolidated financial statements have been prepared in compliance with IFRS. The company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position and throughout all periods presented, as if these policies had always been in effect.

a. Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of all subsidiaries and branch offices, which the Company, either directly or indirectly, controls. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee.

Subsidiaries are consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred to a person or entity outside of the control of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions with any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received being recognised directly in equity and attributed to equity holders of the Company.

If the Company loses control, the Company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. The parent's share of components previously recognised in other comprehensive income (OCI) is reclassified to profit and loss or retained earnings, as would be required if the Company had directly disposed of the related assets or liabilities. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an equity investment depending on the level of influence retained.

Non-controlling interests in subsidiaries are identified separately from the Company's equity and are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b. Investments in equity-accounted investees

Associates and joint ventures (together 'Associates') in which the Group exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control those policies. Joint control is established by contractual agreement and requires unanimous consent for strategic financial and operating decisions. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method the investment in an Associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share in the net assets of the Associate or joint venture since acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in the Associate, unless the sale or contribution of assets constitute a business in which case the gains and losses are recognised in full.

The aggregate of the Group's share of profit or loss of equity-accounted investees is shown on the face of the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired.

The financial statements of the Associates are prepared for the same reporting period as the Group, unless otherwise indicated.

Changes in the Group's interest in Associates are accounted for as a gain or loss on disposal with any differences between the amount by which the carrying value of the Associate is adjusted and the fair value of the consideration received being recognised directly in the statement of income.

c. Business combinations

The Company accounts for its business combinations under the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If a business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss except when measured at fair value through OCI. The remeasured stake is then considered in the determination of goodwill.

If the consideration transferred for a business combination exceeds the fair values attributable to the Group's share of the identifiable net assets, the difference is treated as goodwill, which is not amortised but is reviewed annually for impairment or when there is an indication of impairment. If a business combination results in a negative goodwill, the Group reassesses whether it has correctly identified and measured all assets acquired and all liabilities assumed. If the negative goodwill remains after the reassessment, it is recognised as a gain in the profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

d. Fair value measurement

The Group measures financial instruments, such as derivatives, and certain non-derivative financial assets, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 27i.

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 Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

F. Notes to consolidated financial statements

e. Foreign currency

(i) Foreign currency transactions

Subsidiaries, joint ventures and equity accounted investees record transactions in the functional currency of the economic environment in which they operate. Transactions in currencies other than the functional currency of the subsidiary, joint ventures and equity investees are recorded at the rates of exchange prevailing at the date of the transaction.

Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and gains and losses are reported in the statement of income.

(ii) Foreign operations

Upon consolidation, the balance sheets of subsidiaries with functional currencies other than the USD are translated at the rates of exchange prevailing at the end of the year. The statements of income denominated in currencies other than the USD are translated at the average rate for the year which is considered as the best estimate of transaction dates. The resulting exchange differences are recorded in equity through other comprehensive income and are included in the statement of income upon sale or liquidation of the underlying foreign operation.

f. Financial instruments

The financial assets are classified in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. Reclassification takes place at the first day of the financial year following the financial year in which the business model changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date ie, the date that the Group commits to purchase or sell the asset.

Subsequent measurement of debt instruments depends on the Groups business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade and other receivables, and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in other income.

(ii) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at amortised cost;
- Debt investments that do not qualify for measurement at fair value through other comprehensive income; and
- Debt investments that have been designated at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, debt securities and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income/(expenses) in statement of income. Interests, dividends and gain/loss on foreign exchange on financial assets at fair value through profit or loss are included separately in finance income or other income respectively.

The Group enters into prepayment agreements where purchases of commodities are prepaid. When the prepayment agreement can be settled in cash or another financial asset, it is classified at amortised cost in line with IFRS 9. When settlement of the prepayment agreement solely occurs by having the commodities physically delivered, these agreements are not classified as financial instruments as they do not meet the definition of a financial asset. For the clauses in the contracts which might result in cash settlement instead of physical delivery, the objective of the contract and the economic reality of such clauses, determine the classification. Interest received on prepayment agreements is presented in finance income in the statement of income.

The Group invested in listed equity securities and unlisted equity investments. The Group subsequently measures all equity investments at fair value. The Group classifies the following financial assets at fair value through profit or loss:

- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Where Group management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of income. Dividends from such investments continue to be recognised in statement of income as other income when the Groups' right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of income as applicable.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities

The Group measures non-derivative financial liabilities at amortised cost. The non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Derivative financial instruments, including hedge accounting

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when the Group becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Any attributable transaction costs are recognised in statement of income as incurred.

The Group utilises derivative financial instruments (shown separately in the statement of financial position) to hedge its primary market risk exposures, primarily risks related to commodity price movements, and to a lesser extent, exposure to foreign currency exchange rates and interest rate movements. Commodity derivative contracts may be utilised to hedge against commodity price risk for fixed priced physical purchase and sales contracts, including inventory. Commodity swaps, options and futures are used to manage price and timing risks in conformity with the Company's risk management policies.

Generally, the Group does not apply hedge accounting, but in some instances it may elect to apply hedge accounting. The Group elects to apply fair value hedge accounting to hedge certain risk components of non-financial hedged items. When applicable, The Group designates derivative hedging instruments as fair value hedges in relationship to the hedged item. The hedged item may be individual risk components which are separately identifiable and reliably measurable. The designated hedge derivatives are accounted for at fair value through profit and loss and reflected on the statement of financial position as either a recognised asset or liability or an unrecognised firm commitment. Each of the identified risk components of the hedged item will be revalued at each period with its corresponding benchmark accounted for at fair value and recognised through statement of income and reflected on the statement of financial position as either a recognised asset or liability or an unrecognised firm commitment. The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

Those derivatives qualifying and designated as hedges are either (i) a fair value hedge of the change in fair value of a recognised asset or liability or an unrecognised firm commitment, or (ii) a cash flow hedge of the change in cash flows to be received or paid relating to a recognised asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a fair value hedge is reflected together with the change in the fair value of the hedged item in the statement of income. A change in the fair value of derivatives designated as a cash flow hedge is initially recognised as a cash flow hedge reserve in OCI. The deferred amount is then released to the statement of income in the same periods during which the hedged transaction affects the statement of income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity and are reclassified to statement of income when the forecast transaction affects in profit or loss.

F. Notes to consolidated financial statements

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (ie the underlying contractual cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and noncurrent portions).

g. Cash and cash equivalents

Cash and cash equivalents include all cash on hand and short-term highly liquid investments such as deposits with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short term deposits as defined above.

h. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The costs of major repairs and maintenance (dry-docking or turnarounds) are capitalised and depreciated over their useful life.

Gains or losses on disposal of an item of property, plant and equipment are recorded in the statement of income under 'Other income/(expense)'.

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Upon completion, the cost of construction is transferred to the appropriate category.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Assets under construction are not depreciated.

Depreciation of assets held under finance leases is calculated over the shorter of the lease term or the estimated useful life of the asset.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings 20-33 years
- Machinery and equipment 3-20 years
- Barges and vessels 10-20 years
- Other fixed assets 1-5 years

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

(iv) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie assets that necessarily take a substantial period of time to get ready for their intended use or sale, are calculated using the effective interest rate method and are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs (including borrowing costs related to exploration and evaluation expenditures) are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs directly in connection with the borrowing of funds.

i. Intangible assets and goodwill

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see note c.

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or group of cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain and loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the carrying amount of the disposed operation and the portion of the cash-generating unit retained.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

(ii) Mineral and petroleum rights

Mineral and petroleum reserves, resources and rights (together 'Mineral rights') which can be reasonably valued, are recognised in the assessment of fair values on acquisition. Mineral rights for which values cannot be reasonably determined are not recognised. Exploitable Mineral rights are amortised using the unit of production method over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

(iii) Other intangible assets

Other intangible assets include licences and software development costs and are stated at cost, less accumulated amortisation and accumulated impairment losses. Licences are amortised over the term of the licence, generally not exceeding 10 years. The estimated useful life of software is between 3-5 years.

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in the accounting estimates.

Gains or losses on disposal of intangible assets are recorded in the statement of income under 'Other income/(expense)'.

j. Leases

The Group is the lessee of equipment, buildings, vessels and terminals under various operating and finance leases. The Group classifies its leases as operating or finance leases based upon whether the lease agreement transfers substantially all the risks and rewards of ownership.

For leases determined to be finance leases, an asset and liability are recognised at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments during the lease term. Such assets are amortised on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset taking into account the residual value, with depreciation included in depreciation expense.

Leases that do not qualify as finance leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

If a sale and leaseback transaction can be classified as an operational lease, which implies that substantially all the risks and rewards of ownership of the lease agreement have been transferred, the difference between the carrying value and the consideration of the sold assets will be accounted for in the profit and loss under other income and expenses.

k. Inventories

Trading-related inventories are measured at fair value less costs to sell. Fair value movements are included in cost of sales.

Inventories of non-trading related products are measured at the lower of cost or net realisable value. Costs comprise all costs of purchases and other costs incurred.

l. Impairment of financial instruments

Non-derivative financial assets

The Group assesses the expected credit losses associated with its debt instruments and trade receivables carried at amortised cost and fair value through other comprehensive income. The impairment provisions for financial assets disclosed in notes 15 and 16 are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. In calculating the expected credit loss rates for trade receivables, the company considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. Refer to note 18 for the loss provision on trade receivables.

Loans receivable

Over the term of the loans, the Group manages its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparties, and adjusts for forward looking macroeconomic data. The Group classifies its loans receivable in three categories that reflect their credit risk as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Non-performing	Interest and/or principal repayments are past due and credit risk level shows a significant increase	Lifetime expected losses
Write-off	Based on observable data the interest and/or principal will not be collected	Asset is written off through profit or loss to extent of expected loss

The Group recognises expected credit losses when a payment is received past its due date (default), even though it is received in full. Refer to note 15 for the loss provision on loans receivable.

F. Notes to consolidated financial statements

Write-off

The Group also assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If the decrease in impairment relates to an objective event occurring after the impairment was recognised, a previously recognised impairment loss is reversed to a maximum of the amount required to carry the asset at amortised cost at the time of the reversal if no impairment had taken place while taking into consideration the expected credit losses associated to the instrument. The Group recognises in profit or loss, as an impairment gain, the amount of expected credit losses reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised under the expected credit loss model.

m. Accrued turnover

Accrued turnover relates to sales made before the end of the year that have not been invoiced at the balance sheet date. Reasons for such delays include the need to determine final pricing, quantity and quality analysis. All are typical of the industry in which the Group operates.

n. Employee benefits

(i) Post-employment benefits

Pensions and other post-employment benefits, wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Unvested past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in profit or loss during the period in which the settlement or curtailment occurs. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on plan assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. Actuarial gains and losses are recognised in full within other comprehensive income in the year in which they occur. The defined benefit pension plan surplus or deficit in the consolidated statement of financial position comprises the total for each plan at the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Contributions to defined contribution schemes are recognised in profit or loss in the period in which they become payable.

(ii) Employee share incentive plan and employee share trust

Employees of the Group receive remuneration in the form of shares of the immediate holding company Trafigura Beheer B.V. as consideration for services rendered. This is considered an equity-settled share scheme as the Company neither has a present legal nor constructive obligation to settle in cash nor has a past practice or stated policy of settling in cash.

The cost of the equity-settled transactions is measured at fair value at the grant date taking into account the terms and conditions upon which the shares were granted. This fair value is expensed over the vesting period with a corresponding credit to equity. For shares that immediately vest, the fair value is expensed in the same accounting period corresponding to the date of grant.

o. Provisions

The Group recognises provisions for liabilities and onerous contracts that have been incurred as of the balance sheet date and can be reliably estimated. A provision is recognised when (i) the Group has a present obligation (legal or constructive) as a result of a particular event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (iii) an estimate can be made of the amount of the obligation.

Provisions for claims, disputes and legal proceedings are recorded if it is probable that the Group will be liable in a proceeding, for the estimated amount at which the liability can be settled. If the amount for which the liability can be settled cannot be reliably estimated, the claim, dispute or legal proceeding is disclosed as contingent liability, if it is expected to be significant.

(i) Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the time such an obligation arises. The costs are charged to the statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site disturbance, which a created on an ongoing basis during production, are provided for at their net present values and charged to the statement of income as extraction progresses. If the obligation results from production (eg extraction of reserves) these are recognised as extraction occurs.

(ii) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

p. Accrued costs of sales and expenses

The accrued cost of sales and expenses relate to purchases and expenses made before the year end that have not been invoiced at the balance sheet date. Reasons for such delays include the need to determine final pricing, quantity and quality analysis. All are typical of the industry in which the Group operates.

q. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the sale of goods which are transported in discrete cargoes is recognised when the significant risk and rewards of the goods have passed to the buyer, which is usually the date of the bill of lading. Revenue from the sale of goods which are transported in continuous systems is recognised when the goods have been delivered.

Revenue from the sale of goods which are consigned to counterparties on a sale-and-return basis is recognised when the goods are sold to the customers on a non-recourse basis. At these points the quantity and the quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured.

Revenue from rendering of services is recognised in the statement of income in proportion to the stage of the rendered performance as at the balance sheet date.

For certain commodities, the sales price determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimate fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustments is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

r. Cost of sales

Cost of sales includes the purchase price of the products sold, as well as the costs of purchasing, storing, and transporting the products. It also includes the changes in mark to market valuation of inventories, all derivatives and forward contracts.

s. Selling, general and administrative expenses

Selling, general and administrative expenses includes the Group's corporate offices, rent and facility costs, staff cost, depreciation and certain other general and administrative expenses. As the Company chooses to present the gross profit as the result on the trades these cost were not attributed to cost of sales.

t. Finance income and finance expense

Interest income and interest expense are recognised on a time-proportion basis using the effective interest method.

u. Corporate taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statement of income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current income tax
Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The charge for taxation includes Singaporean and foreign corporate income taxation. Due to the different statutory rates applicable and non-deductible expenses, the Group effective tax charge differs from the statutory tax rate applicable in Singapore.

(ii) Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates 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, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

(iii) Tax exposure
In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the

F. Notes to consolidated financial statements

Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

v. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

w. Segments

The Group's operating segments are established on the basis of those components of the group that are evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance.

x. Use of estimates and judgements

The preparation of the Group's financial statements in compliance with IFRS requires management to make significant judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from those estimates. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The Group has identified the following areas as being critical to understanding the Company's financial position as they require management to make complex and/or subjective judgements and estimates about matters that are inherently uncertain.

(i) Valuation of derivative instruments

Derivative instruments are carried at fair value and the Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring the Group to make market based assumptions (Level 3). For more details refer to note 27. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(ii) Impairments

Investments in associates and other investments, loans receivables and property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised. Loans receivables are evaluated based on collectability. Future cash flow estimates which are used to calculate the asset's fair value are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, reserves and resources, operating, rehabilitation and restoration costs and capital expenditures. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management. Refer to note 11, note 12, note 13 and note 15.

(iii) Provisions

The amount recognised as a provision, including tax, legal, restoration and rehabilitation, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. Refer to note 24.

(iv) Taxation

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. These judgements are subject to risk and uncertainty and hence, to the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in income in the period in which the change occurs. The recoverability of deferred tax assets including the estimates and assumptions contained therein are reviewed regularly by management. Refer to note 10.

(v) Determination of control of subsidiaries and joint arrangements

Judgement is required to determine whether the Group controls an entity, and consequently, whether it needs to consolidate that entity into the consolidated financial statements. Specifically, the Group assesses whether it has the power over the relevant activities of the entity, exposure to its variable returns or the ability to use power to impact returns of the entity.

The Group has certain investments in companies, which are not consolidated and whose results are accounted for in the Group's consolidated financial statements based on their equity share ownership. The most significant of the Group's investments is a 49.6% investment in Puma Energy Holdings Pte Ltd. which was deconsolidated as of 30 September 2013 following the sale of the majority interest. Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. The impact of the decision regarding the existence of control significantly impacts the accuracy, completeness and presentation of the financial statements and potentially, the debt covenant ratios which are included in the covenants to the Groups debt financing arrangements. Refer to notes 6 and 13.

(vi) Pension benefits obligation

The accounting policy applied by the Group for defined benefit pension schemes requires management to make judgements as to the nature of such benefits provided by each scheme which thereby determines the classification of each scheme. The cost of defined benefit pension plans and the present value of the pension obligation are required to be determined annually using actuarial valuations. An actuarial valuation involves making various estimates and assumptions. These include the determination of the future returns on each different type of scheme asset, the discount rate, future salary increases, employee attrition rates, mortality rates, expected remaining periods of service of employees and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

4. Operating segments

The Group's operating businesses are organised and managed separately according to the nature of the products, with each segment representing a strategic unit that offers different products and serves different markets.

Segment results that are reported to the Group's Chief Executive Officer (CEO) (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

- The Oil and Petroleum Products segment is engaged in the sourcing, provision and storage of oil, at all stages from crude to finished products such as naphtha and gasoline. This includes the blending required to make gasoline in the various grades suitable for the different specifications relevant in different countries.
- The Metals and Minerals segment trades copper, lead, zinc, aluminium, iron ore and coal in all forms including ores, concentrates, and refined metals. There is involvement in all the various stages from mining through smelting to the finished metal. This segment also includes the Mining group and Impala Warehousing and Logistics and includes the blending of metal concentrates, iron ore, coal and alumina, as well as warehousing and transportation.
- All other segments includes holding companies, and some smaller operating companies.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Trafigura accounts for inter-segment sales and transfers where applicable as if the sales or transfers were to third parties.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items:

2017	Oil and Petroleum USD'M	Metals and Minerals USD'M	All other segments USD'M	Total USD'M
Revenue from external customers	94,016.8	42,403.9	–	136,420.7
Gross profit	**1,139.3**	**1,099.7**		**2,239.0**
Other income/(expenses)	–	–	–	163.2
General and administrative expenses	–	–	–	(945.0)
Finance income	–	–	–	557.1
Finance expense	–	–	–	(813.4)
Share of profit/(loss) of equity-accounted investees	–	–	–	(232.2)
Income tax expense	–	–	–	(81.4)
Profit for the year				**887.3**

2017	Oil and Petroleum USD'M	Metals and Minerals USD'M	All other segments USD'M	Total USD'M
Segment assets and liabilities				
Equity-accounted investees	2,664.7	810.2	13.0	3,487.9
Other non-current assets	1,134.7	2,708.3	766.7	4,609.7
Non current assets classified as held for sale	66.3	2.0	–	68.3
Total assets	23,820.8	18,523.1	6,263.7	48,607.6
Total liabilities	**14,756.3**	**15,289.7**	**12,176.8**	**42,222.8**
Other segment information				
Capital expenditure	218.8	126.9	45.3	391.0
Depreciation and amortisation	22.3	93.1	83.6	199.0
Impairment of non-financial assets	7.9	8.8	0.6	17.4
Impairment of financial assets	–	23.8	–	23.8
Impairment of equity-accounted investees	2.4	1.8	–	4.2

2016	Oil and Petroleum USD'M	Metals and Minerals USD'M	All other segments USD'M	Total USD'M
Revenue from external customers	63,831.3	34,266.5	–	98,097.8
Gross profit	**1,460.3**	**830.9**		**2,291.2**
Other income/(expenses)	–	–	–	(233.2)
General and administrative expenses	–	–	–	(946.7)
Finance income	–	–	–	387.0
Finance expense	–	–	–	(507.7)
Share of profit/(loss) of equity-accounted investees	–	–	–	94.3
Income tax expense	–	–	–	(110.2)
Profit for the year	**–**	**–**	**–**	**974.7**

F. Notes to consolidated financial statements

2016	Oil and Petroleum USD'M	Metals and Minerals USD'M	All other segments USD'M	Total USD'M
Segment assets and liabilities				
Equity-accounted investees	2,345.6	1,109.4	9.4	3,464.4
Other non-current assets	1,555.0	2,634.9	848.9	5,038.8
Non current assets classified as held for sale	–	–	–	–
Total assets	22,529.9	13,527.0	5,173.2	41,230.1
Total liabilities	**14,678.0**	**10,444.0**	**10,261.0**	**35,383.0**
Other segment information				
Capital expenditure	302.7	326.4	125.1	754.2
Depreciation and amortisation	39.8	75.3	89.6	204.7
Impairment of non-financial assets	0.8	(169.3)	–	(168.5)
Impairment of financial assets	8.0	25.5	6.3	39.8
Impairment of equity-accounted investees	–	250.0	–	250.0

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers:

2017	Oil & Petroleum USD'M	Metals and Minerals USD'M	Total USD'M
Revenue from external customers			
Europe	20,876.2	5,763.9	26,640.1
Asia	34,760.8	24,013.2	58,774.0
North America	20,500.3	9,218.9	29,719.2
Latin America	9,357.9	992.3	10,350.2
Africa	3,974.5	381.8	4,356.3
Australia	339.6	30.2	369.8
Middle East	4,207.5	2,003.6	6,211.1
		–	
Total revenue from external customers	**94,016.8**	**42,403.9**	**136,420.7**

2016	Oil & Petroleum USD'M	Metals and Minerals USD'M	Total USD'M
Revenue from external customers			
Europe	16,559.4	9,805.8	26,365.2
Asia	17,744.1	19,673.6	37,417.7
North America	13,791.3	2,348.8	16,140.1
Latin America	6,516.6	1,346.9	7,863.5
Africa	4,775.8	745.8	5,521.6
Australia	573.0	225.3	798.3
Middle East	3,871.1	120.3	3,991.4
Total revenue from external customers	**63,831.3**	**34,266.5**	**98,097.8**

5. Acquisitions of subsidiary and non-controlling interests

There were no significant transactions during the year, nor in 2016, to acquire subsidiaries or non-controlling interests.

6. Deconsolidation of subsidiaries

a. 2017

Trafigura Mexico Holding BV

On 14 October 2016, the Group has entered into a Stock Purchase Agreement with Tajin Transporte S.a.r.l for the sale of 100% of its share in Trafigura Mexico Holding BV and PPM Energy S.A.P.I. de C.V, including the owned Rights of Way necessary for the Transportation Service Agreement tender for the Tuxpan – Tula natural gas pipeline and real estate properties in Mexico. The total consideration of the sale was USD68.1 million of which USD65.3 million was received in cash before 30 September 2017. On 31 May 2017, being the closing date of the transaction, the Group has recognised a gain of USD50.2 million which has been recognised under disposal of subsidiaries as reported in note 8, Other income/(expense).

b. 2016

(i) AEMR SA, Angola

During the second quarter of financial year 2016, the Group has reversed the impairment it had recorded in financial year 2015 of USD243.6 million in respect of the iron-ore investment in AEMR SA, Angola (AEMR). A presidential decree has been issued in February 2016 which will result in the liquidation of AEMR. The Group obtained a signed Instrument of Confession of Indebtedness (the "Debt Instrument") from the Angolan Ministry of Finance. Under the Debt Instrument, the Angolan Ministry of Finance will assume a consolidated debt value of USD409 million to the DT Group as compensation for the investments that the DT Group has made in AEMR. The debt is payable to the Group over a period of 48 months commencing in January 2017 and has thus been recorded at a discounted value of USD357.6 million under loans receivable.

As part of this arrangement, the assets held by AEMR have been transferred to the non-controlling interest partner in AEMR (Ferrangol). As a result of the arrangement, it has been concluded that the Group no longer has control over AEMR and therefore AEMR has been deconsolidated in the Group's consolidated financial statements as per 31 March 2016. The divestment of AEMR and the recognition of the receivable towards the Angolan Ministry of Finance resulted in a gain of USD264.6 million recorded in Other income split between a reversal of impairment of USD243.6 million and gain on divestment of subsidiary of USD21 million (refer to note 8). After taking into account non-controlling interest, the net result of the impairment reversal and the divestment of AEMR attributable to owners of the company is USD72 million.

7. Revenue

	2017 USD'M	2016 USD'M
Sales of goods	**136,315.1**	98,020.0
Rendering of services	**105.6**	77.8
Total	**136,420.7**	**98,097.8**

8. Other income/(expense)

	2017 USD'M	2016 USD'M
Release/(additions) to provisions	**(1.1)**	6.7
Gain/(loss) on disposal of tangible and intangible fixed assets	**(0.4)**	12.4
Gain/(loss) from disposal of other investments	**0.6**	0.1
Gain/(loss) on sale of equity-accounted investees	**3.0**	(5.4)
Gain on divestment of subsidiaries	**30.8**	20.3
Gain/(loss) on fair value through profit and loss instrument	**118.7**	(134.2)
Impairments of financial assets	**(23.8)**	(39.8)
Impairments of non-financial assets	**(17.4)**	(75.1)
Reversal of impairments of non-financial assets	**–**	243.6
Impairments of equity-accounted investees	**(4.2)**	(250.0)
Dividend income	**0.7**	0.4
Gain/(loss) on foreign exchange	**31.3**	7.1
Other	**25.0**	(19.3)
Total	**163.2**	(233.2)

2017

The gain on divestments of subsidiaries comprises of the gain of USD50.2 million on the sale of Trafigura Mexico Holding BV and PPM Energy S.A.P.I. de C.V. as described under note 6. This gain is offset by the effect of the deconsolidation of the Group's railway operations in Colombia in Impala. Due to a consequent lack of sustainable profit and safety and security concerns these operations have been sold to a third party resulting in a loss on disposal of USD19.4 million. This loss is mainly comprised of recycling of foreign currency translation losses recognised in equity until the disposal date.

The gain on fair value instruments through profit and loss includes a fair value movement of the debt securities related to the investment in Porto Sudeste de Brasil SA of USD135.7 million (2016 loss of USD125.9 million) offset by a USD20.1 million impairment to nil value in relation to the investment in Indian refinery NOCL which filed for bankruptcy in July 2017.

During the regular assessment to determine asset impairments, the Group decided to record impairments of USD23.8 million on financial assets mainly related to the Cedars Energy LLC of USD20.1 million.

For details on the impairments of non-financial assets, refer to notes 11 and 12.

For the additions to provisions we refer to note 24.

2016

In 2016, other income and expenses included an impairment of USD250 million recognised in relation to the equity investment in Porto Sudeste do Brasil SA and the reversal of the impairment on AEMR of USD243.6 million (see note 6). For a description of the Porto Sudeste impairment please refer to note 13.

For details on the reversal of impairments in 2016 relating to non-financial assets please refer to notes 6 and 13.

The Group entered into sale and leaseback transactions of 17 vessels which have been leased back for periods ranging between eight and 10 years. These sale and leaseback transactions generated a total gain of USD16.1 million which is accounted for as a gain on disposal of tangible and intangible assets.

During the regular assessment in 2016 to determine asset impairment, the Group decided to record an impairment of USD42.7 million on non-financial assets related to the Group's railway operation in Colombia. Overall, the future operations and projected financial performances do not demonstrate sufficient discounted future cash flows to support the assets book values, leading to the impairment. The operations have been negatively impacted by a number of safety and security concerns, a complex economic environment and a consequent lack of sustainable profit growth in the current context. These activities have been sold in 2017.

9. General and administrative expenses

	2017 USD'M	2016 USD'M
Depreciation and amortisation	**199.0**	204.7
Staff costs	**527.9**	513.5
General and other	**218.2**	228.5
Total	**945.0**	946.7

General and other cost mainly comprise travelling cost, office cost and IT cost.

Refer to note 28, employee benefits, for a breakdown of the staff costs.

10. Tax

a. Tax expense

Income tax expense recognised in the statement of income consists of the following:

	2017 USD'M	2016 USD'M
Current income tax expense	**135.0**	102.0
Adjustments in relation to current income tax of previous year	**(8.7)**	(9.4)
Deferred tax expense/(income)	**(48.6)**	14.0
Withholding tax in the current year	**3.7**	3.6
Total	**81.4**	110.2

b. Tax recognised in other comprehensive income

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2017 USD'M	2016 USD'M
Tax (expense)/income on cash flow hedges	**(1.1)**	(3.3)
Prior period tax adjustments	**–**	–
Total	**(1.1)**	(3.3)

F. Notes to consolidated financial statements

c. Reconciliation of effective tax rate

Trafigura's operations are subject to income taxes in various foreign jurisdictions. The statutory income tax rate varies between 10% and 37.5%, which results in a difference between the weighted average statutory income tax rate and Singapore's statutory tax rate of 17% (2016: 17%).

The weighted average statutory income tax rate increased in 2017 compared to 2016 by 4.7% as a consequence of a change in the mix of profits and losses generated in the various countries in which Trafigura operates.

The reconciliation between tax expense and the result of accounting profit multiplied by the Company's statutory income tax rate for the years ended 30 September 2017 and 2016 is as follows:

	2017		2016	
	USD'M	%	USD'M	%
Profit before tax	**968.7**	**–**	1,084.9	–
Income tax expense at statutory blended tax rate	**227.0**	**23.4%**	203.1	18.7%
Tax effect of adjustments to arrive at the effective income tax rate:				
Effect of unused tax losses, not recognised as deferred tax assets	**20.3**	**–**	51.7	–
Non-taxable income or subject to specific tax holidays	**(232.8)**	**–**	(141.9)	–
Non-deductible expenses	**53.6**	**–**	13.6	–
Foreign exchange	**18.3**	**–**	(10.5)	–
Adjustments in relation to income tax of previous year	**(8.7)**	**–**	(9.4)	–
Withholding tax	**3.7**	**–**	3.6	–
Effective tax rate	**81.4**	**8.4%**	110.2	10.2%

d. Deferred tax assets and liabilities

Breakdown deferred tax assets and liabilities

	2017	2016
	USD'M	USD'M
Provisions	**(158.1)**	(158.1)
Property, plant and equipment	**(3.2)**	(3.2)
Derivatives	**10.0**	–
Losses	**169.1**	96.5
Equity-accounted investees	**(36.0)**	(36.0)
Other temporary differences	**(17.3)**	15.1
Deferred tax liability, net	**(35.4)**	(85.7)

Deferred tax assets and liabilities after netting

	2017	2016
	USD'M	USD'M
Net deferred tax asset/(liability)	**(35.4)**	(85.7)
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	**153.2**	103.8
Deferred tax liabilities	**(188.6)**	(189.5)
Deferred tax liability, net	**(35.4)**	(85.7)

Reconciliation of deferred tax liabilities

	2017	2016
	USD'M	USD'M
Opening balance as at 1 October	**(85.7)**	(83.2)
Tax expense during the period recognised in profit or loss	**48.6**	(13.9)
Other comprehensive income	**(1.1)**	(2.8)
Deferred taxes deconsolidated business combinations	**–**	–
Foreign currency differences and other	**2.8**	14.2
Closing balance as at 30 September	**(35.4)**	(85.7)

Deferred tax assets are recognised for temporary differences and unused tax losses to the extent that realisation is probable as sufficient taxable profit is expected in the countries where the deferred tax assets are originated.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries. This is because Trafigura is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Unrecognised tax losses carried forward	2017 USD'M	2016 USD'M
Losses expiring within 1 year	**–**	5.1
Losses expiring between 1-5 years	**0.5**	18.4
Losses expiring after 5 years	**253.9**	198.8
Total	**254.4**	222.3

The unrecognised deferred tax assets for losses relate to entities for which it is not probable that taxable profit will be available to offset against these losses.

e. Tax uncertainties

Trafigura operates numerous jurisdictions worldwide resulting in cross border intercompany transactions whereby the transfer pricing rules applied in one country have an impact on the results in another country. In order to reduce transfer pricing uncertainties, transfer pricing studies are performed and reports are prepared to fulfil local transfer pricing requirements.

Due to complexity of tax rules, interpretation by local taxing authorities can differ from Trafigura's interpretation based on opinions provided by local tax counsel. Trafigura believes that it has sufficiently provided for financial consequences (if any).

In countries where Trafigura starts new operations or alters business models, the issue of permanent establishment and profit allocation thereto may arise. The risk is that taxing authorities in multiple jurisdictions claim taxation rights over the same profit.

11. Property, plant and equipment

USD'M	Land and buildings	Machinery and equipment	Barges and vessels	Other fixed assets	Total
Cost					
Balance at 1 October 2016	968.9	587.0	654.4	944.4	3,154.7
Additions	15.5	8.1	48.5	266.8	338.9
Reclassifications	150.5	197.8	166.0	(578.0)	(63.7)
Effect of movements in exchange rates	(21.0)	(0.8)	(0.3)	(3.4)	(25.5)
Disposals	(30.4)	(2.7)	(134.1)	(96.5)	(263.7)
Divestment of subsidiaries	(6.1)	(3.6)	(9.6)	(20.2)	(39.5)
Balance at 30 September 2017	**1,077.4**	**785.8**	**724.9**	**513.1**	**3,101.2**
Depreciation and impairment losses					
Balance at 1 October 2016	218.0	270.9	82.9	237.9	809.7
Depreciation for the period	46.4	31.4	36.2	21.8	135.8
Impairment losses	9.2	–	6.5	0.8	16.5
Reclassifications	6.0	2.5	–	(3.8)	4.7
Effect of movements in exchange rates	(9.5)	(0.7)	(0.1)	(2.0)	(12.3)
Disposals	(4.7)	(0.8)	–	(3.5)	(9.0)
Divestment of subsidiaries	(3.8)	(8.1)	(4.0)	(19.2)	(35.1)
Balance at 30 September 2017	**261.6**	**295.2**	**121.5**	**232.0**	**910.3**
Net book value at 30 September 2017	**815.8**	**490.6**	**603.4**	**281.1**	**2,190.8**

USD'M	Land and buildings	Machinery and equipment	Barges and vessels	Other fixed assets	Total
Cost					
Balance at 1 October 2015	805.7	462.2	648.0	1,180.5	3,096.4
Additions	69.1	36.4	96.8	506.1	708.4
Reclassifications	178.4	103.9	392.3	(681.7)	(7.1)
Effect of movements in exchange rates	(56.7)	(0.3)	0.8	2.7	(53.5)
Disposals	(27.6)	(15.3)	(483.5)	(63.1)	(589.5)
Balance at 30 September 2016	**968.9**	**587.0**	**654.4**	**944.4**	**3,154.7**
Depreciation and impairment losses					
Balance at 1 October 2015	171.9	247.1	88.2	188.8	696.1
Depreciation for the period	46.8	19.6	51.9	29.7	148.0
Impairment losses	7.6	5.1	3.3	40.2	56.2
Reclassifications	0.5	11.4	(9.4)	(3.6)	(1.1)
Effect of movements in exchange rates	(1.1)	0.5	0.3	1.5	1.2
Disposals	(7.7)	(12.8)	(51.5)	(18.7)	(90.7)
Balance at 30 September 2016	**218.0**	**270.9**	**82.9**	**237.9**	**809.7**
Net book value at 30 September 2016	**750.9**	**316.0**	**571.5**	**706.6**	**2,345.0**

F. Notes to consolidated financial statements

2017

Machinery and equipment mainly consists of specialised industrial equipment.

In 2017 the Group finalised the sale and leaseback transactions of 17 vessels entered in 2016 by delivering the last three vessels. The vessels have been leased back from periods ranging between eight and 10 years. The sale and leaseback transaction generated a total consideration in 2017 of USD134.2 million and a net nil result. The sale and leaseback transaction can be classified as an operational lease. The lease agreements are in line with market rent for longer-term charters. The future charter commitments of these leases are included in the outstanding commitments under note 26.

Main investments during 2017 relate to the Colombian port project USD71.7 million, vessels USD103.4 million and the construction of a splitter unit in Mexico USD54.4 million. The Colombian project relates to the development of multimodal transport activities in Colombia, that includes an inland port at Barrancabermeja and fluvial equipment providing multimodal logistics services linking the industrial heartland to the Caribbean ports Cartagena and Barranquilla via the Magdalena River. During the ramp-up of the project, the Colombian market environment for oil products has been challenging and combined with insufficient draft on the Magdalena River. For the assessment of the regular impairment determination, the Colombia project represents one CGU as the specific assets do not have independent associated cash flows. The value in use is calculated based upon the discounted cash flows associated with the assets. This calculation incorporates all aspects of the Colombia Multimodal project including expected revenues and relevant costs. Based on the projections until 2044, which corresponds to the end of the concession, and using a discount rate of 9.77%, the recoverable amount exceeds the carrying amount of USD1,065 million of the assets by USD251 million and therefore no impairment was required. The sensitivity analyses on the valuations show that an increase/decrease in the discount rate of +/-0.5% points has an impact on the recoverable amount of minus USD68 million/ plus USD73 million. A change in the EBITDA of 10% causes a change of USD138 million to the recoverable amount.

During 2017, assets with a value of USD66.3 million (mainly land and buildings) from three DT subsidiaries were transferred to assets held for sale.

Included in the Other fixed assets category is assets under construction, which relates to assets not yet in use. Total balance at 30 September 2017 amounted to USD194.2 million (2016: USD618.7 million). Once the assets under construction come into operation they are reclassified to the appropriate asset category and it is from that point that they are depreciated. Decrease is mainly driven by a change in transaction type of vessels (see note 26). Further other fixed assets mainly consist of small equipment, computer hardware, software licences, office equipment and refurbishment.

The net book value of property, plant and equipment acquired under finance leases at 30 September 2017 was USD20.6 million (2016: USD38.8 million).

Certain items of property, plant and equipment are pledged as collateral for an amount of USD496.2 million (2016: USD545.9 million).

Depreciation expenses are included in general and administrative expenses. Impairment charges are included in other income and expense.

During the financial year ended 30 September 2017, the Company has capitalised borrowing cost of a total amount of USD12.3 million under other fixed assets (2016: USD35.8 million) which mainly relates to the multimodal logistics and infrastructure project along the Magdelena river in Colombia. These borrowing costs are based upon a capitalisation rate of 5.50% – 8.00% of the eligible assets.

2016

In 2016 the Group entered into sale and leaseback transactions of 17 vessels which have been leased back from periods ranging between eight and 10 years. The sale and leaseback transactions generated a total consideration in FY2016 of USD449.0 million and a gain of USD16.1 million. The sale and leaseback transactions qualify as an operational lease. The gain is accounted for under other operating income. The lease agreements are in line with market rent for longer-term charters. The future charter commitments of these leases are included in the outstanding commitments under note 26.

During the regular assessment to determine asset impairment, the Group decided to record an impairment of USD42.7 million on non-financial assets related to the Group's railway operation in Colombia. The operations have been negatively impacted by a number of safety and security concerns, a complex economic environment and a consequent lack of sustainable profit growth in the current context. The investment has been impaired up until the value we expect to receive on the remaining asset. In 2017 these assets have been sold to a third party.

12. Intangible assets

USD'M	Goodwill	Licences	Other intangible assets	Total
Cost				
Balance at 1 October 2016	8.1	36.4	343.2	387.7
Additions	–	2.0	50.2	52.2
Reclassifications	–	0.7	15.5	16.2
Effect of movements in exchange rates	–	(0.4)	0.4	–
Disposals	–	–	(1.3)	(1.3)
Divestment of subsidiaries	–	(0.2)	(14.6)	(14.8)
Balance at 30 September 2017	**8.1**	**38.5**	**393.4**	**440.0**
Amortisation and impairment losses				
Balance at 1 October 2016	2.2	2.1	152.9	157.2
Amortisation for the period	–	0.3	63.0	63.3
Impairment	–	–	0.2	0.2
Effect of movements in exchange rates	–	–	–	–
Reclassifications	–	(0.1)	16.5	16.4
Disposals	–	–	(0.5)	(0.5)
Divestment of subsidiaries	–	–	(0.3)	(0.3)
Balance at 30 September 2017	**2.2**	**2.3**	**231.8**	**236.3**
Net book value at 30 September 2017	**5.9**	**36.2**	**161.6**	**203.7**

USD'M	Goodwill	Licences	Other intangible assets	Total
Cost				
Balance at 1 October 2015	8.1	40.5	306.1	354.7
Additions	–	–	45.8	45.8
Reclassifications	–	–	6.7	6.7
Effect of movements in exchange rates	–	1.3	(3.0)	(1.7)
Disposals	–	(5.4)	(12.7)	(17.8)
Balance at 30 September 2016	**8.1**	**36.4**	**343.2**	**387.7**
Amortisation and impairment losses				
Balance at 1 October 2015	2.2	1.9	104.8	108.9
Amortisation for the period	–	0.2	56.1	56.3
Impairment	–	5.4	2.0	7.4
Effect of movements in exchange rates	–	–	(0.9)	(0.9)
Reclassifications	–	–	2.3	2.3
Disposals	–	(5.4)	(11.4)	(16.8)
Balance at 30 September 2016	**2.2**	**2.1**	**152.9**	**157.2**
Net book value at 30 September 2016	**5.9**	**34.3**	**190.3**	**230.5**

Goodwill is the only intangible asset with an indefinite life. All other intangible assets are amortised as follows:

- Licence fees paid are amortised evenly over their respective periods, for which the licences have been granted, generally not exceeding 10 years.
- Other intangible assets are amortised evenly over their estimated useful economic life. Other intangibles mainly consist of software of USD146.8 million (2016:USD155.1 million) and payments made under exclusivity contracts with clients for petroleum fuels and lubricants.

Amortisation expenses are included in general and administrative expenses. Impairment charges are included in other income and expense Intangible assets with finite lives are tested for impairment when impairment indicators exist. Goodwill is tested for impairment annually either individually or at the cash-generating unit (CGU) level.

For the purpose of impairment testing, goodwill is allocated to the CGUs, or groups of CGUs.

F. Notes to consolidated financial statements

13. Equity-accounted investees

	2017 USD'M	2016 USD'M
Opening Balance – 1 October 2016	**3,464.4**	3,167.5
Effect of movements in exchange rates	**5.9**	(42.5)
Additions	**375.1**	553.9
Disposals	**(60.4)**	(44.1)
Impairments	**(4.2)**	(250.0)
Share of net income/(loss)	**(232.2)**	94.3
Dividends received	**(35.8)**	(13.7)
Other	**(24.9)**	(1.0)
Closing Balance – 30 September 2017	**3,487.9**	3,464.4

2017

The Group's share of profit in its equity-accounted investees for the year was a loss of USD232.2 million (2016: USD94.3 million gain). The positive share of income in our investments of Puma and MATSA of USD81.6 million was offset against losses in Porto Sudeste and Nyrstar of USD317.6 million.

In 2017, the Group received dividends of USD35.8 million from its investments in equity-accounted investees (2016: USD13.7 million).

On 31 July 2017 the Group sold its 46.5% stake in PT Servo Meda Sejahtera (Servo), an Indonesia-based business with strategic logistical assets which enable efficient transportation of unprocessed Coal from local mines to the river port. The total consideration was USD226 million and included a USD158 million repayment of outstanding loans to Servo. The result on this transaction amounts USD3.0 million which is offset by the share of net loss during the year until the date of the transaction. As part of the sale agreement, the Group granted a vendor loan of USD68.9 million which bears interest at 10%. The loan is in total, including accrued interest, repayable on 31 July 2024 (see also note 15).

On 18 August 2017, an investment consortium comprised of Trafigura, private investment group United Capital Partners (UCP) and Oil Holdings completed the acquisition of a 49% stake in Mumbai-based Essar Oil Limited (EOL) for a total consideration of USD3,880 million including acquisition costs. The acquiring entity, Kesani Enterprises Company Limited (Kesani), has financed the acquisition through a non-recourse loan facility and capital contributions by the consortium. The acquisition includes the Vadinar oil refinery and storage and import/export facilities, as well as a domestic retail network business consisting of over 3,500 retail service stations. The 20Mtpa super-refinery, with a Nelson complexity index of 11.8, is located on strategic shipping routes to demand centres in the Far East and close to Middle East sources of production. India is one of the world's most important sources of growth in energy demand and the deregulation of pricing of the Indian retail market is expected to bring potential growth opportunities for EOL's retail network. As of the balance sheet date, the acquisition accounting, including the determination of the acquisition-date fair values of the identifiable assets and liabilities and calculation of goodwill to be recognised in the carrying amount of the investment in accordance with the provisions of IAS 28, is provisional. Trafigura's 49% investment in Tendril Ventures Pte Ltd, the joint venture of the investment consortium that owns Kesani amounted to USD270.3 million as at 30 September 2017 (original consideration paid in cash USD291.7 million). Tendril Ventures Pte Ltd is a jointly controlled entity which qualifies as a joint venture.

During the regular assessment to determine asset impairment or whether a previously recorded impairment may no longer be required, the Group concluded that in relation to Trafigura's investment in Porto Sudeste do Brasil SA no impairment was required in addition to the impairment recorded in prior year. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which the company has defined as the higher of value in use and fair value less costs of disposal. As the majority of the specific assets related to Porto Sudeste do not have independent associated cash flows, Porto Sudeste represents one CGU. The recoverable amount of the investment in Porto Sudeste was measured based on value-in-use which is determined using a discounted cash flow model for the port (level 3). The discount rate used in determining the value in use was 7.73% (2016: 8.2%). The recoverable amount of the investment in Porto Sudeste was determined to be USD102 million. The value-in-use methodology inherently includes elements of judgement and estimations in relation to projected future throughput volumes and associated port fees. Management has made these judgements based on their best estimates and the information available. The sensitivity analyses on the valuations show that an increase/decrease in the discount rate of +/-0.5% points has an impact on the recoverable amount of minus USD126 million/plus USD141 million. A change in the throughput volume of the port of 5% causes a change of USD61 million to the recoverable amount and a change in the average port fees of 5% has an impact of USD99 million.

Furthermore during 2017 Trafigura made additional investments of USD56.1 million in Porto Sudeste, USD9.0 million in Buckeye Texas Partners LLC and a new investment in an Iron ore mine in Brazil of USD11.0 million.

2016

In October 2015, Trafigura made an additional capital contribution of USD275 million in Puma Energy Holdings Pte. Ltd. to enable further growth. During 2016, the company invested USD141.6 million in a copper smelting company in China. In February 2016, Trafigura subscribed to the rights offering by Nyrstar N.V. allowing it to increase its investment in Nyrstar N.V. by USD70 million. Also during 2016 Trafigura made an additional investment of USD36.9 million in PT Servo Meda Sejahtera, a coal trading partner located in Indonesia.

The reduction in equity-accounted investees in 2016 was as a result of the sale of a minor stake in Puma Energy Holding Pte. Ltd. of USD41.8 million. Besides that an impairment of USD250 million was made on Trafigura's equity investment in Porto Sudeste, as described below.

Due to the continued low iron ore price environment, strong competition on logistics fees and low international freight rates, the Group decided that an impairment of USD250.0 million in relation to Trafigura's investment in Porto Sudeste do Brasil SA was required.

Name	Place of incorporation/ registration	Activities	**Percentage of equity attributable to the Group 2017**	Percentage of equity attributable to the Group 2016
Atalaya Mining PLC (previously known as EMED Mining Public Limited)	Cyprus	Mining	**22.0%**	22.0%
Buckeye Texas Partners LLC	United States	Terminalling	**20.0%**	20.0%
Empresa Minera del Caribe S.A. (Joint venture)	Caribbean	Mining	**49.0%**	49.0%
Guangxi Jinchuan Non-ferrous Metals Co., Ltd	China	Smelter	**30.0%**	30.0%
Mineração Morro do Ipê S.A.	Brazil	Mining	**25.5%**	–
Napoil Limited	Bermuda	Oil trading	**49.0%**	49.0%
Nyrstar N.V.	Belgium	Mining, Metal processing	**24.6%**	24.6%
Porto Sudeste do Brasil S.A. (Joint venture)	Brazil	Port services	**49.2%**	47.4%
PT Servo Meda Sejahtera	Indonesia	Coal trading	**–**	46.5%
Puma Energy Holdings Pte. Ltd.	Singapore	Mid- and downstream oil activities	**49.6%**	49.6%
Tendril Ventures Pte. Ltd. (Joint venture)	Singapore	Oil refinery, terminal and retailing of fuel	**49.0%**	–
TM Mining Ventures, S.L. (Joint venture)	Spain	Mining	**50.0%**	50.0%
Transportadora Callao S.A.	Peru	Transportation	**30.0%**	30.0%

Name	Segment	**2017 USD'M**	2016 USD'M
Oil and Petroleum:			
Puma Energy Holdings Pte. Ltd.	Oil and Petroleum	**2,113.5**	2,059.8
Tendril Ventures Pte. Ltd. (Essar Oil Limited)	Oil and Petroleum	**270.3**	–
Buckeye Texas Partners LLC	Oil and Petroleum	**270.9**	276.0
Napoil Limited	Oil and Petroleum	**8.7**	8.7
Others	Oil and Petroleum	**1.2**	1.1
	Total	**2,664.6**	2,345.6
Metals and Minerals:			
TM Mining Ventures, S.L. (MATSA)	Metals and Minerals	**395.6**	407.3
Porto Sudeste do Brasil S.A.	Metals and Minerals	**65.4**	256.1
Nyrstar N.V.*	Metals and Minerals	**96.7**	161.9
Guangxi Jinchuan Non-ferrous Metals Co., Ltd	Metals and Minerals	**141.7**	141.7
ATALAYA MINING PLC (previously known as EMED MINING PUBLIC LIMITED)*	Metals and Minerals	**63.7**	53.8
PT Servo Meda Sejahtera	Metals and Minerals	**–**	56.2
Empresa Minera del Caribe S.A.	Metals and Minerals	**16.8**	16.8
Transportadora Callao S.A.	Metals and Minerals	**8.4**	8.7
Mineração Morro do Ipê S.A.	Metals and Minerals	**9.2**	–
Others	Metals and Minerals	**12.8**	6.9
	Total	**810.3**	1,109.4
All other segments:			
Others	Corporate and Others	**13.0**	9.4
Total		**3,487.9**	3,464.4

* Listed investments. Fair value as on 30 September 2017:

Nyrstar N.V.	182.9	168.7
ATALAYA MINING PLC (previously known as EMED MINING PUBLIC LIMITED)	53.9	28.8

Only the individually significant associates Puma Energy Holdings Pte. Ltd. and TM Mining Ventures S.L (MATSA) are shown separate from the other associates.

	Puma Energy Holdings Pte. Ltd.		TM Mining Ventures, S.L.	
	2017 USD'M	2016 USD'M	**2017 USD'M**	2016 USD'M
Non current assets	**5,192.8**	5,019.1	**1,514.1**	1,581.6
Current assets	**2,415.0**	2,070.9	**297.7**	172.2
Non current liabilities	**2,764.0**	2,916.8	**579.5**	798.1
Current liabilities	**2,797.0**	2,273.0	**441.2**	140.8
Revenue	**14,178.3**	12,725.6	**593.5**	310.5
Profit/(loss) for the year	**127.5**	120.4	**49.8**	(33.0)
Dividends paid	**29.9**	–	**–**	–
Other comprehensive income	**30.9**	(109.7)	**(73.3)**	3.2
Total comprehensive income	**158.4**	10.7	**(23.5)**	(29.7)
Net assets	**2,047.4**	1,900.3	**791.2**	814.8
Trafigura's ownership interest	**49.6%**	49.6%	**50.0%**	50.0%
Acquisition fair value and other adjustments	**1,100.3**	1,117.3	**–**	–
Carrying value	**2,113.5**	2,059.8	**395.6**	407.3

Other associates	**2017 USD'M**	2016 USD'M
Assets	**5,700.8**	3,806.5
Liabilities	**4,718.8**	2,866.0
Revenue	**2,009.9**	1,328.9
Profit/(loss) for the year	**(300.6)**	(165.9)

The amount of corporate guarantees in favour of associates and joint ventures as at 30 September 2017 was USD101 million (2016: nil).

14. Prepayments

Under the prepayments category we account for the prepayments of commodity deliveries. The contractually outstanding prepayments amount decreases in size with each cargo that is delivered, until maturity. Once the contractually agreed total cargo has been fully delivered, the prepayment agreement falls away leaving no remaining contractual obligations on Trafigura or the supplier. The Company monitors the commodity prices in relation to the prepayment contracts and manages the credit risk together with its financial assets as described in note 27. The prepayments are split in non-current prepayments (due > 1 year) and current prepayments (due < 1 year). A portion of the long-term prepayments, as well as short-term prepayments, is on a limited recourse basis. Interest on the prepayments is added to the prepayments balance.

F. Notes to consolidated financial statements

15. Loans receivable

	2017 USD'M	2016 USD'M
Loans to associates and related parties	**326.4**	433.9
Other non-current loans receivable	**344.3**	367.4
Total	**670.7**	801.3

Loans to associates and related parties include a shareholder loan receivable from Minas de Aguas Teñidas (MATSA) of USD82.6 million (2016: USD251.8 million). This loan is held to collect contractual cash flows and generates a fixed income for the Group. During 2017, USD169.1 million repayment has been received on this loan. Also included under this line is a loan receivable from Empresa Minera del Caribe S.A. of USD230.0 million (2016: USD140.0 million).

In determining the impairment provision on loans granted to associates, these loans form part of the net investment in the associate and the impairment test has been based upon the total consideration on these associates. Based on these assessments no impairment needs to be recorded at 30 September 2017.

Other non-current loans receivables include various loans which are granted to counterparties which the Company trades with. During 2017 Trafigura granted a vendor loan with a balance of USD70.1 million as per 30 September 2017 to the buyer of our share in PT Servo Meda Sejahtera (Servo) as described in note 13. This line also includes the long-term part, amounting to USD214.8 million, of the debt agreement with the Angolan Ministry of Finance as described in note 6. Considering the diversity of these loans, Trafigura decided to assess the Expected Credit Loss ('ECL') of these loans individually based on different scenarios of probability of default ('PD') and loss given default ('LGD'). Based upon the individual analysis of these loans, the recorded expected losses on these loans amount to USD3.3 million (2016: USD2.5 million).

16. Other investments

	2017 USD'M	2016 USD'M
Listed equity securities – Fair value through OCI	**19.3**	97.6
Listed debt securities – Fair value through profit or loss	**447.6**	327.0
Unlisted equity investments – Fair value through profit and loss	**45.5**	59.4
Unlisted equity investments – Fair value through OCI	**122.6**	56.3
Total	**635.0**	540.3

The Group's long-term investments consist of listed equity securities, listed debt securities and unlisted equity securities. The listed equity securities have no fixed maturity or coupon rate. The fair values of listed equity investments are based on quoted market prices while the fair value of the unlisted equity securities is determined based on a Level 3 valuation as prepared by management.

The increase in other investments is mainly due to the upward valuation of the debt instrument related to Porto Sudeste (USD135.7 million), additional investment in Galena Funds (USD68.6 million) offset by the sales of the listed Chinalco Mining shares (USD75.9 million) and USD15.1 million of listed Nyrstar bonds.

The listed debt securities consist of a financial instrument related to the investment in Porto Sudeste do Brasil SA which is accounted for under equity accounted investees in note 13. These instruments are held to collect cash flows. Since the payments on these debt instruments are dependent on the port's throughput, they are classified as fair value through profit or loss. Since the free float of these listed debt instruments is extremely thin and in the absence of normal market activity, it has been concluded that no active market exists and therefore the fair value is determined using a level 3 valuation. The holders of the instrument are entitled to a fixed royalty payment per metric tonne processed by the port and therefore have direct exposure to the business risks of Porto Sudeste. As a result, the fair value of this instrument is based on a discounted cash flow model of the port in which the business plan of Porto Sudeste is reflected. Revenues are calculated over a period ending in 2064 and throughput volumes are held constant from 2021 onwards. In this calculation, management used a discount rate of 12.5% (2016: 12.58%). Due to the limited liquidity of the port asset, a discount factor of 10% is applied (2016: 26%) relating to the lack of marketability. This input is based on a put option model and volatilities of comparable companies. The level 3 valuation of the debt securities increased as a result of improved projections of the throughput of the port and a decrease in the discount factor relating to lack of marketability leading to a value of the debt securities value of USD447.6 million. The sensitivity analysis on this valuation shows that an increase/decrease of the throughput of the port of 5% has an impact on the value of USD22 million, an increase/decrease of the discount rate by 0.5% points has an impact on the valuation of USD27 million. A change in the discount rate due to lack of marketability by 5% points has an effect of USD25 million on the valuation.

Throughout the financial year, no dividend has been recognised related to the equity securities held at 30 September 2017. The net change in fair value in equity securities measured at fair value through other comprehensive income ('OCI') was positive USD8.6 million (2016: negative USD31.7 million). A cumulative gain of USD18.2 million (2016: USD66.0 million loss) was transferred within equity from OCI to retained earnings due to disposals of items valued at fair value through OCI.

17. Inventories

Carrying amount	2017 USD'M	2016 USD'M
Storage inventories	**8,508.1**	7,069.1
Floating inventories	**5,403.7**	4,455.7
Supplies	**14.9**	12.9
Total	**13,926.7**	11,537.7

As at 30 September 2017 (and 30 September 2016) all of the inventory has either been pre-sold or hedged. The Group is committed to financing its day-to-day trading activity through self-liquidating transactional lines, whereby the financing banks retain security on the goods purchased. The percentage of total inventories financed in this way is carefully monitored.

18. Trade and other receivables

	2017 USD'M	2016 USD'M
Trade debtors	**7,148.3**	6,725.7
Provision for bad and doubtful debts	**(55.1)**	(56.6)
Accrued turnover	**7,406.1**	5,403.7
Broker balances	**1,011.0**	1,212.1
Other debtors	**340.9**	333.2
Loans to third parties	**293.3**	217.3
Loans to related parties	**1.9**	104.2
Other taxes	**407.6**	222.5
Prepaid expenses	**139.2**	147.2
Related parties	**813.1**	890.6
Total	**17,506.3**	15,199.9

All financial instruments included in trade and other receivables are held to collect the contractual cash flows. Furthermore, the cash flows that the Group receives on these instruments are solely payments of principal and interest.

Of the USD7,148.3 million trade debtors, USD2,142.7 million (2016: USD1,516.0 million) had been sold on a non-recourse basis under the securitisation programme. Of the USD813.1 million receivables on related parties USD124.2 million (2016: nil) had been sold on a non-recourse basis under the securitisation programme Refer to note 19. As at 30 September 2017, 14.6% (2016: 17.7%) of receivables were between 1-60 days overdue, and 12.6% (2016: 17.8%) were greater than 60 days overdue. Such receivables, although contractually past their due dates, are not considered impaired as there has not been a significant change in credit quality of the relevant counterparty, and the amounts are still considered recoverable taking into account customary payment patterns and in many cases, offsetting accounts payable balances. Trafigura applied the simplified method in assessing expected credit losses. The accounts receivables have been divided in aging buckets and based on a historical analysis on defaults and recovery rates a percentage for expected credit losses has been determined. Trafigura manages to limit credit losses by renegotiating contracts in the case of a default. From the above analysis, an expected credit loss as at 30 September 2017 of USD4.7 million has been taken into account (30 September 2016: USD5.9 million). The loss allowance provision at 30 September 2017 amounts to USD55.1 million (2016: USD56.6 million). The primary character of this provision is that it is in line to resolve demurrage claims and commercial disputes with our clients. Accrued turnover represent receivable balances for sales which have not yet been invoiced. They have similar risks and characteristic as trade debtors. Trade debtors and accrued turnover have similar cashflow characteristics and are therefore considered to be a homogeneous group of financial assets.

19. Securitisation programme

The Group operates a Securitisation Programme which enables the Group to sell eligible receivables. The securitisation vehicle, Trafigura Securitisation Finance plc., is consolidated as part of the Group and consequently the receivables sold to the programme are included within the consolidated trade debtor balances.

Over time the external funding has increased significantly in size while incorporating a longer term committed funding element, principally through the issuance of Medium Term Notes (MTN), as well as retaining a significant proportion of variable funding purchased by bank sponsored conduits.

As at 30 September 2017, the maximum available amount of external funding of the programme was USD2,535.9 million (2016: USD1,888.0 million). The utilised external funding of the programme as at 30 September 2017 was USD2,517.4 million (2016: USD1,485.0 million).

The available external funding of the securitisation programme consists of:

	Interest rate	Maturity	2017 USD'M	2016 USD'M
AAA MTN	Libor + 0.95%	2017 – October	**279.0**	279.0
BBB MTN	Libor + 2.25%	2017 – October	**21.0**	21.0
AAA MTN	Libor + 0.85%	2020 – June	**235.0**	–
AAA MTN	2.49%	2020 – June	**230.0**	–
BBB MTN	Libor + 1.70%	2020 – June	**35.0**	–
AAA VFN	See note	Various throughout the year	**1,525.4**	1,425.4
BBB VFN	See note	Various throughout the year	**114.7**	107.2
Senior subordinated debt	LIBOR + 4.25%	2020 – March	**95.8**	55.4
Total			**2,535.9**	1,888.0

a. Interest rate note

The rate of interest applied to the AAA Variable Funding Notes is defined in the securitisation facility documentation and is principally determined by the demand for Commercial paper issued by six bank-sponsored conduits. The Group benchmarked the rate provided against overnight Libor. In the case of the rate of interest applicable to the BBB Variable Funding Notes, the rate of interest is principally determined by the liquidity of the interbank market.

b. Maturity note

The maturity of the AAA Variable Funding Notes has been staggered so as to diversify the maturity profile of the AAA funding. This aims to mitigate the 'liquidity wall' risk associated with a single maturity date for a significant funding amount.

F. Notes to consolidated financial statements

20. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents approximates the carrying value. An amount of USD103.6 million (2016: USD43.1 million) of cash at bank is restricted including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used unless fixed asset construction invoices are presented to the banks.

	2017 USD'M	2016 USD'M
Cash at bank and in hand	**4,753.2**	2,786.4
Short-term deposits	**235.5**	355.5
Total	**4,988.7**	3,141.9

As at 30 September 2017, the Group had USD8.7 billion (2016: USD8.5 billion) of committed unsecured syndicated loans of which USD2.2 billion (2016: USD3.2 billion) remained unutilised. The Group had USD2.8 billion (2016: USD2.0 billion) of immediately (same day) available cash in liquidity funds. The Group had immediate access to available liquidity balances from liquidity funds and corporate facilities in excess of USD5.0 billion (2016: USD5.2 billion). Short-term deposits made for periods longer than three months are separately shown in the statement of financial position and earn interest at the respective short-term deposit rates.

21. Capital and reserves

a. Share capital

As at 30 September 2017 the company has 25,000,000 ordinary shares outstanding and a capital of USD1,504 million. During 2017, no changes took place in the outstanding share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value

b. Capital securities

As part of the financing of the Company and its subsidiaries, the Company has three capital securities instruments at the carrying value of USD1,247.3 million with a par value of SGD200 million, USD500 million and USD600 million.

The USD600 million capital security is originally issued on 14 March 2017. The distribution on the capital security is 6.875% per annum and the securities are listed on the Singapore Stock Exchange. The capital security may be redeemed at the Company's option in whole, but not in part, in the period starting 90 calendar days before, and ending of, the distribution payment date in March 2022 or any distribution date thereafter on not less than 30 and not more than 60 days' notice to the holders.

The SGD200 million capital security was originally issued in February 2014. The distribution on the security is 7.5% and is listed on the Singapore Stock Exchange. The capital security may be redeemed at the Company's option in whole, but not in part, on the distribution payment date in February 2019 or any distribution date thereafter, on not less than 30 and not more than 60 days' notice to the holders.

The USD500 million capital security was originally issued on 19 April 2013. The distribution on the capital security is 7.625% per annum and it is listed on the Singapore Stock Exchange. The capital security may be redeemed at the Company's option in whole, but not in part, on the distribution payment date in April 2018 or any distribution date thereafter on not less than 30 and not more than 60 days' notice to the holders.

The securities are perpetual in respect of which there is no fixed redemption date. The distribution on the capital securities is per annum, payable semi-annually in arrears every six-month from the date of issue. The company may elect to defer (in whole but not in part) any distribution in respect of these capital securities.

In the event of a winding-up, the rights and claims of the holders in respect of the capital securities shall rank ahead of claims in respect of the Company's shareholders, but shall be subordinated in right of payment to the claims of all present and future unsubordinated obligations, except for obligations of the Company that are expressed to rank pari passu with, or junior to, its obligations under the capital securities.

According to the trust deed obligations of the Securities and the Coupons shall be unconditionally and irrevocably guaranteed by Trafigura Beheer B.V.

c. Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

d. Cash flow hedge reserve

Included in the cash flow hedge reserve is a loss of USD47.7 million (2016: USD14.1 million gain) which related to the effective portion of the changes in fair value of cash flow hedges, net of tax. These cash flow hedges relate to hedging of interest and currency exposure on corporate loans and hedging of price exposure on future sales of zinc production from Mining group companies.

e. Revaluation reserve

The revaluation reserve comprises the fair value measurements movements of the equity investments which are accounted for at fair value through other comprehensive income. On realisation of these gains or losses, for example the sale of an equity instrument, the cumulative amounts of this reserve are transferred to retained earnings. Included in the revaluation reserve is a loss of USD32.6 million (2016: USD23.0 million) related to the mark-to-market valuation of equity investments.

f. Retained earnings

Retained earnings comprise the share-based payment reserves and revaluation reserves.

g. Dividends

The value of the dividends declared on the ordinary shares amounts to USD933.9 million (2016: USD719.1 million) representing USD37.4 per share (2016: USD28.8) of which USD365 million has been settled in the receivable with Trafigura Beheer B.V..

22. Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below. The information is based on amounts before intercompany eliminations.

The Company has control over DTS Holdings Pte. Ltd. with a 50% equity interest (2016: 50%). DTS Holdings Pte. Ltd. is a business venture between Trafigura and Cochan Singapore Pte. Ltd. and is the main holding company of the DT Group. The DT Group's activities span trading, shipping, infrastructure, asset management and logistics. Summarised statement of income:

	2017 USD'M	2016 USD'M
Revenue	**1,188.4**	1,617.7
Cost of sales	**(1,116.4)**	(1,533.4)
General and administrative expenses	**(12.1)**	(18.2)
Other income/expense	**(5.2)**	263.4
Net financing income	**24.2**	8.9
Profit before tax	**78.9**	338.4
Income tax expense	**(2.7)**	2.1
Profit for the period	**76.2**	336.3
Attributable to non-controlling interest	**38.3**	226.4

The 2016 profit attributable to non-controlling interest includes the 70% non controlling interest in the reversal of the AEMR impairment within DTS Holdings Pte. Ltd. as mentioned in note 6.

During 2017, DTS Holdings Pte. Ltd. paid no dividend (2016: nil).

Summarised statement of financial position as at 30 September:

	2017 USD'M	2016 USD'M
Total non-current assets	**336.4**	428.7
Total current assets	**1,276.8**	1,659.6
Total non-current liabilities	**(1.8)**	(5.5)
Total current liabilities	**(950.0)**	(1,494.5)
Total equity	**661.4**	588.3
Attributable to		
Non-controlling interests	**330.6**	292.3
Owners of the Company	**330.8**	296.0

23. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 27.

Carrying value of loans and borrowings	2017 USD'M	2016 USD'M
Non-current		
Revolving credit facilities	**3,905.0**	3,960.0
Private placements	**207.0**	331.0
Eurobond	**1,368.3**	1,231.7
Other loans	**1,907.4**	1,685.0
Finance leases	**13.4**	26.5
Total non-current	**7,401.1**	7,234.2
Current		
Revolving credit facilities	**1,915.0**	685.0
Private placements	**124.0**	–
Other loans	**637.1**	364.6
Finance leases	**7.2**	12.3
Short-term bank borrowings	**21,170.2**	16,971.1
Total current	**23,853.5**	18,033.0
Total	**31,254.6**	25,267.2

F. Notes to consolidated financial statements

a. Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Principal	Interest rate	Maturity	Floating/fixed rate debt	< 1 year USD'M	1-5 years USD'M	> 5 years USD'M	Total USD'M
Revolving credit facilities								
USD	2,960.0	Libor + 0.85%	2020 – March	Floating	–	2,637.4	–	**2,637.4**
USD	2,270.0	Libor + 0.65%	2018 – March	Floating	730.0	–	–	**730.0**
USD	290.0	Libor + 0.85%	2019 – March	Floating	–	262.6	–	**262.6**
USD	1,185.0	Libor + 0.65%	2017 – October	Floating	750.0	–	–	**750.0**
USD	435.0	Libor + 1.30%	2017 – October	Floating	435.0	–	–	**435.0**
USD	625.0	Libor + 1.10%	2018 – October	Floating	–	625.0	–	**625.0**
USD	290.0	Libor + 1.10%	2019 – October	Floating	–	290.0	–	**290.0**
USD	90.0	Libor + 2.35%	2018 – October	Floating	–	90.0	–	**90.0**
					1,915.0	3,905.0	–	**5,820.0**
Private placement								
USD	88.0	6.50%	2018 – April	Fixed	88.0	–	–	**88.0**
USD	98.0	7.11%	2021 – April	Fixed	–	98.0	–	**98.0**
USD	36.0	4.38%	2018 – March	Fixed	36.0	–	–	**36.0**
USD	51.5	4.89%	2020 – March	Fixed	–	51.5	–	**51.5**
USD	57.5	5.53%	2023 – March	Fixed	–	–	57.5	**57.5**
					124.0	149.5	57.5	**331.0**
Eurobonds								
EUR	606.7	5.25%	2018 – November	Fixed	–	718.5	–	**718.5**
EUR	550.0	5.00%	2020- April	Fixed	–	649.8	–	**649.8**
					–	1,368.3	–	**1,368.3**
Other loans								
USD	279.0	Libor + 0.95%	2017 – October	Floating	279.0	–	–	**279.0**
USD	21.0	Libor + 2.25%	2017 – October	Floating	21.0	–	–	**21.0**
USD	235.0	Libor +0.85%	2020 – June	Floating	–	235.0	–	**235.0**
USD	230.0	2.49%	2020 – June	Fixed	–	230.0	–	**230.0**
USD	35.0	Libor + 1.70%	2020 – June	Floating	–	35.0	–	**35.0**
USD	129.4	Libor + 2.65%	2020 – September	Floating	33.0	74.9	–	**107.9**
USD	172.5	Libor + 3.15%	2022 – March	Floating	25.7	134.5	–	**160.2**
USD	96.5	Libor + 4.25%	2020 – March	Floating	–	95.8	–	**95.8**
JPY	58,860.0	Libor + 1.0%	2019 – March	Floating	–	523.2	–	**523.2**
USD	200.0	6.33%	2036 – July	Fixed	5.6	26.1	163.1	**194.8**
EUR	128.6	Euribor + 1.0%	2018 – July	Floating	151.6	–	–	**151.6**
EUR	200.0	5.50%	2020 – July	Fixed	–	236.3	–	**236.3**
USD	30.0	Libor + 3.25%,	2018 – Mar	Floating	30.0	–	–	**30.0**
USD	30.0	Libor + 0.65%,	2018 – September	Floating	30.0	–	–	**30.0**
USD	120.0	Libor + 4.00%	2021 – August	Floating	20.0	65.0	–	**85.0**
MXN	415.7	Libor + 5.70%	2023 – June	Floating	3.2	11.5	5.4	**20.1**
USD	30.0	Libor + 2.43%	2022 – March	Floating	3.0	27.0	–	**30.0**
USD	39.6	Libor + 2.95%	2019 – October	Floating	3.5	17.8	–	**21.3**
Various loans with balances outstanding <USD'M15					31.5	25.7	1.2	**58.4**
					637.1	1,737.7	169.7	**2,544.5**
Finance leases					7.2	13.4	–	**20.6**
Total					**2,683.3**	**7,173.9**	**227.2**	**10,084.4**

For long-term assets pledged under loans and borrowings agreements, refer to note 11 (Property, plant and equipment).

Finance lease commitments are principally for machinery and equipment. Original terms range from two years to five years, some containing renewal options.

At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate then applicable for long-term funding. At 30 September 2017, existing finance lease commitments are recorded at the remaining present value using the interest rate applied at commencement of the lease.

24. Provisions

The carrying amount of provisions made is as follows:

	2017 USD'M	2016 USD'M
Opening balance 1 October	**69.3**	83.9
Additions	**20.0**	7.1
Amounts charged against provisions	**(0.6)**	(10.5)
Unwind of discount	**0.3**	0.4
Remeasurements and other movements	**5.8**	(11.6)
Divestments of subsidiaries	**(3.9)**	–
Closing balance 30 September	**90.9**	69.3
Non-current portion	**21.1**	13.3
Current portion	**69.8**	56.0
Closing balance 30 September	**90.9**	69.3

Provisions consist of Decommissioning, rehabilitation and restoration USD13.2 million (2016: USD10.9 million), Litigation, disputes USD44.9 million (2016: USD45.5 million), Onerous contracts USD0.9 million (2016: USD5 million), Pensions USD16,9 million (2016: nil) and others USD14.9million (2016: USD7.9 million).

Provisions for decommissioning, rehabilitation and restoration costs are recognised due to the environmental commitment the Group has made with local authorities and for its obligations to undertake site reclamation and remediation in connection with its mining activities. Provisions for litigation and disputes at 30 September 2017, relate to two situations connected with the Company's trading and storage activities in China. Further information is presented in note 26. Under the Onerous contracts the wind up of some long-term lease contracts are accounted for as well as onerous capital expenditure commitments. The expected outflow of resources is mainly expected to happen within one year.

25. Trade and other payables

	2017 USD'M	2016 USD'M
Trade creditors	**2,463.7**	2,100.3
Accrued costs of sales and expenses	**7,233.1**	6,825.4
Broker balances	**15.6**	18.3
Related parties	**66.0**	8.5
Total	**9,778.4**	8,952.5

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

26. Contingencies and commitments

The following contingent liabilities exist in respect of trade financing:

	2017 USD'M	2016 USD'M
Letters of credit	**6,504.3**	4,702.3
Letters of indemnity	**–**	–
Guarantees	**202.7**	312.7
Total	**6,707.0**	5,015.0

The Company and its subsidiaries are parties to a number of legal claims and proceedings arising out of their business operations. The Company believes that the ultimate resolution of these claims and proceedings will not, in the aggregate, have a material adverse effect on The Company's financial position, consolidated income or cash flows. Such legal claims and proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that the Company could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

As reported in the press, at certain warehouses in China, notably for the Company at Qingdao, Pinglai and Yingkou, there have been rumours that fraudulent warehouse certificates are in circulation. The Company's subsidiary Impala has issued warehouse certificates, and also has a limited number of collateral management agreements in place, regarding metal stored at these locations. The position remains that it has not been possible to independently verify the quantity and ownership of the metal stored at these locations and consequently legal proceedings have been commenced in England and China relating to ownership of the metal and potential liabilities regarding the storage arrangements. In view of the uncertainties surrounding (a) the volume of material in the warehouses; (b) its correct ownership; and (c) the approach the majority of the customers will ultimately take, it remains premature to speculate on Impala's likely net total exposure in relation to this matter. Looking at hypothetical yet realistic scenarios, it is considered unlikely that a potential liability for Impala would be material for the Group.

The Company has a potential financial exposure resulting from certain oil trading and risk management activities of its counterparty's representative. These activities are the subject of ongoing actions, claims and disputes against the Company. The underlying circumstances regarding these actions, claims and disputes are complex and opaque and consequently how these disputes and actions will be resolved is uncertain.

Guarantees include guarantees to trading partners in the normal course of the business. In addition the Company has given a financial guarantee on the full recourse tranches of the syndicated bank facility held by Trafigura Investment Sarl. This company holds a USD0.5 billion prepayment facility in favour of Rosneft which was syndicated with a pool of international banks. The shares of Trafigura Investment Sarl are held by an independent Foundation incorporated in the Netherlands in which Trafigura has no control and thus has been deconsolidated since 30 September 2014. The maximum exposure under this guarantee as of 30 September 2017 amounted to USD142 million (2016: USD285 million). The expiry of this guarantee is September 2018.

F. Notes to consolidated financial statements

The Company had outstanding commitments at the end of 30 September 2017, and 30 September 2016 as follows:

	2017 USD'M	2016 USD'M
Storage rental	**2,572.2**	2,731.5
Time charters	**2,735.9**	1,133.3
Office rent	**111.8**	122.8
	5,419.9	3,987.6
Assets under construction	**41.0**	378.4
Total	**5,460.9**	4,366.0

In 2017 Trafigura entered into a lease transaction with an Asian financial counterparty for up to 30 new build crude oil and product tankers. As at 30 September 2017 30 leases have been entered into. The leases with a total lease consideration over the non-cancellable lease period of 10 years amounts to USD1.5 billion. Vessels will be delivered from the end of 2018 through 2019 calendar year, with the majority of vessels being delivered in the first quarter of calendar year 2019.

Non-cancellable operating lease rentals are payable as follows:

	2017 USD'M	2016 USD'M
Less than one year	**1,199.4**	1,222.3
Later than one year and less than five years	**2,880.2**	2,340.6
Later than five years	**1,340.3**	424.7
Total	**5,419.9**	3,987.6

Amount under Assets under construction includes an amount of USDnil (2016: USD236.5 million) as commitments for vessels under construction.

27. Financial instruments

a. Financial risk management

The Group is exposed to a number of different financial risks arising from normal business exposures as well as its use of financial instruments including: market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk.

Prudently managing these risks is an integral element of Trafigura's business and has been institutionalised since the Group's foundation. Risk management guidelines are established at senior management level. The various risks the Group is exposed to are managed through a combination of internal procedures, such as strict control mechanisms and policies, as well as external third parties such as the derivative, insurance and bank markets. As a rule, Trafigura actively manages and lays off where possible a large majority of the risks inherent to its activity. Trafigura's conservative risk management process is designed to:

- Provide a full and accurate awareness of risks throughout the Group.
- Professionally evaluate and monitor these risks through a range of risk metrics.
- Limit risks via a dynamic limit setting framework.
- Manage risks using a wide range of hedging instruments and strategies.
- Ensure a constant dialogue between trading desks, risk managers and senior management.

The three main, reinforcing, components of Trafigura's risk management process are the Chief Risk Officer (CRO), the Derivatives Trading Committee, and the trading teams.

The Chief Risk Officer is independent of the revenue-producing units and reports to the Chief Operating Officer and the Management Board. The CRO has primary responsibility for assessing and monitoring Trafigura's market risks. The CRO's team liaise directly with the trading teams to analyse new opportunities and ensure that risk assessments adapt to changing market conditions. The CRO's team also ensures Trafigura's risk management capabilities incorporate ongoing advances in technology and risk management modelling capabilities.

The Derivatives Trading Committee, which is comprised of members of the Management Board and the Chief Risk Officer is responsible for applying Trafigura's risk management capabilities towards improving the overall performance of the Group. In 2017, the Derivatives Trading Committee met weekly to discuss and set risk and concentration limits, review changing market conditions, and analyse new market risks and opportunities.

Trafigura's trading teams provide deep expertise in hedging and risk management in the specific markets each team operates in. While the trading teams have front-line responsibility for managing the risks arising from their activities, our process ensures a strong culture of escalation and accountability, with well-defined limits, automatic notifications of limit overages and regular dialogue with the CRO and Derivatives Trading Committee.

b. Market risk

Market risk is the risk of loss in the value of Trafigura's positions due to changes in market prices. Trafigura holds positions primarily to ensure our ability to meet physical supply commitments to our customers, to hedge exposures arising from these commitments, and to support our investment activities. Our positions change due to changing customer requirements and investment opportunities. The value of our positions is accounted for at fair value and therefore fluctuates on a daily basis due to changes in market prices. Categories of market risk we are exposed to include:

- Commodity price risk results from exposures to changes in spot prices, forward prices and volatilities of commodities, such as crude oil, petroleum products, natural gas, base metals, coal and iron ore.
- Currency rate risk results from exposures to changes in spot prices, forward prices and volatilities of currency rates.
- Interest rate risk results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of interest rates, and credit spreads.
- Equity price risk results from exposures to changes in prices and volatilities of individual equities and equity indices.

Trafigura hedges a large majority of price risks arising from its activities. When there is a difference in the characteristics of available hedging instruments and the corresponding commodity price exposures, Trafigura remains exposed to a residual price risk referred to as basis risk. Dynamically managing the basis risk that arises from Trafigura's activities requires specialist skills and is a core focus of our trading and risk management teams.

Value at Risk

Value at Risk (VaR) is a statistical estimate of the potential loss in value of our positions and unsold in-transit material due to adverse market movements. Trafigura calculates VaR over a one-day time horizon with a 95% confidence level. We use an integrated VaR model which captures risks including commodity prices, interest rates, equity prices and currency rates. Trafigura's integrated VaR model facilitates comparison of VaR across portfolios comprised of a range of different risk exposures.

As of 30 September 2017, Trafigura's one-day market risk VaR was USD6.1 million (2016: USD4.5 million). Average market risk VaR (1 day 95%) during the fiscal year was USD6.8 million compared to USD6.3 million in the previous fiscal year. Trafigura's Management Board has set a target of maintaining VaR (1 day 95%) below 1% of Group equity.

Trafigura is aware of the inherent limitations to VaR and therefore uses a variety of risk measures and risk management techniques to create a robust risk management process. Limitations of VaR include:

- VaR does not estimate potential losses over longer time horizons where the aggregate moves may be extreme.
- VaR does not take account of the liquidity of different risk positions and therefore does not estimate the losses that might arise if Trafigura liquidated large positions over a short period of time.
- VaR is based on statistical analysis of historical market data. If this historical data is not reflective of futures market prices movements, VaR may not provide accurate predictions of future possible losses.

Trafigura's VaR calculation covers its trading businesses in the crude oil, refined oil products, petrochemical, natural gas, metals, concentrates, coal, iron ore and freight markets, and assesses the open-priced positions which are those subject to price risk, including inventories of these commodities. Trafigura's VaR model is based on historical simulations, with full valuation of more than 5,000 market risk factors.

VaR is calculated based on simultaneously shocking these risk factors. More recent historical price data is more heavily weighted in these simulations, which enables the VaR model to adapt to more recent market conditions and improves the accuracy of our estimates of potential losses.

Trafigura's VaR model utilises advanced statistical techniques that incorporate the non-normal price dynamics that are an important feature of commodity markets. Our VaR model is continuously and automatically calibrated and back-tested to ensure that its out-of-sample performance adheres to well defined targets. In addition, our VaR model is regularly updated to ensure it reflects the current observed dynamics of the markets Trafigura is active in.

Trafigura has made a significant, ongoing investment in risk management systems, including a reporting system which automatically distributes customised risk reports throughout the Group on a daily basis. These reports provide up-to-date information on each team's risk using industry standard measures such as 95% and 99% Value at Risk and performance indicators such as Sharpe ratios.

All trading books have well defined VaR risk limits and management and the trading teams are automatically notified whenever a book nears its risk limit, as well as whenever a VaR overage occurs. In addition, Trafigura's deals desk management team is automatically notified whenever statistically anomalous changes occur in the profit and loss of any deal.

For senior management, the daily reports provide a comprehensive view of Trafigura's risk, classified according to various risk factors. These reports emphasise the risk diversification created by the Group's varied activities and highlight any excessive risk concentrations.

c. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument or physical contract fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Company has a formalised credit process with credit officers in the key locations around the world. Strict credit limits are set up for each counterparty on the basis of detailed financial and business analysis. These limits are constantly monitored and revised in light of counterparty or market developments and the amount of exposure relative to the size of the Group's balance sheet. The Company makes extensive use of the banking and insurance markets to cover any counterparty or country risks that are in excess of its credit limits.

The risk management monitoring and decision-making functions are centralised and make extensive use of the Company's integrated bespoke IT system. The Company conducts transactions with the following major types of counterparties:

- Physical commodity counterparties spread across the vertical chains for both oil and bulk, eg producers, refiners/smelters and end-users. Sales to investment grade and non-investment grade counterparties are made on open terms up to internally approved credit limits. Exposures above such limits are subject to payment guarantees.
- Payment guarantee counterparties, ie prime financial institutions from which the Company obtains payment guarantees.
- Hedge counterparties comprising a number of prime financial institutions and physical participants in the relevant markets. There is no significant concentration of risk with any single counterparty or group of counterparties. Collateral is obtained from counterparties when the Company's exposure to them exceeds approved credit limits. It is the Company's policy to have ISDA Master Agreements or ISDA-based Long-Form Confirmation Agreements in place with all hedging counterparties.

The Company trades in all major geographic regions. Where appropriate, guarantees, insurance and letters of credit are used to reduce payment or performance risk. The Company has gross credit exposure in locations across the world with a concentration in emerging markets. Most of this exposure is laid off with third parties while the Company retains between 10% to 20% on average of the individual exposures.

F. Notes to consolidated financial statements

The Company's maximum exposure to credit risk, without considering netting agreements or without taking into account of any collateral held or other credit enhancements, is equal to the carrying amount of Trafigura's financial assets as indicated in the balance sheet plus the guarantees to third parties and associates. The Company's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has amounts and guarantees outstanding related to countries that are impacted by sanctions currently imposed by the US and EU. The Group analysed the sanctions and exposures and concluded that these do not materially impact the Group's positions.

(i) Concentration of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the Company's counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The carrying amount of financial assets represents the maximum credit exposure. The Company determines concentrations of credit risk by monitoring the country profile of its third-party trade receivables on an ongoing basis.

Trafigura has a diverse customer base, with no customer representing more than 4.6% (2016: 5.3%) of its revenues over the year ended 30 September 2017.

Refer to note 18 for the aging of trade and other receivables at the reporting date that were not impaired.

(ii) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default. The credit quality of trade and other receivables is assessed based on a strict credit policy. The Group has monitored customer credit risk, by grouping trade and other receivables based on their characteristics.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

(iii) Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in note 18 (Trade and other receivables).

(iv) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries and trading partners in the normal course of business. As part of the Group's ordinary physical commodity trading activities, Trafigura Group Pte. Ltd. may act as guarantor by way of issuing guarantees accepting responsibility for subsidiaries' contractual obligations.

d. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and cash equivalents and ready sources of committed funding available to meet anticipated and unanticipated funding needs. Sound financial management with a focus on liquidity has been instrumental to the Group's success. The Company has demonstrated the ability to raise the appropriate types of financing to match the needs of the business and to tap various investor bases (eg syndicated loan markets, trade finance markets, bond markets, USPP, securitisation etc.), maturities and geographies.

The Company manages its treasury and liquidity risks maintaining a strong liquidity position through the following:

- Targeting immediately available cash on hand of minimum USD500 million under normal conditions (higher in the case of extreme volatility);
- Maintaining bilateral lines which allow the Group to mark-to-market financings to the value of the underlying physical assets. Mark to market financing is performed weekly (or intra-weekly in the case of extreme volatility) and provides an additional source of liquidity which is not available to competitors which are financed purely from revolving credit facilities;
- Committed unsecured credit facilities;
- Maintaining headroom under bilateral trade finance lines and committed revolving credit facilities; and
- Limited distribution of profit (significant retained earnings) and subordination of repurchased equity.

The Group provided a financial guarantee for an amount of USD142 million as of 30 September 2017 (2016: USD285 million) that will expire in 2018. The amount of corporate guarantees in favour of associates and joint ventures as at 30 September 2017 was USD101 million (2016: nil).The maturity analysis of the Group's financial liabilities based on the contractual terms is as follows:

	Total USD'M	0-1 years USD'M	1-5 years USD'M	> 5 years USD'M
30 September 2017				
Financial liabilities				
Current and non-current loans and borrowings	**31,254.6**	23,853.5	7,173.9	227.2
Trade and other payables	**9,778.4**	9,778.4	–	–
Expected future interest payments	**683.2**	224.4	279.2	179.6
Derivative financial liabilities	**702.6**	434.9	266.8	0.9
Total financial liabilities	**42,418.8**	**34,291.2**	**7,719.9**	**407.7**

	Total USD'M	0-1 years USD'M	1-5 years USD'M	> 5 years USD'M
30 September 2016				
Financial liabilities				
Current and non-current loans and borrowings	**25,267.2**	18,033.0	6,985.3	248.9
Trade and other payables	**8,952.5**	8,952.5	–	–
Expected future interest payments	**835.7**	214.5	420.6	200.6
Derivative financial liabilities	**658.9**	421.2	230.7	7.0
Total financial liabilities	**35,714.3**	**27,621.2**	**7,636.6**	**456.5**

e. Interest rate risk

Trafigura is not exposed to significant interest rate risk due to hedging. Interest rate risk of the Group is mainly applicable on the long-term funding of the Group, although a majority of debt, whether long-term or short-term, is floating rate.

At 30 September 2017, assuming the amount of floating rate liabilities (excluding working capital financing) were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, the Group's profit, other comprehensive income and group equity for the year ended 30 September 2017 would decrease/increase by USD24.2 million (2016: USD24.2 million).

From time to time the Group enters into interest rate derivatives transactions to lock-in current interest rate levels, for instance, interest rate swaps provide a method of reducing the Group's exposure to floating interest rates arising from its corporate funding programmes. To realise the desired matching of derivative results with the hedged interest rate payments, cash flow hedge accounting is applied and the derivatives are designated as hedging instruments. The derivatives are carried on balance and their effectiveness is tested on a quarterly basis.

f. Currency risk

Trafigura has few exposures to foreign currency risk on its trading activities and those that do exist are hedged out. The Group does not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries and non-consolidated companies.

The Group uses cross-currency swaps to hedge currency risk on the principal and related payments of foreign currency denominated loans and bonds for which cash-flow hedge accounting is applied. The hedge relationship is expected to be highly effective due to the matching of critical terms between the underlying hedged item and the associated hedging instrument.

The periods when the cash flows are expected to occur are similar to the periods when the cash flows on the foreign currency denominated loans and bonds occur as indicated in note 23 and 27d. Ineffectiveness may arise if the underlying interest reference rate is divergent to the underlying reference rate in Company's debt agreements, to the extent that the hedging instrument is already in the money or out of the money at the point of designation (compared to the hypothetical derivative that must be created on market), when the timing of the hedging instrument goes beyond the hedged item and it is not considered highly probable that the hedged item will be refinanced beyond its current maturity date or if the hedging instrument is for an amount greater than the hedged item.

g. Price risk

During the year, the Group elected to apply cash flow hedge accounting to hedge certain non-financial hedged items. These are the future sales of Zinc production from Mining group companies and equity accounted investees with which the Trafigura Group has entered into contracts to sell 100% of the offtake from. The Group has entered into Zinc fixed-floating swaps to hedge the price risk of these future sales.

The designated hedge derivatives are accounted for at fair value, with the fair value movements being deferred through other comprehensive income where they are deemed to be entered in an effective hedge relationship with cash flows from future sales that are yet to be reflected in the statement of income. Any fair value movements that are not considered to be an effective hedge are recognised directly through the statement of income.

Ineffectiveness will occur due to differences in maturity of the hedged item and the hedging instrument as well as due to the non-price elements of the cash flows arising from the hedged item. Future sales of zinc concentrate. The effectiveness of the economic relationship between the hedging instruments and the hedged item has been assessed at the inception of the hedge accounting designation and is reassessed prospectively and retrospectively at least quarterly. The hedge ratio is determined by the ratio which provides a strong relationship between movements in the fair value of the hedged item and hedging instruments at the inception of the hedge accounting relationship. Given that the hedged items are future sales of Zinc concentrate this is typically close to the expected ratio of metal content payable after deductions per tonne of concentrate for non-price elements of the non-financial hedged items. The overview of the cash flow hedges is:

			2017	2016	2017	2016
	Maturity	Equivalent	Notionals		Fair values	
Cross-currency swap		USD	**1,670.2**	1,670.2	**(21.6)**	(115.7)
Cross-currency interest rate swap		USD	**581.3**	506.2	**(60.7)**	(11.5)
future sales Zinc production	< 1 year	DMT	**128.7**	–	**23.5**	–
future sales Zinc production	1-2-years	DMT	**60.6**	–	**9.8**	–
Total				**2,176.4**	**(49.0)**	**(127.2)**

	Ineffectiveness recognised through profit & loss	Hedge loss deferred through other comprehensive income
Cross-currency swap	(2.2)	14.4
Cross-currency interest rate swap	1.7	(0.1)
Future sales zinc production	(0.8)	(31.1)

Other comprehensive movements in the equity movement schedule includes USD 45 million movement of cash flow hedge reserves from equity accounted investees.

F. Notes to consolidated financial statements

h. Fair value hedge accounting

In some instances, The Group elects to apply fair value hedge accounting to hedge certain risk components of non-financial hedged items. These non-financial hedged items are the tolling agreements which Trafigura has entered into for the processing of crude oil into petroleum by-products. Ultimately, the derivative hedging instruments (splitter hedges consisting of futures and swaps) are aimed to hedge the spread between purchasing crude oil and selling refined product. When applicable, The Group designates derivative hedging instruments as fair value hedges in relationship to the hedged item. The maturity profile of the hedging instruments varies from one to five years. The hedged item may be individual risk components which are separately identifiable and reliably measurable. The designated hedge derivatives are accounted for at fair value through profit and loss and reflected on the balance sheet as either a recognised asset or liability or an unrecognised firm commitment. Each of the identified risk components of the hedged item will be revalued at each period with its corresponding benchmark accounted for at fair value and recognised through profit and loss and reflected on the balance sheet as either a recognised asset or liability or an unrecognised firm commitment. Ineffectiveness will occur as a result of basis differences between the valuation of designated hedge instruments used and valuation of the designated risk component benchmarks considered to best represent the risk component. The following table summarises the movements in the related derivatives and hedge item, and hedge ineffectiveness recognised in the statement of income.

Management seeks to maintain hedge ratio targets of 80% prior to physical production. The Group's overall hedge position has moved from a derivative asset to a derivative liability position as previously entered into 'in the money' derivative hedges have realised and more recent derivative hedge transactions entered into have moved 'out of the money'. Overall hedge positions will fluctuate relative to the time period the hedges were entered into, coupled with the movement of physical crack spreads, which represent the risk component of the underlying hedged item.

Fair value hedge accounting	2017 USD'M	2016 USD'M
Opening balance of the derivatives marked as hedges for splitter business	**127.1**	153.9
FV movement included in the hedge relationship	**(226.3)**	78.3
Hedges for which hedge relationship matured	**(99.4)**	(101.1)
Hedges not designated in hedge relationship	**19.2**	(4.0)
Closing balance of the derivatives market as hedges for splitter business	**(179.4)**	127.1
Opening balance of the hedged item	**(151.8)**	(168.3)
FV movement included in the hedge relationship	**218.1**	(75.4)
Adjustment reversed as hedge relationship matured	**96.3**	91.5
Closing balance of the hedged item	**162.6**	(151.8)
LTD net gain/(loss)	**(16.9)**	(24.7)
YTD net gain/(loss)	**7.9**	(10.4)
YTD hedge ineffectiveness	**(8.3)**	2.8

i. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's immediate parent, Trafigura Beheer B.V., is exclusively owned by its employees. This shareholding arrangement leads to an alignment of the long-term interests of the Company and its management team. By virtue of having its own capital at risk, senior management is incentivised to take a long-term view of the Company's overall performance and to protect its capital.

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company monitors capital using an adjusted debt to equity ratio, which is adjusted total debt divided by the Company's equity. For this purpose, the adjusted debt metric represents the Company's total long- and short-term debt less cash, deposits, readily marketable inventories, debt related to the Company's securitisation programme and the non-recourse portion of loans to third parties.

The Company's long-term average target adjusted debt to equity ratio is 1.0x. The Company's adjusted net debt to equity ratio at the end of the reporting period was as follows:

	2017 USD'M	2016 USD'M
Non-Current loans and borrowings	**7,401.1**	7,234.2
Current Loans and borrowings	**23,853.5**	18,033.0
Total debt	**31,254.6**	25,267.2
Adjustments		
Cash and cash equivalents	**4,988.7**	3,141.9
Deposits	**338.3**	7.9
Stock	**13,926.7**	11,537.7
Securitisation debt	**2,517.4**	1,516.0
Non-recourse debt	**840.3**	434.8
Adjusted total debt	**8,643.2**	8,628.9
Group equity	**6,384.8**	5,847.1
Adjusted debt to Group equity ratio at 30 September	**1.35**	1.48

As at 30 September 2017, the ratio of adjusted net debt to Group equity stood at 1.35x . The decrease of the ratio at year-end compared to 30 September 2016 is mainly due to the increase in Group equity.

The nature of the ratio means it fluctuates between quarters, but Trafigura's long-term commitment is to maintain a disciplined approach to leverage with the aim of ensuring it does not remain significantly above its target of 1.0x on a long-term basis. We expect this ratio to revert to our stated target in the medium term.

j. Fair value

(i) Fair values versus carrying amounts

The fair values of inventories, financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

2017	Carrying value USD'M	Fair value USD'M
Assets		
Listed equity securities – Fair value through OCI	19.3	19.3
Listed debt securities – Fair value through profit or loss	447.6	447.6
Unlisted equity investments – Fair value through profit and loss	45.5	45.5
Unlisted equity investments – Fair value through OCI	122.6	122.6
Loans receivable and advances	670.7	670.7
Inventories	13,926.7	13,926.7
Trade and other receivables	17,506.3	17,506.3
Components of tolling agreement	162.6	162.6
Derivatives	610.4	610.4
Deposits	338.3	338.3
Cash and cash equivalents	4,988.7	4,988.7
Total financial assets and inventories	**38,838.4**	**38,838.7**
Liabilities		
Loans and borrowings		
Floating rate borrowings	28,873.7	28,873.7(*)
Fixed rate borrowings	2,360.3	2,453.2
Finance lease and purchase contract	20.6	20.6(*)
Trade and other payables	9,778.4	9,778.4(*)
Derivatives	702.6	702.6
Total financial liabilities	**41,735.6**	**41,828.5**

2016	Carrying value USD'M	Fair value through profit and loss USD'M
Assets		
Listed equity securities – Fair value through OCI	97.6	97.6
Listed debt securities – Fair value through profit or loss	327.0	327.0
Unlisted equity investments – Fair value through profit and loss	59.4	59.4
Unlisted equity investments – Fair value through OCI	56.3	56.3
Loans receivable and advances	801.3	801.3(*)
Inventories	11,537.7	11,537.7
Trade and other receivables	15,199.9	15,199.9(*)
Derivatives	573.6	573.6
Deposits	7.9	7.9(*)
Cash and cash equivalents	3,141.9	3,141.9(*)
Total financial assets and inventories	**31,802.6**	**31,802.6**
Liabilities		
Loans and borrowings		
Floating rate borrowings	23,241.0	23,241.0
Fixed rate borrowings	1,987.4	2,039.2
Finance lease and purchase contract	38.8	38.8
Trade and other payables	8,952.6	8,952.6
Components of tolling agreement	151.8	151.8
Derivatives	658.9	658.9
Total financial liabilities	**35,030.5**	**35,082.3**

(*)Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents, deposits and trade and other payables reasonably approximate their fair values because these are mostly short-term in nature and are re-priced regularly.

The fair value of the guarantee disclosed in note 26 was calculated based on level 3 valuation inputs taking into account current illiquid market conditions; which include sanctions enacted by the US and EU.

Offsetting of financial assets and liabilities

In accordance with IAS 32 the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 30 September 2017 and 2016 were as follows:

	Amounts eligible for sett off under netting agreements				
2017	Gross Amount USD'M	Amounts offset USD'M	Net amount USD'M	Amounts not subject to netting agreements USD'M	Net amounts presented in the statement of financial position USD'M
Related parties	822.2	(9.1)	813.1	–	813.1
Derivative assets	674.2	(458.0)	216.2	394.2	610.4
Related parties	(75.1)	9.1	(66.0)	–	(66.0)
Derivative liabilities	(735.6)	458.0	(277.6)	(425.0)	(702.6)

	Amounts eligible for sett off under netting agreements				
2016	Gross Amount USD'M	Amounts offset USD'M	Net amount USD'M	Amounts not subject to netting agreements USD'M	Net amounts presented in the statement of financial position USD'M
Related parties	914.2	(23.6)	890.6	–	890.6
Derivative assets	916.6	(678.6)	238.0	335.6	573.6
Related parties	(32.1)	23.6	(8.5)	–	(8.5)
Derivative liabilities	(943.6)	678.6	(265.0)	(394.0)	(659.0)

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

(ii) Fair value hierarchy

The table below analyses the assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

F. Notes to consolidated financial statements

Level 1 classifications primarily include futures with a maturity of less than one year. Level 2 classifications primarily include swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominately from calculations that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Trafigura cannot verify fair value with observable market inputs (level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value. It is Trafigura's policy to hedge significant market risk, therefore sensitivity to fair value movements is limited. Trafigura manages its market risk using the Value at Risk (VaR) as disclosed in note 27b.

Other financial assets and inventories	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	**Total USD'M**
30 September 2017				
Listed equity securities – Fair value through OCI	19.3	–	–	**19.3**
Listed debt securities – Fair value through profit or loss	–	–	447.6	**447.6**
Unlisted equity investments – Fair value through profit and loss	–	–	45.5	**45.5**
Unlisted equity investments – Fair value through OCI	–	–	122.6	**122.6**
Futures	24.4	–	–	**24.4**
OTC derivatives	–	64.7	41.9	**106.6**
Physical forwards	–	1.8	231.4	**233.2**
Cross-currency swaps	–	68.8	–	**68.8**
Interest rate swaps	–	5.7	–	**5.7**
Components of tolling agreement	–	162.6	–	**162.6**
Other financial derivatives	–	171.7	–	**171.7**
Inventories	–	13,926.7	–	**13,926.7**
Total	**43.7**	**14,402.0**	**889.0**	**15,334.7**

Other financial liabilities	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	**Total USD'M**
30 September 2017				
Futures	21.8	–	–	**21.8**
OTC derivatives	–	27.8	0.2	**28.0**
Physical forwards	–	3.8	326.9	**330.7**
Cross-currency swaps	–	151.0	–	**151.0**
Interest rate swaps	–	2.5	–	**2.5**
Other financial derivatives	–	168.6	–	**168.6**
Fixed rate borrowings	–	2,453.2	–	**2,453.2**
Total	**21.8**	**2,806.9**	**327.1**	**3,155.8**

Other financial assets and inventories	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	**Total USD'M**
30 September 2016	–	–	–	**–**
Listed equity securities – Fair value through OCI	97.6			**97.6**
Listed debt securities – Fair value through profit or loss	15.1	–	311.9	**327.0**
Unlisted equity investments – Fair value through profit and loss	–	–	59.4	**59.4**
Unlisted equity investments – Fair value through OCI	–	–	56.3	**56.3**
Futures	24.1	–	–	**24.1**
OTC derivatives	–	191.3	21.8	**213.1**
Physical forwards	–	6.5	175.6	**182.1**
Cross-currency swaps	–	28.5	–	**28.5**
Interest rate swaps	–	20.8	–	**20.8**
Other financial derivatives	–	104.9	–	**104.9**
Inventories	–	11,537.7	–	**11,537.7**
Total	**136.8**	**11,889.7**	**625.0**	**12,651.5**

Other financial liabilities	Level 1 USD'M	Level 2 USD'M	Level 3 USD'M	**Total USD'M**
30 September 2016				
Futures	15.6	–	–	**15.6**
OTC derivatives	–	148.9	–	**148.9**
Physical forwards	–	1.0	227.9	**228.9**
Cross-currency swaps	–	144.2	–	**144.2**
Interest rate swaps	–	30.9	–	**30.9**
Other financial derivatives	–	90.6	–	**90.6**
Components of tolling agreement	–	151.8	–	**151.8**
Fixed rate borrowings	–	2,039.2	–	**2,039.2**
Total	**15.6**	**2,454.8**	**227.9**	**2,850.1**

The overview of the fair value hierarchy and applied valuation methods can be specified as follows:

Listed equity securities – Fair value through profit or loss			**2017 USD'M**	2016 USD'M
	– level 1	Assets	**19.3**	97.6
		Liabilities		
Valuation techniques and key inputs:	Quoted prices in an active market			
Significant unobservable inputs:	None			

Listed debt securities – Fair value through profit or loss			**2017 USD'M**	2016 USD'M
	– level 1	Assets	**–**	15.1
		Liabilities	**–**	–
Valuation techniques and key inputs:	Quoted prices in an active market			
Significant unobservable inputs:	None			

Futures			**2017 USD'M**	2016 USD'M
	– level 1	Assets	**24.4**	24.1
		Liabilities	**21.8**	15.6
Valuation techniques and key inputs:	Quoted prices in an active market			
Significant unobservable inputs:	None			

OTC derivatives			**2017 USD'M**	2016 USD'M
	– level 2	Assets	**64.7**	191.3
		Liabilities	**27.8**	148.9
Valuation techniques and key inputs:	Reference prices			
Significant observable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			

Physical forwards			**2017 USD'M**	2016 USD'M
	– level 2	Assets	**1.8**	6.5
		Liabilities	**3.8**	1.0
Valuation techniques and key inputs:	Reference prices			
Significant observable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			

Cross-currency swaps			**2017 USD'M**	2016 USD'M
	– level 2	Assets	**68.8**	28.5
		Liabilities	**151.0**	144.2
Valuation techniques and key inputs:	Reference prices			
Significant observable inputs:	Inputs include observable quoted prices sourced from exchanges or recent traded prices indices in an active market for identical assets or liabilities.			

Interest rate swaps			2017 USD'M	2016 USD'M
	– level 2	Assets	**5.7**	20.8
		Liabilities	**2.5**	30.9
Valuation techniques and key inputs:	Discounted cash flow model			
Significant observable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.			

Other financial derivatives			2017 USD'M	2016 USD'M
	– level 2	Assets	**171.7**	104.9
		Liabilities	**168.6**	90.6
Valuation techniques and key inputs:	Discounted cash flow model			
Significant observable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in an active market for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations.			

Inventories			2017 USD'M	2016 USD'M
	– level 2	Assets	**13,926.7**	11,537.7
		Liabilities	**–**	–
Valuation techniques and key inputs:	Quoted prices in an active market premium discount on quality and location			
Significant unobservable inputs:				

Fixed rate borrowings			2017 USD'M	2016 USD'M
	– level 2	Assets	**–**	–
		Liabilities	**2,453.2**	2,039.2
Valuation techniques and key inputs:	Discounted cash flow model cash flows discounted at current borrowing rates for similar instruments			
Significant observable inputs:				

Components of to tolling agreements			2017 USD'M	2016 USD'M
	– level 2	Assets	**162.6**	–
		Liabilities	**–**	151.8
Valuation techniques and key inputs:	Reference prices			
Significant observable inputs:	Inputs include observable quoted prices sourced from traded reference prices or recent traded prices indices in an active market for identical assets or liabilities.			

Listed debt securities – Fair value through profit or loss			2017 USD'M	2016 USD'M
	– level 3	Assets	**447.6**	311.9
		Liabilities	**–**	–
Valuation techniques and key inputs:	Discounted cash flow model			
Significant unobservable inputs:	– Forecast throughput – Discount rates using weighted average cost of capital – market illiquidity – operating cost and capital expenditures The resultant asset is a discounted cash flow of the underlying throughput. Increase/decrease of the forecasted throughput will result in an increase/decrease of the value of the asset.			

Unlisted equity investments – Fair value through profit and loss			2017 USD'M	2016 USD'M
	– level 3	Assets	**45.5**	59.4
		Liabilities	**–**	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.			
Significant unobservable inputs:	– market illiquidity			
	– price of commodities			

Unlisted equity investments – Fair value through OCI			2017 USD'M	2016 USD'M
	– level 3	Assets	**122.6**	56.3
		Liabilities	**–**	–
Valuation techniques and key inputs:	Quoted prices obtained from the asset managers of the funds.			
Significant unobservable inputs:	– market illiquidity – price of commodities			

OTC derivatives			2017 USD'M	2016 USD'M
	– level 3	Assets	**41.9**	21.8
		Liabilities	**0.2**	–
Valuation techniques and key inputs:	Discounted valuation of cashflows generated by mean-reverting price simulations.			
Significant unobservable inputs:	Mean reversion Volatility			

Physical forwards			2017 USD'M	2016 USD'M
	– level 3	Assets	**231.4**	175.6
		Liabilities	**326.9**	227.9
Valuation techniques and key inputs:	Discounted cash flow model			
Significant unobservable inputs:	Prices are adjusted by differentials including: – Quality – Location An increase/decrease in one input resulting in an opposite movement in another input, resulting in no material change in the underlying value			

USD'M	Physical forwards/ Derivatives	Equity/Debt securities	Total
1 October 2016	(30.5)	427.5	397.0
Total gain/(loss) recognised in income statement	(51.3)	117.6	66.3
Total gain/(loss) recognised in OCI	–	6.9	6.9
Invested	–	72.8	72.8
Disposals	–	(10.7)	(10.7)
Total realised	28.0	–	28.0
30 September 2017	**(53.8)**	**614.1**	**560.3**

USD'M	Physical forwards/ Derivatives	Equity/Debt securities	Total
1 October 2015	(157.7)	664.0	506.3
Total gain/(loss) recognised in income statement	193.2	(135.1)	58.1
Total gain/(loss) recognised in OCI	–	(12.1)	(12.1)
Invested	–	5.5	5.5
Disposals	–	(94.8)	(94.8)
Total realised	(66.0)	–	(66.0)
30 September 2016	**(30.5)**	**427.5**	**397.0**

There have been no transfers between fair value hierarchy Levels in 2017. Materially all level 3 physical forwards are settled in the next year. See note 16 for equity/debt securities.

28. Employee benefits

a. Equity participation plan

The immediate parent of the Company, Trafigura Beheer B.V., has an equity participation plan (EPP) which is open to employees of the Group. Shares issued to employees are preference shares of Trafigura Beheer B.V which give rights to economic benefits with limited voting rights. The founders and controlling shareholders of the Group represented by the Board of Directors of Trafigura Control Holdings Pte. Ltd., a parent company of Trafigura Beheer B.V., in consultation with the Board of Directors of the Company, decide on the share awards to be issued to employees. Annual remuneration (which includes the equity participation awards) is subject to review by the remuneration committee of the Group.

F. Notes to consolidated financial statements

The value of the shares is based on the net asset value of an ordinary share as set out in Articles of Association of Trafigura Beheer B.V., which the Group believes is a fair approximation of the fair value. Shares awarded under the EPP may vest immediately or over a period of several years.

Employees do not have the right to freely sell shares that have vested unless Trafigura Control Holdings Pte. Ltd. has granted approval and has refrained from its right to nominate a prospective purchaser and make a purchase offer. Upon termination of employment, employees must transfer all of their shares at the direction of Trafigura Control Holdings Pte. Ltd. or hold the shares subject to further directions of Trafigura Control Holdings Pte. Ltd.

Neither Trafigura Beheer B.V. nor the Group have a legal or constructive obligation to settle the shares held by employees in cash. If employment is ceased prior to the end of the vesting period the shares will be forfeited unless otherwise determined by Trafigura Control Holdings Pte. Ltd.

The Group's EPP is classified as an equity-settled plan in the Group's financial statements; the fair value of the shares granted, determined at the grant date, is recorded in the statement of income rateably over the vesting period of the shares.

During 2017, 12,135 immediately vesting shares were granted to employees representing a value of USD15.5 million (2016: 5,613 shares representing a value of USD24.0 million) and 46,555 shares were granted with a vesting period of one to five years representing a value of USD59.5 million (2016: 28,251 shares representing a value of USD120.8 million).

Compensation in respect of share based payments recognised in staff costs amounted to USD82.2 million in 2017 (2016: USD77.7 million).

Unrecognised staff costs in respect of rateably vesting shares expected to be recognised from 2018 to 2021 amount to USD97.9 million at 30 September 2017 (2016:USD107.0 million).

b. Personnel expenses

	2017 USD'M	2016 USD'M
Salaries and bonuses	**387.9**	395.4
Social security costs	**24.7**	25.0
Pension costs	**33.1**	15.4
Share-based payments	**82.2**	77.7
Total	**527.9**	513.5

The average number of employees split geographically is depicted below:

2017	Oil & Petroleum FTE	Non-Ferrous & Bulk FTE	Corporate and Other FTE	**Total FTE**
North, Central and South America	249	1,705	169	**2,123**
Europe and Africa	185	406	278	**869**
Asia, Middle East and Australia	257	291	395	**943**
Total	**691**	**2,402**	**842**	**3,935**

2016	Oil & Petroleum FTE	Non-Ferrous & Bulk FTE	Corporate and Other FTE	**Total FTE**
North, Central and South America	201	1,929	148	**2,278**
Europe and Africa	248	470	245	**963**
Asia, Middle East and Australia	205	301	360	**866**
Total	**654**	**2,700**	**753**	**4,107**

29. Related parties

In the normal course of business, the Company enters into various transactions with related parties including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements. Outstanding balances at period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables or payables.

All transactions between the Company and its subsidiaries are eliminated on consolidation along with any unrealised profits and losses between its subsidiaries, associates and joint ventures.

a. Transactions with key management personnel

(i) Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers. Executive officers also participate in the Group's equity participation plan (see note 28). Compensation of key management personnel, including all members of the Board of Directors and Management Board, comprised of the following:

	2017 USD'M	2016 USD'M
Short-term employee benefits	**12.8**	18.1
Post-employment benefits	**0.5**	0.5
Share-based payments	**29.5**	22.0
Total	**42.8**	40.6

(ii) Key management personnel and director transactions

As at 30 September 2017 loans receivable from the members of the Board of Directors and Management Board total USD10.6 million (2016: USD11.6 million). Interest is charged on the loans at approximately LIBOR + 1.0% and the loans are repayable within the one to three year bracket.

b. Other related-party transactions

Related-party receivables/(payables)	2017 USD'M	2016 USD'M
Trafigura Beheer B.V.	**(47.4)**	352.6
Puma Energy	**642.1**	374.1
PT Servo Meda Sejahtera	**–**	122.5
Farringford NV	**29.6**	17.2
Beheer Malta Ltd	**(8.1)**	(7.2)
Ecore B.V.	**4.3**	16.4
Empresa Minera del Caribe S.A.	**263.3**	150.0
JINCHUAN Group Co. Ltd.	**16.5**	31.4
Minas de Aguas Teñidas, S.A.U ("MATSA")	**72.6**	262.2
Essar Oil Limited	**374.4**	–
Other	**103.0**	100.9
Total	**1,450.4**	1,420.2

	2017 USD'M	2016 USD'M
Sales (mainly Puma Energy)	**7,627.1**	6,697.4
Purchases	**1,986.5**	1,456.1
Terminalling & dockage fees	**167.6**	148.1
Interest income	**58.2**	49.3

Transactions between related parties are made on commercial terms.

The below table summarises the nature of relationship and nature of transactions entered with the related party:

Party	Nature of relationship	Nature of transaction
Beheer Malta Ltd	Parent company	Buy back of treasury shares
Buckeye Partners LLC	Equity-accounted investee	Lease agreements
Ecore B.V.	Cousin group	Cost recharges, trading and hedging
Empresa Minera del Caribe SA	Equity-accounted investee	Financing and trading agreement
Essar Oil Limited	Equity-accounted investee	Financing and trading agreement
Farringford NV	Ultimate parent	Loans and cost recharges
JINCHUAN Group Co. Ltd.	Equity-accounted investee	Trading agreement
Minas de Aguas Teñidas, S.A.U ("MATSA")	Equity-accounted investee	Financing and trading agreement
Porto Sudeste do Brasil S.A.	Equity-accounted investee	Loans and cost recharges
Puma Energy Holding	Equity-accounted investee	Financing and trading agreement
Trafigura Beheer B.V.	Parent company	Loans and cost recharges

A list of consolidated subsidiaries and associates is included in note 32.

30. New standards and interpretations not yet adopted

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- Annual Improvements to IFRSs 2014-2016 Cycle (Issued December 2016), effective 1 January 2017
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective 1 January 2017
- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, effective 1 January 2017
- Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- Amendments to IFRS4 Insurance contracts – regarding the implementation of IFRS 9 Financial instruments, effective 1 January 2018
- Amendments to IAS 40 Investment property – relating to transfers of investment property, effective 1 January 2018
- IFRS 17 Insurance contracts – standard replaces IFRS 4, effective 1 January 2021
- IFRIC 22 Foreign currency transactions and advance considerations – foreign currency transactions or parts of transactions, effective 1 January 2018
- IFRIC 23 Uncertainty over income tax treatments – recognition and measurement of uncertain income tax treatments, effective 1 January 2019

In 2015 the Group early adopted IFRS 9 – Financial Instruments.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Trafigura is investigating the impact on IFRS 15. IFRS 16 Leases is expected to have a significant impact on the balance sheet of the Group and the presentation of lease cost in the statement of income.

The following IFRSs have been applied for the first time in 2017 which did not have a significant impact on the financial statements.

- IFRS 14 Regulatory Deferral Accounts, effective 1 January 2016. Will not be endorsed for use in the EU
- Annual improvements 2014: amendments to IFRS 5 Non-current assets held for sale and discontinued operations regarding methods of disposal – IFRS 7 Financial Instruments regarding service contracts – IAS 19 Employee benefits regarding discount rates – IAS 34 Interim financial reporting regarding disclosure of information, effective 1 January 2016
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants, effective 1 January 2016
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements, effective 1 January 2016
- Amendments to IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in other entities and IAS 28 Investments in Associates and Joint Ventures – Applying the Consolidation Exception, effective 1 January 2016
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016

31. Subsequent events

On 14 November 2017, the Company launched a tap of its recent USD600 million perpetual bond issued on 21 March 2017, and raised USD200 million at a 103.625% price. Yield of the bond at issuance was at 5.912%. The bond will be consolidated and form a single series with the USD600 million perpetual securities issued on 21 March 2017 which is listed on the Singapore Stock Exchange.

On 2 October 2017, the Company closed a new syndicated revolving credit facility of USD1.99 billion replacing the maturing RCF facilities in 2017. The new Facilities comprise a 365-day USD-denominated revolving credit facility (USD1,175 million), a three-year USD term loan facility (USD435 million), as well as a Renminbi (CNH)-denominated one-year tranche (USD380 million). The Facilities will be used for general corporate purposes.

F. Notes to consolidated financial statements

32. Consolidated subsidiaries and associates

For entities where legal shareholding is less than 50%, the Group has consolidated based on the definition of control under IFRS. Certain entities with a percentage of effective economic interest below 50% are held through intermediate holding companies controlled by the Group.

Principal consolidated operating subsidiaries	Location	% Owned 2017	% Owned 2016
AngoRecycling Industry, Lda.	Angola	25.0%	25.0%
Boyaca Navigation Inc.	Panama	100.0%	100.0%
C.I. Trafigura Petroleum Colombia S.A.S.	Colombia	100.0%	100.0%
Catalina Huanca Sociedad Minera S.A.C.	Peru	100.0%	100.0%
DT Trading Ltd.	Bahamas	50.0%	50.0%
DTS Commercial Pte. Ltd.	Singapore	50.0%	50.0%
DTS Refining Pte. Ltd.	Singapore	50.0%	50.0%
DTS Shipping Ventures Pte. Ltd	Singapore	50.0%	50.0%
Edenfield Procurement DMCC	United Arab Emirates	100.0%	100.0%
Empresa de Recolha de Residuos de Angola, Lda. (Errangol)	Angola	25.0%	25.0%
Fangchenggang Guo Tong Import and Export Co. Ltd.	China	100.0%	100.0%
Galena Asset Management B.V.	Netherlands	100.0%	100.0%
Galena Asset Management Limited	United Kingdom	100.0%	100.0%
Galena Asset Management SA	Switzerland	100.0%	100.0%
Galena Investments 2 Limited	Malta	100.0%	100.0%
Genghis Holding Company Limited	Malta	100.0%	100.0%
Iberian Minerals Corp.	Switzerland	100.0%	100.0%
Impala Holdings Limited	Malta	100.0%	100.0%
Impala Logistics (Shanghai) Company Limited	China	100.0%	100.0%
Impala Middle East General Warehousing L.L.C.	United Arab Emirates	100.0%	100.0%
Impala Terminals Barrancabermeja S.A.	Colombia	100.0%	100.0%
Impala Terminals Burnside LLC	United States	100.0%	100.0%
Impala Terminals Colombia SAS	Colombia	100.0%	100.0%
Impala Terminals DRC SARL	Congo, The Democratic Republic of the	100.0%	100.0%
Impala Terminals Group B.V.	Netherlands	100.0%	100.0%
Impala Terminals Mexico, S.A. de C.V.	Mexico	100.0%	100.0%
Impala Terminals Middle East FZE	United Arab Emirates	100.0%	100.0%
Impala Terminals Peru S.A.C	Peru	100.0%	100.0%
Impala Terminals UK Limited	United Kingdom	100.0%	100.0%
IWL (Luxembourg) S.à r.l.	Luxembourg	100.0%	100.0%
IWL Capital LLC	Marshall Islands	100.0%	100.0%
IWL Holding B.V.	Netherlands	100.0%	100.0%
IWL Holdings (Luxembourg) S.à r.l.	Luxembourg	100.0%	100.0%
IWL Investments (Luxembourg) S.à r.l	Luxembourg	100.0%	100.0%
IWL River Inc.	Panama	100.0%	100.0%
LYKOS India Private Limited	India	100.0%	100.0%
Manatee Holding Company Limited	Malta	100.0%	100.0%
NGL Equipments, S.A. de C.V.	Mexico	100.0%	100.0%
Ningbo Trans-Coal Trading Co., Ltd.	China	100.0%	100.0%
Petromining S.A.	Argentina	100.0%	100.0%
Puma Energy Holdings Malta Limited	Malta	100.0%	100.0%
Seal Sands Gas Transportation Limited	United Kingdom	100.0%	0.0%
Shanghai Trafigura Energy and Resource Trading Co., Ltd.	China	100.0%	100.0%
TAG ECO Recycling (UK) Limited	United Kingdom	100.0%	100.0%
TCPU Inc.	United States	100.0%	100.0%
Teesside Gasport Limited	United Kingdom	100.0%	–
Trafigura Argentina S.A.	Argentina	100.0%	100.0%
Trafigura B.V.	Netherlands	100.0%	100.0%
Trafigura Canada General Partnership	Canada	100.0%	100.0%
Trafigura Chile Limitada	Chile	100.0%	100.0%
Trafigura Coal Colombia S.A.S.	Colombia	100.0%	100.0%

Principal consolidated operating subsidiaries	Location	% Owned 2017	% Owned 2016
Trafigura Corpus Christi Holdings LLC	United States	100.0%	100.0%
Trafigura Derivatives Limited	United Kingdom	100.0%	100.0%
Trafigura DMCC	United Arab Emirates	100.0%	100.0%
Trafigura Energy Colombia S.A.S.	Colombia	100.0%	100.0%
Trafigura Eurasia LLC	Russian Federation	100.0%	100.0%
Trafigura Funding S.A.	Luxembourg	100.0%	100.0%
Trafigura Holding GmbH	Switzerland	100.0%	100.0%
Trafigura Holdings Limited	Malta	100.0%	100.0%
Trafigura Holdings Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura India Private Limited	India	100.0%	100.0%
Trafigura Investment (China) Co., Ltd.	China	100.0%	100.0%
Trafigura Limited	United Kingdom	100.0%	100.0%
Trafigura Maritime Logistics Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura Maritime Ventures Limited	Malta	100.0%	100.0%
Trafigura Marketing Inc.	United States	100.0%	100.0%
Trafigura Marketing Ltd.	Canada	100.0%	100.0%
Trafigura Metales Basicos S.A.C.	Peru	100.0%	100.0%
Trafigura Mexico, S.A. de C.V.	Mexico	100.0%	100.0%
Trafigura Mongolia LLC	Mongolia	100.0%	100.0%
Trafigura Nat Gas Limited	Malta	100.0%	100.0%
Trafigura Overseas Projects Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura Peru S.A.C.	Peru	100.0%	100.0%
Trafigura Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura Services Pte. Ltd.	Singapore	100.0%	100.0%
Trafigura Services South Africa (Pty) Ltd.	South Africa	100.0%	100.0%
Trafigura Trade Holdings B.V.	Netherlands	100.0%	100.0%
Trafigura Trade Investments B.V.	Netherlands	100.0%	100.0%
Trafigura Trading (Europe) Sàrl	Switzerland	100.0%	100.0%
Trafigura Trading LLC	United States	100.0%	100.0%
Trafigura Trading Yangshan Co., Ltd.	China	100.0%	100.0%
Trafigura Ukraine LLC	Ukraine	100.0%	100.0%
Trafigura Ventures Trading Ltd.	Mauritius	100.0%	100.0%
Trafigura Ventures V B.V.	Netherlands	100.0%	100.0%
Urion Holdings (Malta) Limited	Malta	100.0%	100.0%
Urion Mining International B.V.	Netherlands	100.0%	100.0%

Associates and Joint ventures carried at net equity value	Location	% Owned 2017	% Owned 2016
ATALAYA MINING PLC (previously known as EMED MINING PUBLIC LIMITED)	Cyprus	22.0%	22.0%
Buckeye Texas Partners LLC	United States	20.0%	20.0%
Empresa Minera del Caribe S.A. (Joint venture)	Caribbean	49.0%	49.0%
Guangxi Jinchuan Non-ferrous Metals Co., Ltd	China	30.0%	30.0%
Mineração Morro do Ipê S.A.	Brazil	25.5%	–
Napoil Limited	Bermuda	49.0%	49.0%
Nyrstar N.V.	Belgium	24.6%	24.6%
Porto Sudeste do Brasil S.A. (Joint venture)	Brazil	49.2%	47.4%
PT Servo Meda Sejahtera	Indonesia	–	46.5%
Puma Energy Holdings Pte. Ltd.	Singapore	49.6%	49.6%
Tendril Ventures Pte. Ltd. (joint venture)	Singapore	49.0%	–
TM Mining Ventures, S.L. (Joint venture)	Spain	50.0%	50.0%
Transportadora Callao S.A.	Peru	30.0%	30.0%

33. Board of Directors

The Board of Directors	
Christopher Cox	Mark Irwin
José Larocca	Pierre Lorinet
Sipko Schat	Andrew Vickerman
Mike Wainwright	Jeremy Weir

Singapore, 7 December 2017.

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TRAFIGURA

Trafigura Group Pte. Ltd.

10 Collyer Quay #29-00
Ocean Financial Centre
Singapore 049315
Email: enquiries@trafigura.com

www.trafigura.com
TH/0241.1e