

FINANCIAL CONTENTS

Statement by Directors	42
Independent Auditors' Report	43
Balance Sheets	44
Consolidated Income Statement	45
Consolidated Statement of Changes in Equity	46
Consolidated Cash Flow Statement	47
Notes to the Financial Statements	49

STATEMENT BY DIRECTORS

as at financial year ended 31 December 2006

In the opinion of the directors of Chemoil Energy Limited, the balance sheet of the Company and the consolidated financial statements of Chemoil Energy Limited and its subsidiaries (together "the Group") as set out on pages 44 to 87 are drawn up so as to present fairly, in all material respects, the financial position of the Company and of the Group at 31 December 2006, and the results, changes in equity and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.

The board of directors authorised the consolidated financial statements for issue on 10 April 2007.

On behalf of the Directors

Robert Viswanathan Chandran
Director

Fuminobu Oda
Director

10 April 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHEMOIL ENERGY LIMITED

We have audited the accompanying financial statements of Chemoil Energy Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 87, which comprise the balance sheets of the Company and of the Group as of 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying balance sheet of the Company and the consolidated financial statements of the Group present fairly, in all material respects, the financial position of the Company and of the Group as of 31 December 2006, and of the financial performance and the cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Certified Public Accountants

Singapore

10 April 2007

BALANCE SHEETS

As at 31 December 2006

(In US\$'000, unless otherwise stated)

	Notes	Group		Company	
		2006	2005	2006	2005
ASSETS					
Current assets					
Cash and bank balances	5	49,573	53,677	9,233	161
Derivative financial instruments	6	10,671	6,605	-	-
Other financial assets at fair value through profit or loss	7	838	-	-	-
Income tax recoverable		3,637	-	-	-
Other current assets	8	23,161	8,615	17,248	175
Trade and other receivables	9	319,887	310,472	90,306	12,813
Inventories	10	169,936	174,833	-	-
		577,703	554,202	116,787	13,149
Non-current assets					
Other non-current assets	11	3,055	2,884	-	-
Other receivables	12	-	4,000	-	4,000
Investment in subsidiaries	13	-	-	17,247	12,967
Investments in associates	14	22,209	21,321	18,883	17,065
Intangible assets	15	1,626	-	-	-
Property, plant and equipment	16	16,922	15,135	-	-
Deferred income tax assets	17	267	-	-	-
		44,079	43,340	36,130	34,032
Total assets		621,782	597,542	152,917	47,181
LIABILITIES					
Current liabilities					
Trade and other payables	18	186,364	259,168	1,406	2,136
Derivative financial instruments	6	2,016	1,446	-	-
Current income tax liabilities		3,155	4,582	-	-
Borrowings	19	135,593	164,378	8,890	5,646
Provisions for other liabilities and charges	20	2,526	2,991	-	-
		329,654	432,565	10,296	7,782
Non-current liabilities					
Borrowings	19	51,357	57,802	33,753	36,387
Deferred income tax liabilities	17	4,455	3,444	-	-
		55,812	61,246	33,753	36,387
Total liabilities		385,466	493,811	44,049	44,169
NET ASSETS		236,316	103,731	108,868	3,012
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	2	2	2	2
Share premium	21	85,816	-	85,816	-
Merger reserve	22	3,529	3,529	-	-
Other reserves	23	222	121	41	-
Retained earnings		146,747	99,903	23,009	3,010
		236,316	103,555	108,868	3,012
Minority interest		-	176	-	-
Total equity		236,316	103,731	108,868	3,012

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

	Notes	2006	2005
Revenue	25	4,345,598	3,673,776
Other gains/(losses) – net	25	62,690	(20,315)
		4,408,288	3,653,461
Expenses			
– Inventories recognised as an expense		4,121,661	3,412,013
– Barging and pipelines costs		36,198	24,268
– Chartering expenses		56,279	65,714
– Rentals for office premises, storage tanks and motor vehicles		33,211	22,201
– Demurrage costs		9,562	9,847
– Employee benefits	26	19,341	17,355
– Marketing and communication expenses		2,793	2,084
– Service and commission expenses		12,680	10,163
– Other expenses		21,770	19,968
– Depreciation and amortisation		3,372	3,184
– Finance expense	28	20,159	13,682
– Public offering costs		4,247	–
Total expenses		4,341,273	3,600,479
Share of associates' results – net	14	1,970	3,708
Profit before income tax		68,985	56,690
Income tax expense	29	(11,137)	(7,177)
Profit after tax		57,848	49,513
Attributable to:			
Equity holders of the Company		57,844	49,464
Minority interest		4	49
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)	31		
– Basic		5.22	4.50
– Diluted		5.19	4.50

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

	Notes	Attributable to equity holders of the Company					Minority interest	Total equity
		Share capital	Merger reserve	Share premium	Other reserves	Retained earnings		
Balance at 1 January 2006		2	3,529	-	121	99,903	176	103,731
Currency translation differences recognised directly in equity	23	-	-	-	55	-	4	59
Profit for the year		-	-	-	-	57,844	4	57,848
Total recognised income for the year		-	-	-	55	57,844	8	57,907
Dividend relating to 2005	32	-	-	-	-	(11,000)	-	(11,000)
Disposal of subsidiaries	5	-	-	-	5	-	(184)	(179)
Employee share option scheme: Value of services rendered	23	-	-	-	41	-	-	41
Proceeds from shares issued	21	-	-	85,816	-	-	-	85,816
Balance at 31 December 2006		2	3,529	85,816	222	146,747	-	236,316
Balance at 1 January 2005		2	3,529	-	238	51,839	146	55,754
Currency translation differences recognised directly in equity	23	-	-	-	(117)	-	(19)	(136)
Profit for the year		-	-	-	-	49,464	49	49,513
Total recognised income for the year		-	-	-	(117)	49,464	30	49,377
Dividend relating to 2004	32	-	-	-	-	(1,400)	-	(1,400)
Balance at 31 December 2005		2	3,529	-	121	99,903	176	103,731

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

	Notes	2006	2005
Cash flows from operating activities			
Profit after tax		57,848	49,513
Adjustments for:			
Tax expense	29	11,137	7,177
Share option expense	26	41	-
Depreciation and amortisation		3,372	3,184
Net loss on disposals of property, plant and equipment		150	69
Gain on partial disposal of subsidiaries	25	(236)	-
Gain on disposal of associates	25	(71)	(681)
Gain on disposal of other financial assets at fair value through profit or loss	25	-	(248)
Fair value losses on other financial assets at fair value through profit or loss	25	24	-
Share of associates' results	14	(1,970)	(3,708)
Interest income	25	(3,963)	(5,184)
Finance expense	28	20,159	13,682
Operating cash flow before working capital changes		<u>86,491</u>	<u>63,804</u>
Changes in operating assets and liabilities			
Derivative financial instruments		(3,497)	(1,491)
Other assets		3,141	983
Trade and other receivables		20,236	(111,141)
Inventories		35,916	(60,901)
Trade and other payables		(112,543)	103,015
Provisions for other liabilities and charges		(465)	(5,568)
Cash generated from/(used in) operations		<u>29,279</u>	<u>(11,299)</u>
Income tax paid		(15,573)	(5,272)
Net cash generated from/(used in) operating activities		<u>13,706</u>	<u>(16,571)</u>
Cash flows from investing activities			
Advance for purchase of property, plant and equipment	8	(16,980)	-
Purchase of other financial assets at fair value through profit or loss		(862)	-
Purchases of property, plant & equipment	16	(5,035)	(2,904)
Investment in associates	14	(2,798)	-
Proceeds from disposal of investment in associates		273	1,266
Capital reduction of an associate	14	300	-
Acquisition of a subsidiary, net of cash received	5	(21,801)	-
Disposal of subsidiaries, net of cash disposed of	5	(297)	-
Proceeds from disposal of other financial assets at fair value through profit or loss		-	371
Loan repayments received from a related party		4,000	3,255
Interest received		3,963	5,184
Dividends received from associates	14	2,003	501
Net cash (used in)/generated from investing activities		<u>(37,234)</u>	<u>7,673</u>

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

	Notes	2006	2005
Cash flows from financing activities			
Proceeds from borrowings		120,555	143,112
Proceeds from issuance of ordinary shares	21	85,816	-
Repayments of borrowings		(177,491)	(94,135)
Interest paid		(20,159)	(13,682)
Bank balances and deposits pledged with banks for bank loans		(7,038)	1,283
Dividends paid to shareholders	32	(11,000)	(1,400)
Net cash (used in)/generated from financing activities		<u>(9,317)</u>	<u>35,178</u>
Net (decrease)/increase in cash and cash equivalents		(32,845)	26,280
Cash and cash equivalents at beginning of financial year		50,210	23,930
Cash and bank balances at end of financial year	5	<u>17,365</u>	<u>50,210</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

1. GENERAL INFORMATION

Chemoil Energy Limited ('the Company') and its subsidiaries (together 'the Group') are global traders in marine fuel products. The Group operates in major ports such as Long Beach, Houston, New Orleans, New York, Panama, Rotterdam and Singapore.

The Company is incorporated and domiciled in Hong Kong. The address of its registered office is Three Pacific Place, Level 28, 1 Queen's Road East, Hong Kong.

On 14 December 2006, the Company was admitted to the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Chemoil Energy Limited on 10 April 2007.

2. BASIS OF PREPARATION

On 31 August 2006, the Company acquired the entire equity interest in Chemoil Corporation, an entity controlled by the Company's controlling shareholders, for a consideration of US\$3,530 satisfied by the issuance of 3,734 new ordinary shares of HK\$1.00 each in the Company at an issue price of US\$945.37 per share (see Note 21).

The acquisition is a business combination involving entities under common control as the Company and Chemoil Corporation are under the common control of the same controlling shareholders before and after the acquisition. Accordingly, the acquisition has been accounted for using the "pooling-of-interests" method.

For the purpose of this report, the consolidated income statements and consolidated cash flow statements include the results of operations and cash flows of the companies now comprising the Group as if the current structure of the Group had been in existence throughout the relevant periods. The assets and liabilities are brought into the consolidated balance sheets at their existing carrying amounts. All significant intra-group transactions and balance have been eliminated on consolidation (see Note 3.14).

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies below.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.26.

Interpretations and amendments to published standards effective for financial periods beginning on or after 1 January 2006

The Group has adopted the following amendments and interpretations to standards, which are relevant to its operations.

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006);
- IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006);
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006); and
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of the above mentioned amendments and interpretations did not materially affect these consolidated financial statements.

Management assessed the relevance of the following amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group.

- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006);
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006); and
- IFRIC 6, Liabilities arising from Participants in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005).

3.1 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries under the common control of the Company's shareholders have been consolidated using the "pooling of interests" method as explained in Note 2.

The acquisition of subsidiaries not under the common control of the Company's shareholders are consolidated using the purchase method of accounting whereby the results of subsidiaries acquired during the financial year are included from the date of acquisition up to the date when control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 3.5).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Significant subsidiaries of the Group are listed in Note 36 to the consolidated financial statements.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Group accounting (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 3.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Significant associates are set out in Note 14 to the consolidated financial statements.

3.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollar ("US\$"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of fair value gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (Note 3.6). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, as follows:

Buildings and improvements on leasehold land	5 – 12 years
Office and computer equipment, furniture and fittings	3 – 5 years
Equipment and terminals	15 years
Motor vehicles	10 years

Fully depreciated property, plant and equipment are retained in the consolidated financial statements until they are no longer in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets

Goodwill arising on consolidation

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill on acquisition is tested at least annually for impairment and carried at cost less accumulated impairment losses.

3.6 Impairment of non-financial assets

Property, plant and equipment and investments in associates are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses for these assets are recognised in the income statement.

3.7 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed, and the performance are evaluated on a fair value basis. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Note 3.11) and 'cash and cash equivalents' (Note 3.12) in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial assets (continued)

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

(e) Determination of fair value

The fair values of quoted financial assets are based on current bid prices.

(f) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3.8 Financial guarantees

The Group has issued corporate guarantees to banks for bank borrowings of certain associates. These guarantees are financial guarantee contracts as they require the Group to reimburse the banks if the associates fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the associates' borrowings, unless the Group has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

3.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. While utilised by the Group for risk management purposes, and although these derivatives are linked to the inventory or underlying transaction, they do not meet the criteria of hedge accounting as defined by International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" and thus do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the income statement under "Other gains/ (losses) – (net)".

3.10 Inventories

Inventories are stated at fair value less costs to sell, with changes in fair value less costs to sell recognised in the income statement in the period of change.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement under "Other expenses".

3.12 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts and bank balances and deposits pledged with banks for bank loans. Bank overdrafts are included under borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Merger reserve

In applying the pooling of interests method, the consolidated income statements and consolidated cash flow statements include the results of operations and cash flows of the companies now comprising the Group as if the current structure of the Group had been in existence throughout the relevant periods. The assets and liabilities are brought into the consolidated balance sheets at their existing carrying amounts. Any difference between the amount recorded as share capital issued and the amount for the share capital acquired are adjusted against equity. Expenditure incurred in relation to a uniting of interests is recognised as an expense in the period incurred.

3.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17 Borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.19 Employee benefits

Pension obligations

(i) Defined benefit plans

The Group operates various pension schemes, including defined benefit schemes. These defined benefit schemes provide defined pension benefits to staff upon reaching retirement age, the amount of which depends on age, salary and years of service.

The pension provision recognised in the balance sheet is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. When plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past-service costs, exceed pension obligations, the balance is classified as a current asset.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year are credited or charged to the income statement over the expected average future years of service of the employees concerned.

Unrecognised past-service costs are taken directly to the profit and loss account unless the changes in the pension scheme depend on the employees remaining in service for a specific period (the qualifying period). In that case, the past-service costs are recognised on a straight-line basis over the qualifying period.

(ii) Defined contribution plans

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Employee benefits (continued)

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital.

3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.21 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amounts of the investments are taken to the income statement.

3.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of sales tax, estimated returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (a) Sales of goods are recognised upon passing of title to the customer which generally coincides with delivery and acceptance of the goods sold.
- (b) Interest income is recognised on a time proportion basis, using the effective interest method.
- (c) Chartering income on time charters is recognised on a time proportion basis according to the agreements in place.
- (d) Revenue from the provision of services is recognised upon completion of service.
- (e) Rental income from operating leases is recognised on a straight-line basis over the lease term.
- (f) Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Leases

(a) When a Group company is the lessee:

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Finance Leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

(b) When a Group company is the lessor:

Operating Leases

Assets leased out under operating leases are included in property, plant and equipment.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

3.24 Dividend distribution

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the Group's financial statements in the financial year in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2006 or later periods but which the Group has not early adopted, as follows:

IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities has a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.

IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from annual periods beginning 1 January 2007.

IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 June 2006). IFRIC 9 requires that subsequent reassessment of embedded derivatives is prohibited unless there has been a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required by the contract, in which case reassessment is required. Management is currently assessing the impact of IFRIC 9 on the Group's operations.

IFRIC 10, Interim Financial Reporting and Impairment (effective from 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from annual periods beginning 1 January 2007, but it is not expected to have any impact on the Group's accounts.

IFRIC 11 – IFRS 2, Group and Treasury Share Transactions (effective from 1 March 2007). Share-based payment transactions in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholders or the share-based payment arrangement was settled by the entity itself or by its shareholders. When a parent grants rights to its equity instruments to the employees of its subsidiary, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent, provided that the share-based arrangement is accounted for as equity-settled in the consolidated financial statements of the parent. When a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary shall account for the transaction with its employees as cash-settled, regardless of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees. The Group will apply IFRIC 11 from annual periods beginning 1 January 2008.

IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 8, Operating Segments (effective from 1 January 2009). The requirements of IFRS 8 are based on the information about the components of the entity that management uses to make decisions about operating matters. IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. A component of an entity that sells primarily or exclusively to other operating segments of the entity is included in the definition of an operating segment if the entity is managed that way. IFRS 8 also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. IFRS 8 requires an entity to disclose the factors used to identify the entity's operating segments, including the basis of organisation (for example, whether management organises the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether segments have been aggregated), and the types of products and services from which each reportable segment derives its revenues. The Group will apply IFRS 8 from annual periods beginning 1 January 2009.

3.26 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Estimated impairment of goodwill*

Goodwill is tested annually for impairment, in accordance with the accounting policy stated in Note 3.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

If the management's estimated growth rate had been lower by 1%, the carrying values of goodwill would not be materially affected.

If the management's estimated pre-tax discount rate applied to the discounted cash flows had been raised by 1%, the carrying values of goodwill would not be materially affected.

(b) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred income tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

(a) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk arises from potential changes in foreign exchange rates that have an adverse effect on the Group in the current reporting year or in future years.

All of the Group's trade purchases and sales are denominated in United States Dollars; therefore there is no significant exposure to foreign currency risk. In locations where the Group has an exposure to foreign currencies, the Group may enter into forward exchange contracts, when considered necessary.

(b) Credit risk

Credit risk arises when one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The Group has established credit limits for customers and monitors their balances. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality.

The Group has no significant concentration of credit risks. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of 31 December 2006 in relation to each class of financial assets, other than derivatives, is the carrying amount of those assets indicated in the balance sheet.

With respect to derivative financial instruments, credit risk arises from potential failure of counterparties to meet their obligation under the contract or arrangement.

(c) Liquidity risk

Liquidity risk arises when difficulty is encountered in raising funds to meet commitments associated with financial instruments. The Group manages its liquidity risk mainly through funds generated from its operations. The Group has also obtained banking facilities as well as loans from its shareholders.

(d) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risks mainly arise from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain its borrowings substantially in floating rate instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The carrying amounts of trade and other receivables, cash and cash equivalents, and trade and other payables approximate their fair values due to their short-term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
Cash at bank and in hand	19,316	11,286	349	161
Overnight bank deposits	30,257	42,391	8,884	-
Total	49,573	53,677	9,233	161

The carrying amounts of cash and bank balances approximate their fair values.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
United States Dollar	38,859	52,002	9,233	161
Euros	4,803	-	-	-
Singapore Dollar	5,730	247	-	-
Others	181	1,428	-	-
Total	49,573	53,677	9,233	161

Overnight bank deposits have the following weighted average effective interest rates at the balance sheet date:

	Group		Company	
	2006	2005	2006	2005
United States Dollar	4.54%	3.74%	5.21%	-
Other	3.06%	5.75%	-	-

For the purposes of the consolidated cash flow statements, the consolidated cash and cash equivalents comprise the following:

	Group	
	2006	2005
Cash and bank balances	49,573	53,677
Less: Bank balances and deposits pledged with banks for bank loans	(10,505)	(3,467)
Less: Bank overdrafts (Note 19)	(21,703)	-
Total	17,365	50,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

5. CASH AND BANK BALANCES (continued)

Acquisition of subsidiary

In June 2006, the Group acquired the remaining 50% interest in associate, Chemoil Europe B.V. (formerly known as Allround Fuel Trading Chemoil B.V.), for a cash consideration of US\$3,000.

The effects of acquisition of subsidiary are as follows:

	2006
Current assets	43,427
Non-current assets	71
Current liabilities	(40,671)
Non-current liabilities	(79)
Net identifiable assets acquired	2,748
Reclassification from associate to subsidiary	(1,374)
Goodwill (Notes 13 and 15)	1,626
Total cash consideration	3,000
Add: Bank overdrafts in subsidiary acquired	18,801
Net change in cash and cash equivalents from acquisition of a subsidiary	21,801

Disposal of subsidiaries

On 1 August 2006, the Group sold its 62% interest in Andorra Japan Ltd to an entity related to a shareholder of the Company for a cash consideration of US\$74.

On 4 August 2006, the Group sold its 99% interest in Waldron Limited to a subsidiary of an associate for a cash consideration of US\$609.

On 28 August 2006, the Group sold its 100% interest in Chemoil Asia Inc. to an entity controlled by a director/shareholder of the Company for a cash consideration of US\$8.

The effects of disposal of subsidiaries are as follows:

	2006
Current assets	1,470
Non-current assets	92
Current liabilities	(927)
Net identifiable assets	635
Less: Minority interest	(184)
Net identifiable assets disposed	451
Transfer from shareholders' equity – currency translation differences (Note 23)	5
Gain on disposal (Note 25)	236
Cash proceeds from disposal	692
Less: Cash and cash equivalents in subsidiaries disposed	(989)
Net cash outflow on disposal	(297)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

6. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2006	2005
Derivative commodity contracts (Note 3.9)	8,144	4,886
Interest-rate cap (Note 3.9)	222	273
Forward foreign exchange contracts (Note 3.9)	289	-
	8,655	5,159

Analysed as:

	2006			2005		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Commodity swaps ¹	712,133	9,860	(2,016)	889,266	6,332	(1,200)
Commodity futures ¹	35,547	300	-	22,329	-	(246)
Interest-rate cap ²	20,000	222	-	20,000	273	-
Currency forwards	37,202	289	-	-	-	-
		10,671	(2,016)		6,605	(1,446)

¹ Derivative commodity contracts mature within 6 months from balance sheet date.

² The interest-rate cap has a strike price of 5% and expires on 31 January 2010.

7. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
Listed securities – held for trading		
– Equity securities – India	838	-

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cashflow statement.

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other gains/(losses) – net, in the income statement (Note 25).

8. OTHER CURRENT ASSETS

	Group		Company	
	2006	2005	2006	2005
Advance for purchase of property, plant and equipment	16,980	-	16,980	-
Advances to suppliers	1,145	4,600	-	-
Deposits	164	77	-	-
Net defined benefit pension plan assets (Note 27)	67	-	-	-
Prepayments	4,805	3,938	268	175
Total	23,161	8,615	17,248	175

The carrying amounts of deposits approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

9. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	2006	2005	2006	2005
Trade receivables:				
- Subsidiaries	-	-	38	-
- Associates	2,283	39,102	2	12
- Other related parties	5,578	3,527	873	248
- Third parties	308,941	255,593	-	-
	316,802	298,222	913	260
Less: Allowance for impairment of trade receivables				
- third parties	(2,196)	(2,526)	-	-
Trade receivables – net	314,606	295,696	913	260
Loans to other related parties	-	9,134	-	4,000
Less: Non-current portion (Note 12)	-	(4,000)	-	(4,000)
	-	5,134	-	-
Loan to subsidiaries	-	-	87,291	12,000
Loan to an associate	-	1,000	-	-
Other receivables:				
- Subsidiaries	-	-	2,000	550
- Third parties	5,281	8,642	102	3
	5,281	8,642	2,102	553
	319,887	310,472	90,306	12,813

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade and other receivables.

Trade and other receivables of the Group amounting to US\$8,862 (2005: Nil) and US\$69,951 (2005: US\$54,998) at 31 December 2006 have been pledged as security for bank overdrafts and bank loans respectively (Note 19).

Trade receivables of the Group amounting to US\$83,916 (2005: US\$143,500) have been sold to a financial institution pursuant to a Receivables Purchase Agreement. The gross amounts of trade receivables secured under the agreement are US\$140,810 (2005: US\$155,773). As the sale of these receivables does not qualify for derecognition under the provisions of IAS 39 Financial Instruments: Recognition and Measurement, they continue to be included as the Group's trade receivables and the proceeds received from the financial institution are recognised as borrowings (Note 19).

Loans to subsidiaries are unsecured, interest free and are repayable within twelve months.

Other related parties comprise controlling shareholders of the Company and entities controlled/significantly influenced by the controlling shareholders of the Company.

The carrying amounts of trade and other receivables approximate their fair values and are predominantly denominated in United States Dollars.

Impairment loss on trade receivables of the Group of US\$331 was written back and included in "Other expenses". In 2005, an impairment loss of US\$1,980 for the Group was recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

10. INVENTORIES

	Group	
	2006	2005
Marine fuels at fair value less costs to sell	169,936	174,833

Inventories amounting to US\$31,850 (2005: Nil) and US\$8,247 (2005: US\$27,983) at 31 December 2006 have been pledged as security for bank overdrafts and bank loans respectively (Note 19).

11. OTHER NON-CURRENT ASSETS

	Group	
	2006	2005
Prepayments	2,505	2,757
Deposits	550	127
	<u>3,055</u>	<u>2,884</u>

The carrying amounts of non-current deposits approximate their fair values and are predominantly denominated in United States Dollars.

12. OTHER RECEIVABLES – NON-CURRENT

	Group and Company	
	2006	2005
Other receivables:		
– Loans to other related parties	–	4,000

Details of current and non-current loans to other related parties as at balance sheet date are as follows:

	Group			
	2006	Effective interest rate	2005	Effective interest rate
Unsecured and bears interest at floating rate	–	–	3,518	5.89%
Unsecured and non-interest bearing	–	–	1,616	–
Secured by guarantee of a director and bears interest at floating rate	–	–	4,000	6.81%
	<u>–</u>		<u>9,134</u>	

	Company			
	2006	Effective interest rate	2005	Effective interest rate
Secured by guarantee of a director and bears interest at floating rate	–	–	4,000	6.81%
	<u>–</u>		<u>4,000</u>	

Other related parties comprise controlling shareholders of the Company and entities controlled/significantly influenced by the controlling shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
Unquoted equity shares, at cost	17,247	12,967

Details of significant subsidiaries are included in Note 36.

Acquisition of a subsidiary

In June 2006, the Company acquired the remaining 50% equity interest in Chemoil Europe B.V. (formerly known as Allround Fuel Trading Chemoil B.V.) for a cash consideration of US\$3,000.

The fair value of the remaining 50% share of the net identifiable assets of Chemoil Europe B.V. at the date of acquisition amounted to US\$1,374, resulting in goodwill on acquisition of US\$1,626.

The goodwill is attributable to the significant synergies expected to arise after the acquisition.

Chemoil Europe B.V. contributed revenue of US\$644,936 and net loss of US\$2,110 to the Group for period from 1 June 2006 to 31 December 2006. Chemoil Europe B.V.'s assets and liabilities at 31 December 2006 were US\$62,276 and US\$61,574 respectively. If the acquisition had occurred on 1 January 2006, the Group's revenue would have been US\$4,852,161 and net profit would have been US\$57,983 of which US\$55 had been equity accounted for prior to June 2006.

Information about an incorporation of a new subsidiary on 8 January 2007 is set out in Note 37.

14. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
Equity investment at cost			18,883	17,065
Balance at beginning of financial year	21,321	18,699		
Additions during the year	2,798	-		
Share of results	1,970	3,708		
Reclassification of an associate as subsidiary	(1,374)	-		
Capital reduction of an associate	(300)	-		
Disposals during the year	(203)	(585)		
Dividends received	(2,003)	(501)		
Balance at end of financial year	22,209	21,321		
Investments in associates include goodwill of	4,572	4,463		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

14. INVESTMENTS IN ASSOCIATES (continued)

The summarised financial information of associates are as follows:

	2006	2005
- Assets	579,717	520,072
- Liabilities	522,773	474,885
- Revenues	5,542,751	5,116,459
- Net profit	3,251	11,616
Share of associates' contingent liabilities incurred jointly with other investors	-	-
Contingent liabilities in which the Group is severally liable	-	-

	Group				Company			
	2006	Fair value	2005	Fair value	2006	Fair value	2005	Fair value
Investment in an associate for which there is a published price quotation	3,980	4,292	2,003	2,943	3,421	4,292	1,688	2,943

The fair value of investment in an associate for which there is a published price quotation was determined by reference to the relevant stock exchange quoted bid price.

Details of significant associates of the Group are as follows:

Name of company	Principal activities	Country of business/ incorporation	Equity holding	
			2006 %	2005 %
Galaxy Energy Group Ltd ¹	Oil Trading	British Virgin Islands	25.00	25.00
Chemoil Europe B.V. (formerly known as Allround Fuel Trading Chemoil B.V.)	Oil Trading	Netherlands	*	50.00
Baltic Fuel Inc. ²	Oil Trading	British Virgin Islands	42.50	42.50
California Software Company Ltd ³	Software Development	India	31.66	30.88
IPC (USA), Inc ²	Oil Trading	United States of America	50.00	50.00

* In June 2006, the Company acquired the remaining 50% interest in Chemoil Europe B.V. (formerly known as Allround Fuel Trading Chemoil B.V.) for a cash consideration of US\$3,000 upon which Chemoil Europe B.V. became a subsidiary and its results have been consolidated with effect from June 2006.

Fair value of identifiable net assets at the date of acquisition amounted to US\$2,748, resulting in goodwill on acquisition of US\$1,626. Details of identifiable net assets acquired are disclosed in Note 5.

¹ Audited by KPMG S. P. A.

² Not required to be audited under the laws of the country of incorporation, but audited by PricewaterhouseCoopers, Singapore, for purposes of the audit of the consolidated financial statements.

³ Audited by Gouthaman & Tomy Chartered Accountants, India.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

15. INTANGIBLE ASSETS

	2006	Group	2005
<i>Goodwill arising on consolidation</i>			
Balance at beginning of financial year	-		-
Acquisition of a subsidiary (Note 5)	1,626		-
Balance at end of financial year	<u>1,626</u>		<u>-</u>

Goodwill is attributed to the Group's cash-generating unit (CGU) in Europe.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2006
Growth rate ¹	5%
Discount rate ²	<u>8%</u>

¹ Weighted average growth rate used to extrapolate cash flows beyond the budget period.

² Pre-tax discount rate applied to cash flow projections.

The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and improvements on leasehold land	Office and computer equipment, furniture and fittings	Equipment and terminals	Motor vehicles	Construction work in progress	Total
Group						
Cost						
At 1 January 2006	548	4,466	20,308	267	1,169	26,758
Currency translation differences	-	10	-	-	(3)	7
Acquisition of a subsidiary	-	72	-	-	-	72
Additions	240	2,496	627	11	1,661	5,035
Disposals of subsidiaries	-	(189)	-	-	-	(189)
Disposals	(289)	(557)	-	-	-	(846)
Transfers	638	1,078	540	-	(2,256)	-
At 31 December 2006	1,137	7,376	21,475	278	571	30,837
Accumulated depreciation						
At 1 January 2006	405	2,544	8,640	34	-	11,623
Currency translation differences	4	11	-	-	-	15
Charge for the year	94	849	2,123	54	-	3,120
Disposal of subsidiaries	-	(147)	-	-	-	(147)
Disposals	(289)	(407)	-	-	-	(696)
At 31 December 2006	214	2,850	10,763	88	-	13,915
Net book value						
At 31 December 2006	923	4,526	10,712	190	571	16,922
Group						
Cost						
At 1 January 2005	675	5,220	19,277	95	390	25,657
Currency translation differences	-	(15)	-	-	-	(15)
Additions	14	386	1,088	250	1,166	2,904
Disposals	(141)	(1,125)	(444)	(78)	-	(1,788)
Transfers	-	-	387	-	(387)	-
At 31 December 2005	548	4,466	20,308	267	1,169	26,758
Accumulated depreciation						
At 1 January 2005	437	2,792	7,098	87	-	10,414
Currency translation differences	-	-	(4)	-	-	(4)
Charge for the year	70	848	1,990	25	-	2,933
Disposals	(102)	(1,096)	(444)	(78)	-	(1,720)
At 31 December 2005	405	2,544	8,640	34	-	11,623
Net book value						
At 31 December 2005	143	1,922	11,668	233	1,169	15,135

(a) The carrying amount of motor vehicles held under finance lease amounted to US\$132 as at 31 December 2006 (2005: US\$147).

(b) Borrowings of the Group of US\$57,480 (2005: US\$63,909) and Company of US\$36,420 (2005: US\$39,033), are secured on property, plant and equipment of the Group with carrying amounts of US\$10,654 (2005: US\$11,774) and US\$4,789 (2005: US\$4,901) respectively, and all related rent/lease receivables (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

17. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2006	2005
Deferred income tax assets:		
– to be settled within one year	267	–
Deferred income tax liabilities:		
– to be settled within one year	1,285	313
– to be settled after one year	3,170	3,131
	4,455	3,444
	4,188	3,444

The movement in the deferred income tax account is as follows:

	Group	
	2006	2005
Balance at beginning of financial year	3,444	4,912
Acquisition of a subsidiary	245	–
Tax charge/(credit) to income statement (Note 29)	499	(1,468)
Balance at end of financial year	4,188	3,444

The movement in the deferred income tax assets and liabilities of the Group (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	Fair value gains	Total
Balance at 1 January 2006	3,182	1,092	4,274
Acquisition of a subsidiary	–	245	245
Charged/(credited) to income statement	850	(52)	798
Balance at 31 December 2006	4,032	1,285	5,317
Balance at 1 January 2005	3,467	1,623	5,090
(Credited) to income statement	(285)	(531)	(816)
Balance at 31 December 2005	3,182	1,092	4,274

Deferred income tax assets

	Tax losses	Provisions	Total
Balance at 1 January 2006	–	(830)	(830)
(Credited) to income statement	(267)	(32)	(299)
Balance at 31 December 2006	(267)	(862)	(1,129)
Balance at 1 January 2005	–	(178)	(178)
(Credited) to income statement	–	(652)	(652)
Balance at 31 December 2005	–	(830)	(830)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
Trade payables to:				
– Third parties	151,858	212,644	907	54
– Subsidiaries	–	–	198	1,380
– Associates	369	22,647	–	–
– Other related parties	1,008	909	–	17
	153,235	236,200	1,105	1,451
Accrued interest payable on borrowings	234	890	114	119
Other accruals for operating expenses	32,895	22,078	187	566
	186,364	259,168	1,406	2,136

The carrying amounts of trade and other payables approximate their fair values and are predominantly denominated in United States Dollars.

Other related parties comprise controlling shareholders of the Company and entities controlled/significantly influenced by the controlling shareholders of the Company.

19. BORROWINGS

	Group		Company	
	2006	2005	2006	2005
Current				
Advances from financial institutions under Receivables Purchase Agreement	83,916	142,960	–	–
Loan from a subsidiary	–	–	6,223	3,000
Loan from other related party	–	2,800	–	–
Bank overdrafts (Note 5)	21,703	–	–	–
Bank loans	29,959	18,603	2,667	2,646
Finance lease liabilities (Note 24)	15	15	–	–
	135,593	164,378	8,890	5,646
Non-current				
Bank loans	51,285	57,715	33,753	36,387
Finance lease liabilities (Note 24)	72	87	–	–
	51,357	57,802	33,753	36,387
Total	186,950	222,180	42,643	42,033

Loan from a subsidiary is unsecured, interest free and is repayable within twelve months.

Other related party is an entity controlled by a shareholder of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

19. BORROWINGS (continued)

(a) Security of borrowings

Details of bank loans are as follows:

	Group		Company	
	2006	2005	2006	2005
Secured on current assets of a subsidiary	15,164	11,400	-	-
Secured on property, plant and equipment and lease rentals of subsidiaries	57,480	63,909	36,420	39,033
Unsecured	8,600	1,009	-	-
	<u>81,244</u>	<u>76,318</u>	<u>36,420</u>	<u>39,033</u>

Advances from financial institutions under the Receivables Purchase Agreement are secured against the trade receivables (Note 9).

Bank overdrafts are secured against bank balances and deposits, trade and other receivables and inventories of a subsidiary (Notes 9 and 10).

(b) Maturity of borrowings

The current borrowings (excluding finance lease liabilities) of the Group and Company have an average maturity of 1 month (2005: 1.5 months) from the end of the balance sheet date. The non-current borrowings (excluding finance lease liabilities) have the following maturities from the end of the balance sheet date:

	Group		Company	
	2006	2005	2006	2005
Later than one year and not later than five years	<u>51,285</u>	<u>57,715</u>	<u>33,753</u>	<u>36,387</u>

(c) Currency risk

The carrying amounts of total current and non-current borrowings are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
United States Dollar	186,852	222,077	42,643	42,033
Singapore Dollar	87	103	-	-
Euros	11	-	-	-
	<u>186,950</u>	<u>222,180</u>	<u>42,643</u>	<u>42,033</u>

(d) Interest rate risks

The weighted average effective interest rates of current and non-current borrowings at the balance sheet date are as follows:

	Group		Company	
	2006	2005	2006	2005
Advances from financial institutions under Receivables Purchase Agreement	5.83%	4.30%	-	-
Loan from other related party	-	4.65%	-	-
Bank overdrafts	7.17%	-	-	-
Bank loans	7.24%	6.52%	7.74%	6.89%
Finance lease liabilities	<u>3.00%</u>	<u>3.00%</u>	<u>-</u>	<u>-</u>

Current and non-current borrowings are based on variable rates with repricing within 6 months of the balance sheet date.

(e) Carrying amounts and fair values

The carrying amounts of borrowings approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2006	Group 2005
Legal claims	2,526	2,991

The provisions are in respect of certain legal claims brought against the Group by customers and vendors, and are expected to be utilised within 12 months. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided at 31 December 2006. The directors consider that disclosure of further details of these claims would seriously prejudice the Group's negotiating position and accordingly further information on the nature of the obligation has not been provided.

Movement in provision for legal claims is as follows:

	2006	Group 2005
Balance at beginning of financial year	2,991	8,559
Provision made during the financial year	120	2,991
Write-back of provision during the financial year	(164)	-
Utilised during the financial year	(421)	(8,559)
Balance at end of financial year	2,526	2,991

The provision made/written-back has been included in 'Other expenses' in the income statement.

21. SHARE CAPITAL

	Number of shares (thousands)	Share capital	Share premium	Total
2006				
Beginning of financial year	1,098,720	2	-	2
Share issue pursuant to the initial public offering	193,892	-	87,343	87,343
Share issue expenses	-	-	(1,527)	(1,527)
End of financial year	1,292,612	2	85,816	85,818
2005				
Beginning and end of financial year	1,098,720	2	-	2

On 31 August 2006, the authorised share capital of the Company was increased from HK\$10,000 comprising 10,000 ordinary shares of HK\$1.00 each to HK\$1,000,000 comprising 1,000,000 ordinary shares of HK\$1.00 each. The issued ordinary share capital amount in the consolidated financial statements comprises 13,734 shares of HK\$1.00 each, including 3,734 shares issued on 31 August 2006 to acquire Chemoil Corporation, accounted for retrospectively under the pooling of interest method (see Note 2).

Pursuant to the shareholders' resolution dated 31 August 2006, the shareholders approved the subdivision of each ordinary share of HK\$1.00 each into 80,000 ordinary shares of HK\$0.0000125 each. As a result, the authorised share capital of the Company now comprises 80,000,000,000 ordinary shares of HK\$0.0000125 each and the issued share capital of the Company 1,098,720,000 ordinary shares of HK\$0.0000125 each.

The Company issued 193,892,000 ordinary shares of HK\$0.0000125 each pursuant to the initial public offering of the Company.

The newly issued shares rank parri passu in all respects with the previously issued shares.

All issued ordinary shares are fully paid up.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

21. SHARE CAPITAL (continued)

Share options

Share options are granted to directors and selected employees. The exercise price of the granted options is equal to the offering price of the shares for the initial public offer of the Company on 14 December 2006. The options are exercisable starting one year from the grant date and will vest equally over a period of five years. The options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 14 December 2006, options to subscribe for 29,916,790 ordinary shares of the Company at an exercise price of US\$0.45 per ordinary share were granted. The options are exercisable from 14 December 2007 and expire on 13 December 2017.

The fair value of options granted during the period determined using the Binomial valuation model was US\$41 (2005: Nil). The significant inputs into the model were share price of US\$0.45 at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, dividend yield of 1.5%, option life disclosed above, and annual risk-free interest rate of 4.8%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of its competitors over the last three years.

22. MERGER RESERVE

The excess of the nominal value of the shares of Chemoil Corporation acquired by the Company over the nominal value of the shares issued by the Company in exchange for Chemoil Corporation's shares has been taken to shareholder's equity as "Merger Reserve" and adjusted retrospectively in the consolidated financial statements (see Note 2).

23. OTHER RESERVES

	Group		Company	
	2006	2005	2006	2005
(a) Composition:				
Share option reserve	41	-	41	-
Currency translation reserve	181	121	-	-
	<u>222</u>	<u>121</u>	<u>41</u>	<u>-</u>
(b) Movements:				
(i) Share option reserve				
Beginning of financial year	-	-	-	-
Employee share option scheme:				
- Value of employee services (Notes 21 and 26)	41	-	41	-
End of financial year	<u>41</u>	<u>-</u>	<u>41</u>	<u>-</u>
(ii) Currency translation reserve				
Beginning of financial year	121	238	-	-
Release on disposal of subsidiaries (Note 5)	5	-	-	-
Net currency translation differences of financial statements of foreign subsidiaries	55	(117)	-	-
End of financial year	<u>181</u>	<u>121</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

24. FINANCE LEASE LIABILITIES

	Group	
	2006	2005
Minimum lease payments due:		
– Not later than one year	18	18
– Later than one year but not later than five years	73	73
– Later than five years	15	33
	<u>106</u>	<u>124</u>
Less: Future finance charges	(19)	(22)
Present value of finance lease liabilities	<u>87</u>	<u>102</u>

The present value of finance lease liabilities may be analysed as follows:

	Group	
	2006	2005
Not later than one year	15	15
Later than one year:		
– Later than one year but not later than five years	59	58
– Later than five years	13	29
	<u>72</u>	<u>87</u>
	<u>87</u>	<u>102</u>

25. REVENUE AND OTHER GAINS/(LOSSES) – NET

	Group	
	2006	2005
Sales of fuel	4,280,546	3,615,805
Chartering income	37,469	40,056
Terminal rental	8,910	8,996
Service fees and commission income	4,129	2,638
Demurrage and other claim income	14,544	6,281
Revenue	<u>4,345,598</u>	<u>3,673,776</u>
Other gains/(losses):		
Currency exchange gain/(loss) – net	375	(101)
Gain on disposal of subsidiaries (Note 5)	236	–
Gain on partial disposal of associates	71	681
Gain on disposal of other financial assets at fair value through profit or loss	–	248
Fair value losses on other financial assets at fair value through profit or loss	(24)	–
Derivative financial instruments – net	58,069	(26,327)
Interest income:		
– advances to associates	1,567	2,791
– bank deposits	2,012	2,037
– loans to other related parties	384	356
Other gains/(losses) – net	<u>62,690</u>	<u>(20,315)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

26. EMPLOYEE BENEFITS

	2006	Group 2005
Wages and salaries	18,752	17,101
Compensation expense relating to defined benefit plans (Note 27)	214	-
Employer's contribution to defined contribution plans	334	254
Share options expense (Notes 21 and 23)	41	-
	<u>19,341</u>	<u>17,355</u>

27. POST-EMPLOYMENT DEFINED BENEFIT PLANS

The Group has several defined benefit pension plans covering eligible employees in a subsidiary acquired during the financial period ended 31 December 2006.

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet.

The amounts recognised in the income statement are as follows:

	Group 2006
Service cost	123
Interest cost	41
Administration cost	57
Expected return on plan assets	(33)
Unrecognised past service cost	26
Total pension costs (Note 26)	<u>214</u>
Actual return on plan assets	<u>33</u>

The amounts recognised in the balance sheet are as follows:

	Group 2006
Present value of defined benefit pension obligations funded by plan assets	(1,696)
Fair value of plan assets	<u>1,275</u>
	(421)
Unrecognised actuarial losses	114
Unrecognised past service cost	<u>374</u>
Net defined benefit pension plan assets (Note 8)	<u>67</u>

Movements in the present value of the defined benefit pension obligations during the financial year are as follows:

	Group 2006
Balance at beginning of financial year	-
Acquisition of a subsidiary	(1,551)
Service cost	(123)
Interest cost	(41)
Actuarial gains	19
Balance at end of financial year	<u>(1,696)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

27. POST-EMPLOYMENT DEFINED BENEFIT PLANS (continued)

Movements in the fair value of plan assets during the financial year are as follows:

	Group 2006
Balance at beginning of financial year	-
Acquisition of a subsidiary	1,209
Expected return on plan assets	33
Actuarial losses	(15)
Administration lost	(56)
Pension contributions	104
Balance at end of financial year	<u>1,275</u>

The principal actuarial assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	Group 2006
Weighted average discount rate	4.70%
Rate of increase in compensation level	2.00%
Expected return on plan assets	<u>4.70%</u>

28. FINANCE EXPENSE

	Group	
	2006	2005
Interest expense:		
- bank loans	20,134	12,069
- loans from a shareholder	22	1,612
- finance lease liabilities	3	1
	<u>20,159</u>	<u>13,682</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

29. INCOME TAX EXPENSE

	Group	
	2006	2005
Tax expense attributable to profit is made up of:		
- Current income tax	10,161	8,627
- Deferred income tax	602	(1,434)
	<u>10,763</u>	<u>7,193</u>
Under/(over) provision in prior years		
- current income tax	477	18
- deferred income tax	(103)	(34)
	<u>11,137</u>	<u>7,177</u>
The tax expense on profit differs from the amount that would arise using the applicable standard rate of income tax due to the following:		
Profit before tax and share of associates' results	<u>67,015</u>	<u>52,982</u>
Tax calculated at weighted average tax rates	10,388	7,274
Effects of:		
- Expenses not deductible	375	145
- Utilisation of previously unrecognised tax losses	-	(226)
Tax charge	<u>10,763</u>	<u>7,193</u>

The weighted average applicable tax rate was 16% (2005: 14%). The increase is caused by a change in the profitability mix of the Group's subsidiaries in the respective countries.

30. SEGMENT INFORMATION

30.1 Primary reporting format – business segments

At 31 December 2006, the Group is organised into three main business segments:

- Retail – Sales of physical supplies of marine fuel and related products to end users such as oil tankers, container ships, dry bulk carriers, and cruise ships.
- Cargo – Sales of marine fuel and related products, such as the components of marine fuel used to blend into marine fuel, to customers such as traders, physical suppliers and resellers.
- Ex-wharf – Sales of marine fuel to customers such as resellers or distributors that accept delivery at our service centres and subsequently resell and deliver the product to end users. The sales are typically made to marine fuel traders, barge companies and other customers.

Others represent chartering income, terminal rental, service fees and commission income, demurrage and other claim income, and share of associates' results – net.

The following items are excluded from segment results and included in unallocated income/(costs):

- Other gains/(losses) – net, comprising
 - derivative financial instruments – net,
 - currency exchange gain/(loss) – net,
 - interest income,
 - gain on disposal of subsidiaries/associates, and
 - fair value losses on other financial assets at fair value through profit or loss
- Finance expense,
- Public offering costs, and
- Income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

30. SEGMENT INFORMATION (continued)

	<u>Retail</u>	<u>Cargo</u>	<u>Ex-wharf</u>	<u>Others</u>	<u>Total</u>
Group					
2006					
Sales	2,126,877	1,059,599	1,094,070	65,052	4,345,598
Segment result	16,520	14,504	(5,985)	3,692	28,731
Share of associates' results – net	–	–	–	1,970	1,970
Other gains – net					62,690
Finance expense					(20,159)
Public offering costs					(4,247)
Profit before income tax					<u>68,985</u>
Income tax expense					(11,137)
Total profit					<u>57,848</u>
Other segment items:					
Capital expenditure – Property, plant and equipment	3,494	5	677	931	5,107
Depreciation	2,368	2	122	628	3,120
Amortisation	86	–	–	166	252
Impairment losses/(written back) – Trade and other receivables	8	(224)	(115)	–	(331)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

30. SEGMENT INFORMATION (continued)

30.1 Primary reporting format – business segments (continued)

	Retail	Cargo	Ex-wharf	Others	Total
Group					
2005					
Sales	1,885,246	1,156,222	574,307	58,001	3,673,776
Segment result	34,314	34,378	12,445	5,842	86,979
Share of associates' results – net	-	-	-	3,708	3,708
Other losses – net					(20,315)
Finance expense					(13,682)
Profit before income tax					56,690
Income tax expense					(7,177)
Total profit					49,513
Other segment items:					
Capital expenditure – Property, plant and equipment	1,552	-	-	1,352	2,904
Depreciation	2,252	-	93	588	2,933
Amortisation	86	-	-	165	251
Impairment losses – Trade and other receivables	560	906	314	200	1,980

	Retail	Cargo	Ex-wharf	Others	Elimination	Total
Group						
2006						
Segment assets	297,707	180,351	122,314	131,285	(196,232)	535,425
Associated companies	-	-	-	22,209	-	22,209
Unallocated assets						64,148
Total assets						621,782
Segment liabilities:	208,862	100,349	50,109	16,906	(103,420)	272,806
Unallocated liabilities						112,660
Total liabilities						385,466
2005						
Segment assets	325,396	140,790	79,572	36,591	(66,410)	515,939
Associated companies	-	-	-	21,321	-	21,321
Unallocated assets						60,282
Total assets						597,542
Segment liabilities:	256,479	150,778	30,742	27,315	(60,195)	405,119
Unallocated liabilities						88,692
Total liabilities						493,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

30. SEGMENT INFORMATION (continued)

30.1 Primary reporting format – business segments (continued)

The breakdown of the unallocated assets and liabilities are as follows:

	Group	
	2006	2005
Unallocated assets		
– Cash	49,573	53,677
– Deferred income tax assets	267	–
– Derivative financial instruments	10,671	6,605
– Income tax recoverable	3,637	–
	64,148	60,282
Unallocated liabilities		
– Derivative financial instruments	2,016	1,446
– Current income tax liabilities	3,155	4,582
– Borrowings	103,034	79,220
– Deferred tax liabilities	4,455	3,444
	112,660	88,692

30.2 Secondary reporting format – geographical segments

Sales by geographical areas are based on the location in which fuel is delivered or services are rendered. Assets and capital expenditure by geographical areas are based on the country in which the assets are located.

The Group operates in three main geographical areas, Americas, Europe and Asia.

Sales

	Group	
	2006	2005
Americas	1,924,172	1,724,620
Europe	1,340,928	1,163,128
Asia	1,080,498	786,028
Total	4,345,598	3,673,776

Total assets

	Group	
	2006	2005
Americas	268,399	263,595
Europe	201,401	207,845
Asia	119,102	98,176
Associated companies	22,209	21,321
Unallocated assets	10,671	6,605
Total	621,782	597,542

Capital expenditure

	Group	
	2006	2005
Americas	4,306	2,718
Europe	126	186
Asia	675	–
Total	5,107	2,904

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

31. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (see Note 21).

	2006	Group 2005
Profit attributable to equity holders of the Company	57,844	49,464
Weighted average number of ordinary shares in issue for basic earnings per share (in thousands)	1,107,751	1,098,720
Basic earnings per share (cents per share)	<u>5.22</u>	<u>4.50</u>

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

For the share options, the weighted average number of shares in issue is adjusted as if all share options that are dilutive were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration, with no adjustment to earnings (numerator).

Diluted earnings per share attributable to equity holders of the Company is calculated based on the following data:

	2006	Group 2005
Profit attributable to equity holders of the Company	57,844	49,464
Weighted average number of ordinary shares outstanding in issue for basic earnings per share (in thousands)	1,107,751	1,098,720
Adjustments for share options (in thousands)	5,769	-
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>1,113,520</u>	<u>1,098,720</u>
Diluted earnings per share (cents per share)	<u>5.19</u>	<u>4.50</u>

32. DIVIDENDS

	2006	Group 2005
Dividends declared in respect of the previous financial year of 1.00 cent (2005: 0.13 cents) per share	<u>11,000</u>	<u>1,400</u>

Dividends were declared prior to the initial public offering of the Company on 14 December 2006 (See Note 21).

At the Annual General Meeting on 29 May 2007, a final dividend of 1.00 cent per share, amounting to a total of US\$12,926 will be recommended. These financial statements did not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

33. CONTINGENCIES

(a) *Litigation and claims*

A claim was lodged against a subsidiary in respect of demurrage, shifting costs and withheld freight of approximately US\$2,000. The subsidiary paid US\$896 during the financial year for the withheld freight costs. However, it has disclaimed liability for the demurrage and shifting costs and is defending the action. The directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

The Group is also involved in certain lawsuits and claims that arise in the ordinary course of conducting its business. Other than the provisions made in the consolidated financial statements, the directors believe that the Group is not liable under such claims, and/or that it is not possible to estimate the amount of additional losses, if any, that might result from adverse judgement against the Group.

(b) *Guarantees*

A subsidiary has provided guarantees to a bank to cover the liabilities of an associate for US\$6,000 (2005: US\$6,000).

It is not anticipated that any material liabilities will arise from these guarantees.

34. OPERATING LEASES AND COMMITMENTS

(a) *Operating leases*

Rentals on operating leases recognised in the income statement comprise the following:

	Group	
	2006	2005
Barges (included in "Barging and pipelines costs")	27,250	17,038
Vessels (included in "Inventories recognised as an expense" and "Chartering expenses")	93,497	73,358
Offices, storage tanks and motor vehicles (included in "Rentals for office premises, storage tanks and motor vehicles")	33,211	22,201
Other equipment (included in "Other expenses")	481	387
	<u>154,439</u>	<u>112,984</u>

(b) *Operating lease commitments - where a group company is a lessee*

The Group leases various offices, storage tanks, motor vehicles and vessels/barges under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2006	2005
Not later than one year	40,288	38,462
Later than one year but not later than five years	59,424	30,689
Later than five years	19,868	7,530
	<u>119,580</u>	<u>76,681</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

34. OPERATING LEASES AND COMMITMENTS (continued)

(c) Operating lease commitments – where a group company is a lessor

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2006	2005
Not later than one year	7,445	7,424
Later than one year but not later than five years	29,779	29,780
Later than five years	27,918	35,363
	<u>65,142</u>	<u>72,567</u>

The details of the Group's assets leased out under operating leases (where the Group is the lessor) as at 31 December 2006 are as follows:

	<u>Property, plant and equipment</u>	
	31 December 2006	31 December 2005
Carrying amount	4,789	4,902
Accumulated depreciation	5,650	5,169
Depreciation charge	481	446

35. RELATED PARTY TRANSACTIONS

The following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	Group	
	2006	2005
Sales of goods and services		
Sales of goods/services to associates	82,016	27,737
Sales of goods/services to other related parties	104,406	103,088
Purchases of goods and services		
Purchase of goods/services from associates	277,382	715,060
Purchase of goods/services from other related parties	89,041	229,960
Purchase of property, plant and equipment		
Purchase of property, plant and equipment from an associate	330	654
Payments made on behalf and reimbursed by a related party	522	3,201
Management and accounting service income		
Management and accounting service income charged to associates	2,951	900
Consultancy fees		
Consultancy fees charged by a related party	521	582

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

35. RELATED PARTY TRANSACTIONS (continued)

(a) Sales and purchases of goods and services (continued)

	2006	Group	2005
Maintenance service fees			
Maintenance service fees charged by an associate	753		513
Professional fees			
Professional fees charged by associates	256		331
Interest income/(expense)			
Interest income from associates (Note 25)	1,567		2,791
Interest income from other related parties (Note 25)	384		356
Interest expense to a shareholder (Note 28)	(22)		(1,612)

Other related parties comprise controlling shareholders of the Company and entities controlled/significantly influenced by the controlling shareholders of the Company.

Outstanding balances at balance sheet date, arising from sale/purchase of goods and services to/from related parties, are set out in Notes 9, 12, 18 and 19.

A guarantee provided by a subsidiary for loans made to an associate, is set out in Note 33(b).

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	2006	2005
Salaries and other short-term employee benefits	5,430	4,817
Post-employment benefits	85	71
Share options expense	12	-
	<u>5,527</u>	<u>4,888</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

(In US\$'000, unless otherwise stated)

36. SIGNIFICANT SUBSIDIARIES

The details of significant subsidiaries as at 31 December 2006 and 31 December 2005 are as follows:

<u>Name of subsidiaries and country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of equity held</u>	
		<u>2006</u> %	<u>2005</u> %
Chemoil Europe B.V. (formerly known as Allround Fuel Trading Chemoil B.V.), Netherlands ¹	Oil Trading	100	50
Berkshire Energy Limited, British Virgin Islands ²	Oil Trading	100	100
California Advanced Management Services Private Limited, India ³	Service company	100	100
Chemoil Corporation, United States of America ²	Oil trading	100	100
Chemoil International Pte Ltd (Formerly known as Chemoil-ITC Pte Ltd), Singapore ⁴	Oil trading	100	100
Chemoil North America Corporation, United States of America ²	Special purpose vehicle	100	100
Chemoil Terminals Corporation, United States of America ²	Terminal management	100	100

¹ Audited by PricewaterhouseCoopers, Rotterdam.

² Not required to be audited under the laws of the country of incorporation, but audited by PricewaterhouseCoopers, Singapore, for purposes of the audit of the consolidated financial statements.

³ Audited by Sudit Parekh Chartered Accountants, India.

⁴ Audited by PricewaterhouseCoopers, Singapore.

37. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 8 January 2007, the Group established Chemoil Logistics Inc, a wholly-owned subsidiary incorporated in British Virgin Islands. The company has an issued share capital of 50,000 shares of US\$1.00 per ordinary share.
- (b) On 5 February 2007, the Group entered into a joint venture agreement with International Management Holdings Ltd to establish Belgrave Investors Corporation, a company to be incorporated in the British Virgin Islands for a cash consideration of US\$750. The Group will have 50% interest in the company which will be equity accounted for in 2007.
- (c) On 8 February 2007, the Group entered into a joint venture agreement with Gulf Petrol Supplies L.L.C to establish GPS Chemical L.L.C., a company to be incorporated in United Arab Emirates for a cash consideration of US\$5,446. The Group will have 40% interest in the company which will be equity accounted for in 2007.
- (d) On 28 February 2007, the Group established Faith IV Private Limited, a wholly-owned subsidiary incorporated in Singapore. The Company has an issued share capital of S\$50,000.00
- (e) On 12 March 2007, the Company entered into a sale and purchase agreement, which is conditional upon approval by the shareholders of the Company, with Andorra Services Limited, a company owned by a director who is also a controlling shareholder of the Company, for the proposed acquisition of 100% interest in the following companies for a net cash consideration of approximately US\$55,145:
- (i) Helios Terminal Corporation Pte Ltd;
 - (ii) Olympic Shipping Pte Ltd;
 - (iii) Pine Valley Inc. and
 - (iv) Cypress Point Inc.

The consideration is expected to approximate the fair value of the identifiable net assets of the companies at the date of acquisition. The companies will be consolidated with effect from the date of acquisition.

- (f) On 27 March 2007, the Group acquired the vessel "Faith IV" for a cash consideration of US\$19,200.