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Statement By Directors

for the financial year ended 31 December 2007

In the opinion of the directors of Chemoil Energy Limited (the "Company"), 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 54 to 105 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 2007, and of the results of the financial operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

The board of directors authorised the financial statements for issue on 20 March 2008.

On behalf of the directors

Clyde Michael Bandy
Chairman

Michael Lim Choo San
Director

20 March 2008

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 (together the "Group") set out on pages 54 to 105, which comprise the balance sheets of the Company and of the Group as of 31 December 2007, 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 related notes.

Management's Responsibility for the Financial Statements

Management is 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 audit 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 2007, and of the results of the financial operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants
Singapore

20 March 2008

Balance Sheets

as at 31 December 2007

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

	Note	Group		Company	
		2007	2006	2007	2006
ASSETS					
Current assets					
Cash and bank balances	4	60,109	49,573	4,831	9,233
Derivative financial instruments	5	2,965	10,671	228	–
Other financial assets at fair value through profit or loss	6	1,604	838	1,604	–
Income tax recoverable		847	3,637	–	–
Other current assets	7	54,632	23,161	472	17,248
Trade and other receivables	8	458,899	319,887	156,413	90,306
Inventories	9	384,853	169,936	–	–
		963,909	577,703	163,548	116,787
Non-current assets					
Other non-current assets	10	2,657	3,055	–	–
Investments in associates	11	46,754	18,970	25,621	18,883
Investments in joint ventures	12	11,129	3,239	8,331	–
Investments in subsidiaries	13	–	–	34,742	17,247
Intangible assets	14	1,817	1,626	–	–
Property, plant and equipment	15	194,592	16,922	22	–
Deferred income tax assets	16	2,053	267	–	–
		259,002	44,079	68,716	36,130
Total assets		1,222,911	621,782	232,264	152,917
LIABILITIES					
Current liabilities					
Trade and other payables	17	307,537	186,364	44,384	1,406
Derivative financial instruments	5	25,790	2,016	2,053	–
Current income tax liabilities		6,283	3,155	–	–
Borrowings	18	460,750	135,593	4,657	8,890
Provisions for other liabilities and charges	19	1,639	2,526	–	–
		801,999	329,654	51,094	10,296
Non-current liabilities					
Borrowings	18	162,809	51,357	46,701	33,753
Deferred income tax liabilities	16	4,844	4,455	–	–
		167,653	55,812	46,701	33,753
Total liabilities		969,652	385,466	97,795	44,049
NET ASSETS		253,259	236,316	134,469	108,868
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	2	2	2	2
Share premium	20	85,816	85,816	85,816	85,816
Merger reserve	21	3,529	3,529	–	–
Other reserves	22	(240)	222	947	41
Retained earnings	23	164,152	146,747	47,704	23,009
		253,259	236,316	134,469	108,868
Minority interest		–	–	–	–
Total equity		253,259	236,316	134,469	108,868

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

Consolidated Income Statement

for the year ended 31 December 2007

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

	Note	2007	2006
Revenue	25	5,364,662	4,345,598
Other gains/(losses) – net	25	(73,136)	62,540
		5,291,526	4,408,138
Expenses			
– Inventories recognised as an expense		5,026,205	4,140,599
– Barging and pipelines costs		53,499	44,455
– Chartering expenses		18,591	29,934
– Rentals for office premises, storage tanks and motor vehicles		37,404	33,211
– Demurrage costs		17,953	11,723
– Employee benefits	26	21,151	19,341
– Marketing and communication expenses		4,191	2,930
– Service and commission expenses		10,780	11,498
– Other expenses		32,468	19,654
– Depreciation and amortisation		7,613	3,372
– Finance expense	28	24,164	20,159
– Public offering costs		-	4,247
Total expenses		5,254,019	4,341,123
Share of results of associates and joint ventures - net		2,225	1,970
Profit before income tax		39,732	68,985
Income tax expense	29	(9,415)	(11,137)
Profit for the year		30,317	57,848
Attributable to:			
Equity holders of the Company		30,331	57,844
Minority interest		(14)	4
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)	31		
– Basic		2.35	5.22
– Diluted		2.33	5.19

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

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

	Note	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 2007		2	3,529	85,816	222	146,747	–	236,316
Currency translation differences recognised directly in equity	22	–	–	–	457	–	–	457
Cash flow hedges - Fair value loss	22	–	–	–	(1,825)	–	–	(1,825)
Profit for the year		–	–	–	–	30,331	(14)	30,317
Total recognised income/(loss) for the year		–	–	–	(1,368)	30,331	(14)	28,949
Dividends relating to 2006	32	–	–	–	–	(12,926)	–	(12,926)
Acquisition of a subsidiary	4	–	–	–	–	–	14	14
Employee share option scheme: Value of services rendered	22	–	–	–	906	–	–	906
Balance at 31 December 2007		2	3,529	85,816	(240)	164,152	–	253,259
Balance at 1 January 2006		2	3,529	–	121	99,903	176	103,731
Currency translation differences recognised directly in equity	22	–	–	–	55	–	4	59
Profit for the year		–	–	–	–	57,844	4	57,848
Total recognised income for the year		–	–	–	55	57,844	8	57,907
Dividends relating to 2005	32	–	–	–	–	(11,000)	–	(11,000)
Disposal of subsidiaries	4	–	–	–	5	–	(184)	(179)
Employee share option scheme: Value of services rendered	22	–	–	–	41	–	–	41
Proceeds from shares issued	20	–	–	85,816	–	–	–	85,816
Balance at 31 December 2006		2	3,529	85,816	222	146,747	–	236,316

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

Consolidated Cash Flow Statement

for the year ended 31 December 2007

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

	Note	2007	2006
Cash flows from operating activities			
Profit for the year		30,317	57,848
Adjustments for:			
Income tax expense		9,415	11,137
Share option expense	26	906	41
Depreciation and amortisation		7,613	3,372
Net (gain)/loss on disposals of property, plant and equipment		(6,484)	150
Gain on partial disposal of subsidiaries	25	–	(236)
Gain on disposal of associates	25	–	(71)
Gain on disposal of other financial assets at fair value through profit or loss	25	(193)	–
Fair value losses on other financial assets at fair value through profit or loss	25	129	24
Share of results of associates and joint ventures		(2,225)	(1,970)
Interest income	25	(5,032)	(3,963)
Finance expense		24,164	20,159
		58,610	86,491
Changes in working capital, net of effects of acquisitions and disposals of subsidiaries			
Derivative financial instruments		29,954	(3,497)
Other assets		(21,650)	3,141
Trade and other receivables		(137,643)	20,236
Inventories		(211,935)	35,916
Trade and other payables		118,069	(112,543)
Provisions for other liabilities and charges		(887)	(465)
		(165,482)	29,279
Cash (used in)/ generated from operations		(165,482)	29,279
Income tax paid		(4,695)	(15,573)
		(170,177)	13,706
Net cash (used in)/generated from operating activities			
Cash flows from investing activities			
Advance for purchase of property, plant and equipment	7	(8,602)	(16,980)
Purchase of other financial assets at fair value through profit or loss		(1,857)	(862)
Purchases of property, plant and equipment	15	(195,622)	(5,035)
Proceeds from disposal of property, plant and equipment		26,235	–
Investment in associates	11	(25,946)	(2,798)
Investment in joint ventures	12	(8,331)	–
Proceeds from disposal of investment in associates	11	34	273
Capital reduction of an associate	11	–	300
Acquisition of a subsidiary, net of cash received	4	(11,639)	(21,801)
Disposal of subsidiaries, net of cash disposed of	4	–	(297)
Proceeds from disposal of other financial assets at fair value through profit or loss		1,160	–
Loan repayments received from a related party		–	4,000
Interest received		5,032	3,963
Dividends received from associates	11	728	2,003
		(218,808)	(37,234)
Net cash used in investing activities			

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

Consolidated Cash Flow Statement

for the year ended 31 December 2007

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

	Note	2007	2006
Cash flows from financing activities			
Proceeds from borrowings		402,235	120,555
Proceeds from issuance of ordinary shares	20	–	85,816
Repayments of borrowings		(27,106)	(177,491)
Interest paid		(24,164)	(20,159)
Bank balances and deposits pledged with banks for bank loans		3,381	(7,038)
Dividends paid to shareholders	32	(12,926)	(11,000)
Net cash generated from/(used in) financing activities		341,420	(9,317)
Net decrease in cash and cash equivalents		(47,565)	(32,845)
Cash and cash equivalents at beginning of financial year		17,365	50,210
Cash and cash equivalents at end of financial year	4	(30,200)	17,365

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

Notes to the Financial Statements

for the year ended 31 December 2007

(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 a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is Suites 4301-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company has its primary listing on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

These financial statements were authorised for issue by the Board of Directors of Chemoil Energy Limited on 20 March 2008.

2. Summary of significant accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of Chemoil Energy Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention except as disclosed below.

The acquisition of the entire equity interest in Chemoil Corporation by the Company on 31 August 2006 was accounted for using the "pooling-of-interest" method as the Company and Chemoil Corporation were under the common control of the same controlling shareholders before and after the acquisition (Note 2.15).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Standards, amendments and interpretations to published standards effective in 2007

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

- IFRS 7, 'Financial instruments: Disclosures' (effective from 1 January 2007)
- IAS 1 (Amendment), 'Presentation of financial statements – Capital disclosures' (effective from 1 January 2007)
- IFRIC 8, 'Scope of IFRS 2' (effective from 1 May 2006)
- IFRIC 10, 'Interim financial reporting and impairment' (effective from 1 November 2006)

The adoption of the above mentioned amendments and interpretations does not have any significant impact on these financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

2. Summary of significant accounting policies (continued)

2.2 Consolidation

(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 2.1.

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 2.6).

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.

(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.

(c) Associates and joint ventures

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 2.7).

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using equity method of accounting.

The Group's share of its associates' and joint ventures' 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 or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture.

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

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the income statement.

2. Summary of significant accounting policies (continued)

2.3 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.

2.4 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 Company'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 except when deferred in equity as qualifying cash flow hedges.

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 and liabilities 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.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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 rate on 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, and of borrowings and other currency instruments designated as hedges of such investments, 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.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (Note 2.7). 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values 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
Vessels	5 – 30 years
Motor vehicles	10 years

Fully depreciated property, plant and equipment are retained in the 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 (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other gains/(losses) – net' in the income statement.

2.6 Intangible assets

Goodwill

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 (Note 2.7).

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and 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.

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

Financial assets at fair value through profit or loss consist of financial assets held for trading. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(a) Classification (continued)

(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. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' (Note 2.13) in the balance sheet.

(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.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other gains/(losses) – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

(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.

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

2. Summary of significant accounting policies (continued)

2.10 Derivative financial instruments and hedging activities (continued)

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(a) Cash flow hedge

The Group has entered into interest rate swaps that are cash flow hedges for the Groups' exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in the hedging reserve and transferred to the income statement when the interest expense on the borrowings are recognised in the income statement. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in the income statement.

(b) Derivatives that do not qualify for hedge accounting

The Group also uses derivative instruments for risk management purposes. Although these derivatives are linked to the inventory or underlying transaction, they do not meet the criteria for hedge accounting as defined by the International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and measurement" and thus do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement within 'other gains/(losses) – net'.

2.11 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.

2.12 Trade receivables

Trade 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 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade 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 carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "Other expenses". When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Other expenses" in the income statement.

2.13 Cash and cash equivalents

For the purposes of presentation in 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 shown within borrowings in current liabilities on the balance sheet.

2.14 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.

2. Summary of significant accounting policies (continued)

2.15 Merger reserve

In applying the pooling of interests method (Note 2.1), the consolidated income statement and consolidated cash flow statement include the results of operations and cash flows of the companies comprising the Group as at 31 August 2006 as if the structure of the Group had been in existence prior to that date. 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.

2.16 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.

2.17 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.

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

Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

2.19 Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 is not accounted for if it 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 substantively 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, joint ventures 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.

2. Summary of significant accounting policies (continued)

2.20 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 liability recognised in the balance sheet in respect of defined benefit pension plans 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 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 experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes in the pension scheme are conditional on the employees remaining in service for a specific period of time (the vesting period). In that case, the past-service costs are amortised on a straight-line basis over the vesting 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.

(iii) 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 expensed over the vesting period is determined by reference to the fair value of the options granted on the date of the grant, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates, if any, of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, 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 (nominal value) and share premium.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies (continued)

2.21 Provisions

Provisions for restructuring and legal claims are recognised when the Group has a present legal or constructive present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

2.23 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, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 when the services are rendered, on a time proportion basis according to the agreements in place.
- d) Revenue from the provision of other services is recognised when the services are rendered.
- e) Demurrage income is recognised if a claim is considered probable.
- f) Rental income from operating leases is recognised on a straight-line basis over the lease term.
- g) Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.24 Leases

- a) When the Group 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 where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets 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 based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

- b) When the Group 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.

2.25 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 period in which the dividends are approved by the Company's shareholders.

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

The following 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 2007 or later periods, but the Group has not early adopted them:

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Group will apply this interpretation from 1 January 2008 but it is not expected to have any material impact on the Group financial statements.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) from 1 January 2009 but it is currently not expected to have any material impact on the Group financial statements.

2. Summary of significant accounting policies (continued)

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

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any material impact on the Group's financial statements.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

IAS 1 'Presentation of Financial Statements' (Revised in 2007) (effective from 1 January 2009). The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are not permitted to be included in statement of changes in equity; rather the revised standard provides the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income). In addition, entities making restatements or reclassifications of comparative information will be required to present a restated balance sheet as at the beginning of the comparative period. The revisions also include changes in the titles of some of the financial statements' primary statements. The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, the Statement of Comprehensive Income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other standards.

Amendment to IFRS 2 'Share-based Payment' (effective from 1 January 2009). This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions and are to be included in the grant date fair value of the share-based payment transactions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. i.e., acceleration of the expense based on grant date fair value. The Group will apply the amended IFRS 2 from 1 January 2009. Currently, the Group operates an employee share option scheme and the scheme consists mainly of service and performance conditions. Consequently, the amended standard is not expected to have any significant impact to the Group.

IAS 32 and IAS 1 Amendment 'Puttable financial instruments and obligations arising on liquidation' (effective for annual periods beginning on or after 1 January 2009). The amendment requires the following to be classified as equity instruments of the issuer: (i) puttable financial instruments that entitle the holder to a pro rata share of the issuer's net assets upon liquidation of the issuer; and (ii) financial instruments that include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets on liquidation. The Group will apply the amendment from 1 January 2009. As the Group currently does not have financial instruments that are addressed within the amendments, the amendment is currently not applicable to the Group.

IFRS 3 (Revised in 2008), 'Business Combinations' (effective from 1 July 2009). The revised standard introduces significant changes to the accounting of business combinations, affecting the income statement, both at the acquisition date and post acquisition, and require greater use of fair values. The Group will apply IFRS 3 (Revised) from 1 January 2010.

2. Summary of significant accounting policies (continued)

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

Amendment to IAS 27, 'Consolidated and Separate Financial Statements' (effective from 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests (previously known as minority interests) to be recorded in equity if there is no change in control after the transaction. When the transaction results in a loss of control, any remaining interest in the entity is remeasured to its fair value and a gain/loss is recognised in the income statement. The Group will apply IAS 27 (Amended) from 1 January 2010. Currently, the Group record the effects of such transactions in goodwill and gain/loss in the income statement for acquisitions and disposals of non-controlling interests respectively.

3. Critical accounting estimates and judgements

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

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 14).

If the management's estimated growth rate had been lower by 1%, the carrying value 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 a number of jurisdictions. Significant judgement is required in determining the income tax liability. 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 audit 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.

4. Cash and bank balances

	Group		Company	
	2007	2006	2007	2006
Cash at bank and on hand	36,037	19,316	4,171	349
Short term bank deposits	24,072	30,257	660	8,884
	60,109	49,573	4,831	9,233

4. Cash and bank balances (continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
United States Dollar	50,377	38,859	4,237	9,233
Euro	4,847	4,803	–	–
Singapore Dollar	3,723	5,730	470	–
Others	1,162	181	124	–
	60,109	49,573	4,831	9,233

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

	Group		Company	
	2007	2006	2007	2006
United States Dollar	3.77%	4.54%	4.31%	5.21%
Others	1.63%	3.06%	–	–

Short term bank deposits mature within 1 week (2006: 1 week) from balance sheet date.

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

	Group	
	2007	2006
Cash and bank balances	60,109	49,573
Less: Bank balances and deposits pledged with banks for bank loans (Note 18)	(7,124)	(10,505)
Less: Bank overdrafts (Note 18)	(83,185)	(21,703)
	(30,200)	17,365

Acquisition of subsidiaries

On 1 June 2007, the Group acquired 100% equity interest in Olympic Shipping Pte Ltd for a cash consideration of US\$9,100 from an entity controlled by a director/shareholder of the Company.

On 1 July 2007, the Group acquired 100% equity interest in Link Marine Pte Ltd for a cash consideration of US\$100 from an entity controlled by a director/shareholder of the Company.

On 1 July 2007, the Group acquired an additional 42.5% equity interest in Baltic Fuel Inc for a cash consideration of US\$232.

On 1 June 2006, the Group acquired the remaining 50% equity interest in associate, Chemoil Europe B.V. for a cash consideration of US\$3,000.

4. Cash and bank balances (continued)

Acquisition of subsidiaries (continued)

The effects of acquisition of subsidiaries are as follows:

	2007		2006	
	At fair values	Carrying value in acquiree's books	At fair values	Carrying value in acquiree's books
Current assets	3,220	3,220	43,427	43,427
Non-current assets	9,197	5,944	71	71
Current liabilities	(3,118)	(2,623)	(40,671)	(40,671)
Non-current liabilities	(4)	(4)	(79)	(79)
Identifiable net assets acquired	9,295	6,537	2,748	2,748
Reclassification from associate to subsidiary	(40)		(1,374)	
Minority interest	(14)		–	
Goodwill (Note 14)	191		1,626	
Total cash consideration	9,432		3,000	
Add: Bank overdrafts in subsidiaries acquired	2,207		18,801	
Net cash outflow on acquisition	11,639		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:

	2007	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 22)	–	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)

5. Derivative financial instruments

	Group		Company	
	2007	2006	2007	2006
Derivative commodity contracts (Note 2.10)	(21,246)	8,144	–	–
Interest-rate swaps (Notes 2.10 and 22)	(1,825)	–	(1,825)	–
Interest-rate cap (Note 2.10)	18	222	–	–
Forward foreign exchange contracts (Note 2.10)	228	289	–	–
	(22,825)	8,655	(1,825)	–

Analysed as:

Group	2007			2006		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Commodity swaps ¹	1,752,240	2,672	(21,756)	712,133	9,860	(2,016)
Commodity futures ¹	221,724	47	(2,209)	35,547	300	–
Interest-rate swaps ²	80,000	–	(1,825)	–	–	–
Interest-rate cap ³	20,000	18	–	20,000	222	–
Currency forwards ⁴	11,372	228	–	37,202	289	–
		2,965	(25,790)		10,671	(2,016)

Analysed as:

Company	2007			2006		
	Notional principal amount	Fair values		Notional principal amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Interest-rate swaps ²	80,000	–	(1,825)	–	–	–
Currency forwards ⁴	22,745	228	(228)	–	–	–
		228	(2,053)		–	–

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

2 Interest rate swaps are entered to hedge floating quarterly interest payments on borrowings. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to the income statement as part of interest expense over the period of the borrowings. The swaps with notional principal amounts of US\$20,000 and US\$60,000, will mature on 15 Aug 2009 and 15 March 2010 respectively.

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

4 Currency forward contracts mature within 2 months from balance sheet date.

6. Other financial assets at fair value through profit or loss

	Group		Company	
	2007	2006	2007	2006
Listed securities – held for trading				
– Equity securities – India	–	838	–	–
– Equity securities – Singapore	1,604	–	1,604	–
	1,604	838	1,604	–

6. Other financial assets at fair value through profit or loss (continued)

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 cash flow statement.

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

The fair values of all equity securities are based on their current bid prices in an active market.

Other financial assets at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
Indian Rupee	–	838	–	–
Singapore Dollar	1,604	–	1,604	–
	1,604	838	1,604	–

7. Other current assets

	Group		Company	
	2007	2006	2007	2006
Advance for purchase of property, plant and equipment	8,602	16,980	–	16,980
Advances to suppliers	37,846	1,145	–	–
Deposits	675	164	–	–
Net defined benefit pension plan assets (Note 27)	–	67	–	–
Prepayments	7,509	4,805	472	268
	54,632	23,161	472	17,248

8. Trade and other receivables - current

	Group		Company	
	2007	2006	2007	2006
Trade receivables:				
– Subsidiaries	–	–	1,123	38
– Associates	2,543	522	–	2
– Joint ventures	1,410	1,761	–	–
– Other related parties	977	5,578	–	873
– Third parties	405,533	308,941	–	–
	410,463	316,802	1,123	913
Less: Allowance for impairment of trade receivables - third parties	(1,323)	(2,196)	–	–
Trade receivables – net	409,140	314,606	1,123	913
Loan to subsidiaries	–	–	51,935	87,291
Other receivables:				
– Subsidiaries	–	–	66,566	2,000
– Joint ventures	4	–	–	–
– Other related parties	144	–	38	–
– Third parties	49,611	5,281	36,751	102
	49,759	5,281	103,355	2,102
	458,899	319,887	156,413	90,306

8. Trade and other receivables - current (continued)

Trade and other receivables of the Group amounting to US\$1,453 (2006: US\$8,862) and US\$403,555 (2006: US\$69,951) at balance sheet date have been pledged as security for bank overdrafts and bank loans respectively (Note 18).

Trade receivables of the Group amounting to US\$286,973 (2006: US\$83,916) have been sold to a financial institution pursuant to a Receivables Purchase Agreement. The gross amount of trade receivables secured under the agreement is US\$330,813 (2006: US\$140,810). 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 18).

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.

Trade and other receivables are predominantly denominated in United States Dollar.

9. Inventories

	Group	
	2007	2006
Marine fuels at fair value less costs to sell	384,853	169,936

Inventories amounting to US\$77,318 (2006: US\$31,850) and US\$226,240 (2006: US\$8,247) at balance sheet date have been pledged as security for bank overdrafts and bank loans respectively (Note 18).

10. Other non-current assets

	Group	
	2007	2006
Prepayments	2,254	2,505
Deposits	403	550
	2,657	3,055

11. Investments in associates

	Group		Company	
	2007	2006	2007	2006
Equity investments at cost			25,621	18,883
Beginning of financial year	18,970	21,321		
Reclassified to investment in joint ventures (Note 12)	–	(3,178)		
Additions during the financial year	25,946	2,798		
Share of results	2,640	1,909		
Reclassification of an associate as subsidiary	(40)	(1,374)		
Capital reduction of an associate	–	(300)		
Disposals during the financial year	(34)	(203)		
Dividends received	(728)	(2,003)		
End of financial year	46,754	18,970		
Investments in associates include goodwill of	14,132	4,572		

11. Investments in associates (continued)

The summarised financial information of associates are as follows:

	2007	2006
– Assets	801,310	383,330
– Liabilities	714,023	333,047
– Revenues	3,752,028	2,877,739
– Net profit	13,449	2,944
Share of associates' contingent liabilities incurred jointly with other investors	–	–
Contingent liabilities in which the Group is severally liable	–	–

	Group				Company			
	2007		2006		2007		2006	
	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value
Investment in an associate for which there is a published price quotation	13,084	13,752	3,980	4,292	11,238	13,292	3,421	4,292

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	
			2007 %	2006 %
Galaxy Energy Group Ltd ¹	Oil Trading	British Virgin Islands	25.00	25.00
Baltic Fuel Inc.	Oil Trading	British Virgin Islands	*	42.50
California Software Company Ltd ²	Software Development	India	49.36	31.66
Burando Holding BV ³	Logistical Maritime Service Provider	Netherlands	49.00	–

* On 1 July 2007, the Company acquired an additional 42.5% equity interest in Baltic Fuel Inc. upon which Baltic Fuel Inc. became a subsidiary and its results have been consolidated with effect from 1 July 2007. Details of the acquisition are disclosed in Note 13.

1 Audited by KPMG S.P.A.

2 Audited by PricewaterhouseCoopers, India.

3 Audited by KME Accountants, Rotterdam, Netherlands.

12. Investments in joint ventures

	Group		Company	
	2007	2006	2007	2006
Equity investments at cost			8,331	–
Beginning of financial year	3,239	–		
Reclassified from investment in associates (Note 11)	–	3,178		
Additions during the financial year	8,331	–		
Share of results	(415)	61		
Dividends received	(26)	–		
End of financial year	11,129	3,239		
Investments in joint ventures include goodwill of	–	–		

The following amounts represent the Group's share of the assets and liabilities results of the joint ventures:

	Group	
	2007	2006
Assets:		
– Current asset	138,050	97,819
– Non-current assets	7,839	337
	145,889	98,156
Liabilities:		
– Current liabilities	135,562	94,733
– Non-current liabilities	4	184
	135,566	94,917
Net assets	10,323	3,239
Income	1,587,195	1,332,506
Expenses	1,587,981	1,332,516
Profit before tax	(786)	(10)
Income tax	371	71
Profit after tax	(415)	61
Capital commitments in relation to interest in joint ventures	–	–
Share of joint ventures' capital commitments	3,643	–
Contingent liabilities in relation to interest in joint ventures	–	–
Share of joint ventures' contingent liabilities	–	–

12. Investments in joint ventures (continued)

Details of the joint ventures of the Group are as follows:

Name of company	Principal activities	Country of business/incorporation	Equity holding	
			2007 %	2006 %
IPC (USA), Inc. ¹	Oil Trading	United States of America	50.00	50.00
Belgrave Investors Corp ²	Barging services	British Virgin Islands	50.00	–
GPS Chemoil LLC (FZC) ³	Terminal management services	United Arab Emirates	40.00*	–

* GPS Chemoil LLC (FZC) is deemed to be a joint venture of the Company as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers.

1 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.

2 Not required to be audited under the laws of the country of incorporation.

3 Audited by Deloitte & Touche, Fujairah.

13. Investments in subsidiaries

	Company	
	2007	2006
Unquoted equity shares, at cost	34,742	17,247

Details of significant subsidiaries are included in Note 38.

Acquisition of subsidiaries

Baltic Fuel Inc.

On 1 July 2007, the Company acquired an additional 42.5% equity interest in Baltic Fuel Inc for a consideration of US\$232. As a result, its equity interest in Baltic Fuel Inc increased to 85% as at 31 December 2007 (2006: 42.5%).

The fair value of the additional 42.5% share of the net identifiable assets of Baltic Fuel Inc. at the date of acquisition amounted to US\$40, resulting in goodwill on acquisition of US\$191. The goodwill is attributable to the significant synergies expected to arise after the acquisition.

Baltic Fuel Inc. contributed revenue of US\$5,092 and net loss of US\$1,060 to the Group for the period from 1 July 2007 to 31 December 2007. Baltic Fuel Inc. assets and liabilities at 31 December 2007 were US\$57,231 and US\$58,197 respectively. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been US\$5,365,668 and net profit would have been US\$29,897 of which US\$178 had been equity accounted for prior to July 2007.

Link Marine Pte Ltd

On 1 July 2007, the Group acquired a 100% equity interest in Link Marine Pte Ltd for a consideration of US\$100. The fair value of the 100% share of the net identifiable assets of Link Marine Pte Ltd at the date of acquisition amounted to US\$100.

Link Marine Pte Ltd contributed revenue of US\$406 and net loss of US\$8 to the Group for the period from 1 July 2007 to 31 December 2007. Link Marine Pte Ltd assets and liabilities at 31 December 2007 were US\$452 and US\$359 respectively. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been US\$5,365,359 and net profit would have been US\$30,473.

13. Investments in subsidiaries (continued)

Olympic Shipping Pte Ltd

On 1 July 2007, the Group acquired a 100% equity interest in Olympic Shipping Pte Ltd for a consideration of US\$9,100. The fair value of the 100% share of the net identifiable assets of Olympic Shipping Pte Ltd at the date of acquisition amounted to US\$9,100.

Olympic Shipping Pte Ltd contributed revenue of US\$2,639 and net gain of US\$1,691 to the Group for the period from 1 July 2007 to 31 December 2007. Olympic Shipping Pte Ltd assets and liabilities at 31 December 2007 were US\$11,092 and US\$301 respectively. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been US\$5,364,882 and net profit would have been US\$31,165.

14. Intangible assets

	Group	
	2007	2006
Goodwill arising on consolidation		
Beginning of financial year	1,626	–
Acquisition of a subsidiary (Note 4)	191	1,626
End of financial year	1,817	1,626

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 are as follows:

Growth rate ¹	5%
Discount rate ²	6%

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.

15. Property, plant and equipment

	Buildings and improvements on leasehold land	Office and computer equipment, furniture and fittings	Equipment and terminals	Vessels	Motor vehicles	Construction work in progress	Total
Group							
Cost							
At 1 January 2007	1,137	7,376	21,475	–	278	571	30,837
Currency translation differences	–	62	–	–	–	–	62
Acquisition of subsidiaries	–	35	–	9,100	52	–	9,187
Additions	1,219	2,404	4,792	42,745	77	144,385	195,622
Disposals	–	(389)	–	(20,537)	–	–	(20,926)
Transfers	–	320	251	–	–	(571)	–
At 31 December 2007	2,356	9,808	26,518	31,308	407	144,385	214,782
Accumulated depreciation							
At 1 January 2007	214	2,850	10,763	–	88	–	13,915
Currency translation differences	–	89	–	–	–	–	89
Charge for the year	394	2,455	2,268	2,181	63	–	7,361
Disposals	–	(389)	–	(786)	–	–	(1,175)
At 31 December 2007	608	5,005	13,031	1,395	151	–	20,190
Net book value							
At 31 December 2007	1,748	4,803	13,487	29,913	256	144,385	194,592
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
Disposal 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

15. Property, plant and equipment (continued)

	Office and computer equipment, furniture and fittings / Total
Company	
Cost	
At 1 January 2007	–
Additions	23
At 31 December 2007	23
Accumulated depreciation	
At 1 January 2007	–
Charge for the year	1
At 31 December 2007	1
Net book value	
At 31 December 2007	22
Cost	
At 1 January 2006 / 31 December 2006	–
Accumulated depreciation	
At 1 January 2006 / 31 December 2006	–
Net book value	
At 31 December 2006	–

- (a) The carrying amount of the Group's motor vehicles held under finance lease amounted to US\$117 as at 31 December 2007 (2006: US\$132).
- (b) Borrowings of the Group of US\$177,036 (2006: US\$57,480) and Company of US\$51,358 (2006: US\$36,420), are secured on property, plant and equipment of the Group with carrying amounts of US\$203,461 (2006: US\$10,654) and US\$18,896 (2006: US\$4,789) respectively, and all related rent/lease receivables (Note 18).
- (c) The Group's borrowing cost of US\$2,712 (2006: US\$Nil), on the financing specifically entered into for the construction of terminals, was capitalised during the financial year.

16. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current 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 sheet as follows:

	Group	
	2007	2006
Deferred tax assets:		
– Deferred tax assets to be recovered within one year	(2,053)	(267)
Deferred tax liabilities:		
– Deferred tax liability to be recovered within one year	2,675	1,285
– Deferred tax liability to be recovered after one year	2,169	3,170
	4,844	4,455
	2,791	4,188

16. Deferred income tax (continued)

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

	Group	
	2007	2006
Beginning of financial year	4,188	3,444
Acquisition of a subsidiary	3	245
Income statement (credit)/charge (Note 29)	(1,400)	499
End of financial year	2,791	4,188

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Fair value gains	Total
At 1 January 2007	4,032	1,285	5,317
Acquisition of a subsidiary	13	–	13
(Credited)/charged to income statement	(566)	1,390	824
At 31 December 2007	3,479	2,675	6,154
At 1 January 2006	3,182	1,092	4,274
Acquisition of a subsidiary	–	245	245
Charged/(credited) to income statement	850	(52)	798
At 31 December 2006	4,032	1,285	5,317

Deferred tax assets

	Tax losses	Provisions	Total
At 1 January 2007	(267)	(862)	(1,129)
Acquisition of a subsidiary	(10)	–	(10)
Credited to income statement	(1,776)	(448)	(2,224)
At 31 December 2007	(2,053)	(1,310)	(3,363)
At 1 January 2006	–	(830)	(830)
Credited to income statement	(267)	(32)	(299)
At 31 December 2006	(267)	(862)	(1,129)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

17. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
Trade payables to:				
– Third parties	269,034	151,858	1,166	907
– Subsidiaries	–	–	42,837	198
– Associates	249	151	–	–
– Joint ventures	341	218	–	–
– Other related parties	318	1,008	–	–
	269,942	153,235	44,003	1,105
Accrued interest payable on borrowings	2,913	234	381	114
Other accruals for operating expenses	34,682	32,895	–	187
	307,537	186,364	44,384	1,406

Trade and other payables approximate their fair values and are predominantly denominated in United States dollar.

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

18. Borrowings

	Group		Company	
	2007	2006	2007	2006
Current				
Advances from financial institutions under Receivables Purchase Agreement (Note 8)	286,973	83,916	–	–
Loan from a subsidiary	–	–	–	6,223
Bank overdrafts (Note 4)	83,185	21,703	–	–
Bank loans	90,572	29,959	4,657	2,667
Finance lease liabilities (Note 24)	20	15	–	–
	460,750	135,593	4,657	8,890
Non-current				
Bank loans	162,721	51,285	46,701	33,753
Finance lease liabilities (Note 24)	88	72	–	–
	162,809	51,357	46,701	33,753
Total	623,559	186,950	51,358	42,643

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

18. Borrowings (continued)

(a) Security of borrowings

Details of bank loans are as follows:

	Group		Company	
	2007	2006	2007	2006
Secured on current assets of subsidiaries	56,357	15,164	–	–
Secured on property, plant and equipment and lease rentals of subsidiaries	177,036	57,480	51,358	36,420
Unsecured	19,900	8,600	–	–
	253,293	81,244	51,358	36,420

Advances from financial institutions under the Receivables Purchase Agreement are secured against the trade receivables (Note 8).

Bank overdrafts are secured against bank balances and deposits, trade and other receivables and inventories of a subsidiary (Notes 8 and 9).

(b) Maturity of borrowings

The current borrowings (excluding finance lease liabilities) of the Group and Company have an average maturity of 2 months (2006: 1 month) 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	
	2007	2006	2007	2006
Later than one year and not later than five years	117,023	51,285	46,701	33,753
Later than five years	45,698	–	–	–
	162,721	51,285	46,701	33,753

(c) Currency risk

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

	Group		Company	
	2007	2006	2007	2006
United States Dollar	623,450	186,852	51,358	42,643
Singapore Dollar	109	87	–	–
Euro	–	11	–	–
	623,559	186,950	51,358	42,643

(d) Interest rate risks

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

18. Borrowings (continued)

(d) Interest rate risks (continued)

	Group		Company	
	2007	2006	2007	2006
Advances from financial institutions under Receivables Purchase Agreement	5.67%	5.83%	–	–
Bank overdrafts	6.49%	7.17%	–	–
Bank loans	6.18%	7.24%	6.89%	7.74%
Finance lease liabilities	2.95%	3.00%	–	–

Borrowings (excluding finance lease liabilities) are at variable rates with repricing within 3 months (2006: 6 months) of the balance sheet date.

(e) Carrying amounts and fair values

The carrying amounts of borrowings approximate their fair values.

19. Provisions for other liabilities and charges

	Group	
	2007	2006
Legal claims	1,639	2,526

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 will not give rise to any significant loss beyond the amounts provided at 31 December 2007. 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:

	Group	
	2007	2006
Beginning of financial year	2,526	2,991
Provision made	60	120
Write-back of provision	(819)	(164)
Utilised	(128)	(421)
End of financial year	1,639	2,526

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

20. Share capital and premium

	Number of shares (thousands)	Share capital	Share premium	Total
Group and Company				
2007				
Beginning and end of financial year	1,292,612	2	85,816	85,818
2006				
Beginning of financial year	1,098,720	2	–	2
Proceeds from shares issued 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

As at 31 December 2007, the authorised share capital of the Company is HK 1,000,000 (2006: HK 1,000,000) comprising 80,000,000 shares (2006: 80,000,000 shares) with a par value of HK\$0.0000125 per share (2006: HK\$0.0000125 per share).

All issued ordinary shares are fully paid.

In 2006, the Company also 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.

Share options

Share options are granted to directors and to selected employees. The options are exercisable starting one year from the grant date and will vest over a period of two years for directors and five years for employees. 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.

Movement in the number of unissued ordinary shares under option and their exercise prices is as follows:

Group and Company

	No. of ordinary shares under option				
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year
Date of grant					
2007					
14.12.2006	29,916,790	–	(3,599,749)	–	26,317,041
27.08.2007	–	516,000	–	–	516,000
25.09.2007	–	4,876,368	–	–	4,876,368
	29,916,790	5,392,368	(3,599,749)	–	31,709,409
2006					
14.12.2006	–	29,916,790	–	–	29,916,790

The fair value of options granted during the period is determined using the Binomial valuation model. The significant inputs into the model are presented below. 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.

20. Share capital and premium (continued)

Date of grant	Standard deviation of expected share price returns	Dividend yield	Annual risk-free interest rate	Exercise price	Exercise period
14.12.2006	30.0%	1.5%	4.8%	US\$0.450	14.12.2007 – 13.12.2017
27.08.2007	30.0%	1.5%	3.1%	US\$0.586	27.08.2008 – 26.08.2018
25.09.2007	30.0%	1.5%	4.0%	US\$0.483	25.09.2008 – 24.09.2018

21. Merger reserve

The excess of the nominal value of the shares of Chemoil Corporation acquired by the Company in 2006 over the nominal value of the shares issued by the Company in exchange for Chemoil Corporation's shares has been taken to shareholders' equity as "Merger Reserve" and adjusted retrospectively in the financial statements.

22. Other reserves

	Group		Company	
	2007	2006	2007	2006
(a) Composition:				
Share option reserve	947	41	947	41
Currency translation reserve	638	181	–	–
Hedging reserve	(1,825)	–	–	–
	(240)	222	947	41
(b) Movements:				
(i) Share option reserve				
Beginning of financial year	41	–	41	–
Employee share option scheme:				
– Value of employee services (Notes 20 and 26)	906	41	906	41
End of financial year	947	41	947	41
(ii) Currency translation reserve				
Beginning of financial year	181	121	–	–
Release on disposal of subsidiaries (Note 4)	–	5	–	–
Net currency translation differences of financial statements of foreign subsidiaries	457	55	–	–
End of financial year	638	181	–	–
(iii) Hedging reserve				
Beginning of financial year	–	–	–	–
Cash flow hedges				
– Fair value losses (Note 5)	(1,825)	–	–	–
End of financial year	(1,825)	–	–	–

Other reserves are non-distributable.

23. Retained earnings

The retained earnings of the Group and the Company are distributable. Movement in retained earnings of the Company is as follows:

	Company	
	2007	2006
Beginning of financial year	23,009	3,010
Net profit	37,621	20,999
Dividends (Note 32)	(12,926)	(1,000)
End of financial year	47,704	23,009

In 2006, an additional dividend of US\$10 million was paid by a company treated as a subsidiary pursuant to the adoption of merger accounting.

24. Finance lease liabilities

The Group leases motor vehicles from non-related parties under finance leases

	Group	
	2007	2006
Minimum lease payments due:		
– Not later than one year	29	18
– Later than one year but not later than five years	93	73
– Later than five years	8	15
	130	106
Less: Future finance charges	(22)	(19)
Present value of finance lease liabilities	108	87

The present value of finance lease liabilities are analysed as follows:

	Group	
	2007	2006
Not later than one year (Note 18)	20	15
Later than one year: (Note 18)		
– Later than one year but not later than five years	78	59
– Later than five years	10	13
	88	72
	108	87

25. Revenue and other gains/(losses)- net

	Group	
	2007	2006
Revenue:		
Sales of fuel	5,312,118	4,280,546
Chartering income	23,451	37,469
Terminal rental	9,029	8,910
Service fees and commission income	4,763	4,129
Demurrage and other claim income	15,301	14,544
	5,364,662	4,345,598
Other gains/(losses)- net:		
Currency exchange gain - net	174	375
Gain on partial disposal of subsidiaries (Note 4)	-	236
Gain on disposal of associates	-	71
Gain/(loss) on disposal of property, plant and equipment	6,484	(150)
Gain on disposal of other financial assets at fair value through profit or loss	193	-
Fair value losses on other financial assets at fair value through profit or loss	(129)	(24)
Derivative financial instruments - net	(84,890)	58,069
Interest income:		
- advances to associates	-	1,567
- bank deposits	5,032	2,012
- loans to other related parties	-	384
	(73,136)	62,540

26. Employee benefit expense

	Group	
	2007	2006
Wages and salaries	19,427	18,752
Compensation expense relating to defined benefit plans (Note 27)	334	214
Employer's contribution to defined contribution plans	484	334
Share options granted to directors and employees (Notes 20 and 22)	906	41
	21,151	19,341

27. Post-employment defined benefit plans

The Group has a defined benefit pension plan covering eligible employees in a subsidiary.

The amounts recognised in the income statement are determined as follows:

	Group	
	2007	2006
Service cost	242	123
Interest cost	88	41
Administration cost	71	57
Expected return on plan assets	(74)	(33)
Unrecognised past service cost	7	26
Total pension costs (Note 26)	334	214
Actual return on plan assets	74	33

The amounts recognised in the balance sheet are as follows:

	Group	
	2007	2006
Present value of defined benefit pension obligations funded by plan assets	(592)	(1,696)
Fair value of plan assets	728	1,275
	136	(421)
Unrecognised actuarial (gains)/losses	(354)	114
Unrecognised past service cost	218	374
Net defined benefit pension plan assets (Note 7)	–	67

Movement in the present value of the defined benefit pension obligations during the financial year is as follows:

	Group	
	2007	2006
Beginning of financial year	(1,696)	–
Acquisition of a subsidiary	–	(1,551)
Service cost	(242)	(123)
Interest cost	(88)	(41)
Actuarial gains	1,026	19
Settlements	408	–
End of financial year	(592)	(1,696)

The movement in the fair value of plan assets during the financial year is as follows:

	Group	
	2007	2006
Beginning of financial year	1,275	–
Acquisition of a subsidiary	–	1,209
Expected return on plan assets	74	33
Actuarial losses	(346)	(15)
Administration cost	–	(56)
Pension contributions	189	104
Settlements	(464)	–
End of financial year	728	1,275

27. Post-employment defined benefit plans (continued)

The principal actuarial assumptions used are as follows:

	Group	
	2007	2006
Weighted average discount rate	5.20%	4.70%
Rate of increase in compensation level	3.00%	2.00%
Expected return on plan assets	5.20%	4.70%

28. Finance expense

	Group	
	2007	2006
Interest expense:		
– bank loans	24,162	20,134
– loans from a shareholder	–	22
– finance lease liabilities	2	3
Finance expense	24,164	20,159

29. Income tax expense

	Group	
	2007	2006
Tax expense attributable to profit is made up of:		
– Current income tax	9,594	10,161
– Deferred income tax (Note 16)	(537)	602
	9,057	10,763
Under/(over) provision in prior years		
– current income tax	1,221	477
– deferred income tax (Note 16)	(863)	(103)
	9,415	11,137

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group	
	2007	2006
Profit before tax and share of results of associates and joint ventures	37,507	67,015
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,979	10,388
Effects of:		
– Expenses not deductible	78	375
Tax charge	9,057	10,763

The weighted average applicable tax rate was 24% (2005: 16%). 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 2007, 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 results of associates and joint ventures - 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 - net,
 - interest income,
 - gain on disposal of subsidiaries/associates, and
 - fair value losses on other financial assets at fair value through profit or loss
 - gain on disposal of other financial assets at fair value through profit or loss
- Finance expense;
- Public offering costs and;
- Income tax expense.

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, and receivables and other current assets, and exclude cash and bank balances, deferred income tax assets, income tax recoverable, derivative financial instruments and other financial assets at fair value through profit or loss.

Segment liabilities comprise payables and provisions for other liabilities and charges, and exclude income tax liabilities, borrowings and derivative financial instruments. Capital expenditure comprises additions to property, plant and equipment and intangible assets, including those acquired through business combinations.

30. Segment information (continued)

30.1 Primary reporting format - business segments (continued)

	Retail	Cargo	Ex-wharf	Others	Total
Group					
2007					
Sales	2,759,701	1,718,455	833,961	52,545	5,364,662
Segment result	62,354	60,361	10,184	1,908	134,807
Share of results of associates and joint ventures - net				2,225	2,225
Other gains/(losses) - net					(73,136)
Finance expense					(24,164)
Profit before income tax					39,732
Income tax expense					(9,415)
Total profit					30,317
Other segment items:					
Capital expenditure –					
Property, plant and equipment	3,886	72	93	200,758	204,809
Depreciation	4,158	16	218	2,969	7,361
Amortisation	86	–	–	166	252
Impairment losses/(written back) –					
Trade and other receivables	(866)	11	(18)	–	(873)
2006					
Sales	2,126,877	1,059,599	1,094,070	65,052	4,345,598
Segment result	16,520	14,504	(5,985)	3,842	28,881
Share of results of associates and joint ventures - net	–	–	–	1,970	1,970
Other gains - net					62,540
Finance expense					(20,159)
Public offering costs					(4,247)
Profit before income tax					68,985
Income tax expense					(11,137)
Total profit					57,848
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)

30. Segment information (continued)

30.1 Primary reporting format - business segments (continued)

	Retail	Cargo	Ex-wharf	Others	Elimination	Total
Group						
2007						
Segment assets	809,698	339,225	80,906	397,090	(529,469)	1,097,450
Associates and joint ventures	–	–	–	57,883	–	57,883
Unallocated assets						67,578
Total assets						<u>1,222,911</u>
Segment liabilities	548,788	365,343	61,519	161,067	(540,568)	596,149
Unallocated liabilities						373,503
Total liabilities						<u>969,652</u>
2006						
Segment assets	297,707	180,351	122,314	130,447	(196,232)	534,587
Associates and joint ventures	–	–	–	22,209	–	22,209
Unallocated assets						64,986
Total assets						<u>621,782</u>
Segment liabilities	208,862	100,349	50,109	16,906	(103,420)	272,806
Unallocated liabilities						112,660
Total liabilities						<u>385,466</u>

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

	Group	
	2007	2006
Unallocated assets		
– Cash and bank balances	60,109	49,573
– Other financial assets at fair value through profit or loss	1,604	838
– Deferred income tax assets	2,053	267
– Derivative financial instruments	2,965	10,671
– Income tax recoverable	847	3,637
	<u>67,578</u>	<u>64,986</u>

	Group	
	2007	2006
Unallocated liabilities		
– Derivative financial instruments	25,790	2,016
– Current income tax liabilities	6,283	3,155
– Borrowings	336,586	103,034
– Deferred tax liabilities	4,844	4,455
	<u>373,503</u>	<u>112,660</u>

30. Segment information (continued)

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	
	2007	2006
Americas	2,368,437	1,924,172
Europe	1,922,029	1,340,928
Asia	1,074,196	1,080,498
Total	5,364,662	4,345,598

Total assets

	Group	
	2007	2006
Americas	661,170	268,399
Europe	150,245	201,401
Asia	350,648	119,102
Associates and joint ventures	57,883	22,209
Unallocated assets	2,965	10,671
Total	1,222,911	621,782

Capital expenditure

	Group	
	2007	2006
Americas	12,188	4,306
Asia	192,115	675
Europe	506	126
Total	204,809	5,107

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.

	Group	
	2007	2006
Profit attributable to equity holders of the Company	30,331	57,844
Weighted average number of ordinary shares in issue (in thousands)	1,292,612	1,107,751
Basic earnings per share (cents per share)	2.35	5.22

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options 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. No adjustment is made to the net profit.

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

	Group	
	2007	2006
Profit attributable to equity holders of the Company	30,331	57,844
Weighted average number of ordinary shares in issue (in thousands)	1,292,612	1,107,751
Adjustments for share options (in thousands)	10,509	5,769
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	1,303,121	1,113,520
Diluted earnings per share (cents per share)	2.33	5.19

32. Dividends

	Group	
	2007	2006
Dividends declared in respect of the previous financial year of 1.00 cent (2006: 1.00 cents) per share	12,926	11,000

Dividends for the financial year ended 31 December 2006 were declared prior to the initial public offering of the Company on 14 December 2006 (Note 20).

33. Contingencies

(a) Litigation and claims

Group

A claim was lodged against a subsidiary in respect of demurrage, shifting costs and withheld freight of approximately US\$2,000. The subsidiary paid for US\$896 during the previous 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 that it is not possible to estimate the amount of additional losses, if any, that might result from adverse judgment against the Group.

(b) Guarantees

Group

In 2006 a subsidiary had provided guarantees to a bank to cover the liabilities of an associate for US\$6,000.

Company

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries for credit facilities taken up. These bank loans amount to US\$220,080 (2006: US\$41,250) at the balance sheet date.

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

34. Operating leases and commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 11) and investments in joint ventures (Note 12), are as follows:

	Group		Company	
	2007	2006	2007	2006
Property, plant and equipment	12,638	–	–	–

The Group's share of the capital commitments of its joint ventures is set out in Note 12.

(b) Operating lease expenses

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

	Group	
	2007	2006
Barges (included in "Barging and pipeline costs")	39,976	27,250
Vessels (included in "Inventories recognised as an expense" and "Chartering expenses")	25,489	35,712
Offices, storage tanks and motor vehicles (included in "Rentals for office premises, storage tanks and motor vehicles")	37,404	33,211
Other equipment (included in "Other expenses")	336	481
	103,205	96,654

34. Operating leases and commitments (continued)

(c) 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	
	2007	2006
Not later than one year	32,219	40,288
Later than one year but not later than five years	46,808	59,424
Later than five years	10,832	19,868
	89,859	119,580

(d) Operating lease commitments - where a group company is a lessor

The Group leases out storage tanks and vessels/barges under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

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	
	2007	2006
Not later than one year	22,484	7,445
Later than one year but not later than five years	34,824	29,779
Later than five years	21,386	27,918
	78,694	65,142

35. Financial risk management

35.1 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 commodity swaps and futures, interest rate swaps and currency forwards to hedge certain financial risk exposures.

The Group has a risk management division responsible for identifying, measuring and analysing financial risks of the Group. The risk management division provides periodic reports on the Group's risk exposures which enables management to monitor compliance of the Group's operations with the established risk management policies and procedures.

The risk management division reports directly to the Executive Risk Management Committee (ERMC), which in turn reports to the board of directors. The ERMC committee comprises the Chief Executive Officer, Chief Financial Officer, Vice President of Supply and Distribution and the Head of Risk Management. The ERMC is responsible for setting the Group's risk management parameters such as customer credit limits, risk exposure limits and the risk management policies and procedures.

35. Financial risk management (continued)

35.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk arises mainly from future commercial transactions, recognised assets and liabilities.

The Group's trade purchases and sales are predominantly 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.

The Group's currency exposure based on the information provided to key management is set out in notes 4, 6, 8, 17, and 18.

Due to its minimal exposure to foreign currency risk, the Group's profit is not sensitive to significant variation in foreign currency.

(ii) Commodity price risk

The Group trades in marine fuel products. As a result, the Group's physical inventory is exposed to commodity price risks arising from the volatility in commodity prices. The Group enters into derivative contracts in the form of commodity swaps and futures to hedge its exposure to such commodity price risks. If the commodity price increases/(decreases) by 1% (2006: 1%) with all other variables including tax rate being held constant, the profit after tax will be higher/lower by US\$1,016 (2006: US\$548) as a result of the changes in the fair values of the inventories and commodity swaps and futures as at balance sheet date.

The above sensitivity analysis is hypothetical and should not be predictive of the Group's future performance as the physical inventory volume and derivative positions change daily and are not static.

(iii) Other price risk

The Group is not exposed to significant equity securities price risk because the investments held by the Group which are classified on the consolidated balance sheet as "at fair value through profit or loss" is only US\$1,604 (2006: US\$ 838).

(iv) Cash flow and fair value interest rate risk

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 risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued 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. The Group's exposure to cash flow interest rate risks arises mainly from these variable-rate borrowings. The Group may enter into floating-to-fixed interest rate swaps to manage these cash flow interest rate risks. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

The Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in United States dollar. If the United States dollar interest rates increases/decreases by 0.50% (2006: 0.50%) with all other variables including tax rate being held constant, the profit after tax will be lower/ higher by US\$2,292 (2006: US\$522), as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

35. Financial risk management (continued)

35.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit exposure to an individual counterparty is restricted by credit limits that are monitored by the Finance Controller and approved by the Chief Financial Officer and for credit limits above an established threshold, the Chief Executive Officer, based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are regularly monitored at the entity level by the respective management and at the Group level by the Finance Controller and the Chief Financial Officer.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except that in addition, the Company has provided corporate guarantees to banks for loans provided to its subsidiaries and its credit exposure in respect of these guarantees is US\$ 220,080 (2006: US\$41,250) at balance sheet date (Note 33(b)).

The Group's and Company's major classes of financial assets are cash at bank and bank deposits and trade and other receivables.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	Group		Company	
	2007	2006	2007	2006
By business segment				
Retail	354,122	193,923	–	–
Cargo	41,560	72,916	–	–
Ex-wharf	182	42,190	–	–
Others	63,035	10,858	156,413	90,306
	458,899	319,887	156,413	90,306

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

Cash at bank and bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade and other receivables past due but not impaired is as follows:

	Group	
	2007	2006
Past due 0 to 30 days	6,978	2,971
Past due 30 to 60 days	3,118	908
Past due more than 60 days	2,737	4,033
	12,833	7,912

35. Financial risk management (continued)

35.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group	
	2007	2006
Gross amount	4,332	3,417
Less: Allowance for impairment	(1,323)	(2,196)
	3,009	1,221
Beginning of financial year	2,196	2,526
Allowance written back	(873)	(330)
End of financial year	1,323	2,196

The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered.

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities including net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2007				
Derivative financial instruments	(24,858)	(800)	(132)	–
Trade and other payables	(307,537)	–	–	–
Borrowings	(460,781)	(19,360)	(98,502)	(46,615)
	(793,176)	(20,160)	(98,634)	(46,615)
At 31 December 2006				
Derivative financial instruments	(2,016)	–	–	–
Trade and other payables	(186,364)	–	–	–
Borrowings	(135,593)	(6,210)	(45,411)	(13)
	(323,973)	(6,210)	(45,411)	(13)
Company				
At 31 December 2007				
Derivative financial instruments	(893)	(800)	(132)	–
Trade and other payables	(44,384)	–	–	–
Borrowings	(4,657)	(4,657)	(42,693)	–
	(49,934)	(5,457)	(42,825)	–
At 31 December 2006				
Trade and other payables	(1,406)	–	–	–
Borrowings	(8,890)	(2,667)	(31,333)	–
	(10,296)	(2,667)	(31,333)	–

35. Financial risk management (continued)

35.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2007				
Gross-settled currency forwards				
– Receipts	11,599	–	–	–
– Payments	(11,371)	–	–	–
At 31 December 2006				
Gross-settled currency forwards				
– Receipts	15,422	–	–	–
– Payments	(15,133)	–	–	–
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company				
At 31 December 2007				
Gross-settled currency forwards				
– Receipts	22,970	–	–	–
– Payments	(22,970)	–	–	–
At 31 December 2006				
Gross-settled currency forwards				
– Receipts	–	–	–	–
– Payments	–	–	–	–

The Group and Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments, having an adequate amount of committed credit facilities and the ability to close market positions at a short notice.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash balances.

35. Financial risk management (continued)

35.1 Financial risk factors (continued)

(d) Capital risk (continued)

	Group		Company	
	2007	2006	2007	2006
Net debt	563,450	137,377	46,527	33,410
Total equity	253,259	236,316	134,469	108,868
Gearing ratio	2.22	0.58	0.35	0.31

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007.

35.2 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 and the Company is the current bid price.

The fair value of interest rate swaps and interest rate caps 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 current financial assets and liabilities carried at amortised cost approximate their fair values. 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.

36. Comparatives

The following comparative figures in the income statement have been reclassified to conform with the current financial year's presentation. The reclassification is amongst the various categories within the income statement.

	As previously stated	Group
		As reclassified
Other gains/ losses – (net)	62,690	62,540
Inventories recognized as an expense	4,121,661	4,140,599
Barging and pipeline costs	36,198	44,455
Chartering expenses	56,279	29,934
Demurrage costs	9,562	11,723
Marketing and communication expenses	2,793	2,930
Service and commission expenses	12,680	11,498
Other expenses	21,770	19,654

37. Related party transactions

In addition to the information disclosed in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2007	2006
Sales of goods and services		
Sales of goods/services to associates	199,945	41,947
Sales of goods/services to joint ventures	17,210	40,069
Sales of goods/services to other related parties	57,073	104,406
Purchases of goods and services		
Purchase of goods/services from associates	422,975	219,712
Purchase of goods/services from joint ventures	4,579	57,670
Capital hire paid to other related parties	2,401	–
Purchase of goods/services from other related parties	2,617	89,041
Purchase of property, plant and equipment		
Purchase of property, plant and equipment from an associate	1,280	330
Purchase of property, plant and equipment from other related party	51,638	–
Payments made on behalf and reimbursed by joint ventures	292	–
Payments made on behalf and reimbursed by other related party	1,772	522
Management and accounting service income		
Management and accounting service income charged to associates	–	111
Management and accounting service income charged to joint ventures	2,539	2,840
Consultancy fees		
Consultancy fees charged by other related party	340	521
Payment towards investment in associate		
Payment to a related party towards investment in associate	2,351	–
Acquisition of subsidiaries from other related party	9,200	–
Maintenance service fees		
Maintenance service fees charged by an associate	877	753
Professional fees		
Professional fees charged by associates	289	256
Interest income/(expense)		
Interest income from associates	–	1,567
Interest income from other related parties	–	384
Interest expense to a shareholder	–	(22)

37. Related party transactions (continued)

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

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 8, 17 and 18.

In 2006, a guarantee provided by a subsidiary for loans made to an associate, is set out in Note 33(b).

(b) Key management compensation

	2007	2006
Salaries and other short-term employee benefits	5,286	5,430
Post-employment benefits	94	85
Share options expense	275	12
	5,655	5,527

38. Significant subsidiaries

The details of significant subsidiaries are as follows:

Name of subsidiaries and country of incorporation	Principal activities	Percentage of equity held	
		2007 %	2006 %
Chemoil Europe B.V. Netherlands ¹	Oil Trading	100.00	100.00
Berkshire Energy Limited, British Virgin Islands ²	Oil Trading	100.00	100.00
Chemoil Corporation, United States of America ²	Oil trading	100.00	100.00
Chemoil International Pte Ltd, Singapore ³	Oil trading	100.00	100.00
Chemoil North America Corporation, United States of America ²	Special purpose vehicle	100.00	100.00
Chemoil Terminals Corporation, United States of America ²	Terminal management	100.00	100.00
Baltic Fuel Inc., British Virgin Island ²	Oil Trading	85.00	42.50

¹ Audited by PricewaterhouseCoopers, Rotterdam, Netherlands.

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 PricewaterhouseCoopers, Singapore.

39. Events subsequent to balance sheet date

On 25 January 2008, the Group acquired a leasehold property in Chennai, India for a purchase consideration of US\$9,608.