Company registration number

124626

Glencore Finance (Europe)

Limited

REPORT AND
FINANCIAL STATEMENTS
2018

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Officers and professional advisers

Directors

Warren Blount
Louise Bullen (Appointed: 13 November 2018)
Ann Nash
Ian Wall
Mark Catton (Resigned: 13 November 2018)

Registered office

Esplanade 13-14,
St Helier, Jersey,
JE1 1EE

Auditor

Deloitte LLP
London, England

Company registration number

124626

Strategic report

The Directors present their Strategic report for Glencore Finance (Europe) Limited (the "Company") for the year ended 31 December 2018 to provide a review of the Company's business, principal risks and uncertainties, performance and position.

Organisation

The Company's primary objective is to raise funding in capital markets and to lend the proceeds on to or invest in other group entities.

During the year, the Company became a wholly owned subsidiary of Glencore UK Ltd and as part of the re-organisation, the Company invested in preference shares, issued by a Glencore subsidiary, Glencore Services (UK) Ltd, for a consideration of USD 15.2 billion carrying an entitlement to an annual preference dividend of 3% subject to availability of sufficient earnings and reserves. The Company, during the year, issued 1 share of EUR 1,000 nominal in favour of Glencore UK Ltd for an amount of USD 5 billion.

Business review

As shown in the statement of comprehensive income on page 13, the loss for the year after taxation was USD 18.5 million (2017: USD 5.8 million gain). The balance sheet on page 14 shows that the Company's net assets have increased compared with the prior year by USD 4,966 million to USD 4,939 million. The Company's borrowings reduced by USD 2,389 million mainly due to the repayment of the EUR 1,250 million 4.625% bonds on maturity in April 2018, repayment of the USD 200 million 3m Libor plus 1.2% bonds on maturity in May 2018 and the CHF 450 million 2.625% bonds on maturity in December 2018. The Directors recommend that no dividend be paid (2017: USD nil).

There have been no significant events since the balance sheet date that require disclosure or would cause any of the assets or liabilities reported in these financial statements to be restated.

Glencore plc together with other Group entities has unconditionally and irrevocably guaranteed the Company's debts.

Principal risks and risk governance

The Board of Directors are responsible for approving risk management principles and policies, and ensuring that the Company's management maintains an effective system of internal controls. They are responsible for the management of risk within the framework of risk management principles and policies approved by the Board.

The Company monitors its foreign exchange and Interest rate risks resulting from capital market debt and manages these risks by hedging predominantly with another group entity and by matching assets and liabilities. Further, the Directors continue to monitor major decisions in Government, including Brexit.

Approved by the Directors and signed on behalf of the Board of Directors.

Louise Bullen Warren Blount

7 March 2019

Directors' report

The Strategic report starting on page 4 contains details of the principal activities of the Company and provides information on the Company's business during the year and indications of likely future developments.

Reference is made to the Strategic report which details the increase in share capital by USD 5 billion by issuance of 1 equity share of EUR 1,000 nominal to Glencore UK Ltd and investment in preference share capital of Glencore Services (UK) Ltd for an amount of USD 15.2 billion carrying entitlement to an annual preference dividend of 3% subject to prescribed conditions. The Company is now a wholly owned subsidiary of Glencore UK Ltd.

Directors

The Directors who held office during the year are shown on page 3.

Going concern

The Company is expected to continue its activities as a financing entity in the future. Based on the Company's forecasts and projections, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, it is appropriate for the Company to adopt the going concern basis in preparing these financial statements.

Auditor

Pursuant to Article 113 of the Companies (Jersey) Law 1991, Deloitte LLP were re-appointed during the year and will therefore continue in office.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Directors and signed on behalf of the Board of Directors.

Louise Bullen Warren Blount
7 March 2019

Directors' responsibilities statement

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

Applicable Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLENCORE FINANCE (EUROPE) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Glencore Finance (Europe) Limited (the 'Company'):

- **give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **have been properly prepared in accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: - Completeness and Valuation of Capital Market Notes; and - Accounting for the investment in Preference Shares. Our assessment of the key audit matters is broadly consistent with 2017. We identified the 'Accounting for the investment in Preference Shares' as a current year key audit matter following the Company's investment of USD 15.2 billion in preference shares issued by a group entity, as part of a re-organisation within the Glencore plc group in 2018. Within this report, the new key audit matters are identified with and the key audit matters which are the same as the prior year are identified with .
Materiality	We determined materiality for the financial statements to be USD 100 million (2017: USD 100 million) based on total liabilities.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	Aside from the changes in key audit matters noted above, there were no significant changes in our approach since prior year.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness and Valuation of Capital Market Notes	
Key audit matter description	The Company has listed debt in the form of capital market notes of USD 9.7 billion as at 31 December 2018 (2017: USD 12 billion). These notes are denominated in Euro, Japanese Yen, Great British Pounds, Swiss Francs and United States Dollars. The capital market notes are significant for the Company as they account for 63% (2017: 76%) of the total liabilities. The primary risks for the capital market notes have been identified as the following: • Completeness is considered a relevant assertion due to the significant amount of debt in the Company and the risk that certain capital market notes have been omitted from the Company's financial statements. • Valuation is considered a relevant assertion due to the variety of foreign currencies used by the Company and the respective translations of the amortised cost carrying value to the functional currency (see note 2 for the accounting policies relating to foreign currency transactions). As confirmed by the directors in the strategic report on page 4, the Company's primary objective is to raise funding in capital markets and to lend the proceeds on to or invest in other group entities. As such the capital market notes are considered to be the key balance in the Company's accounts.

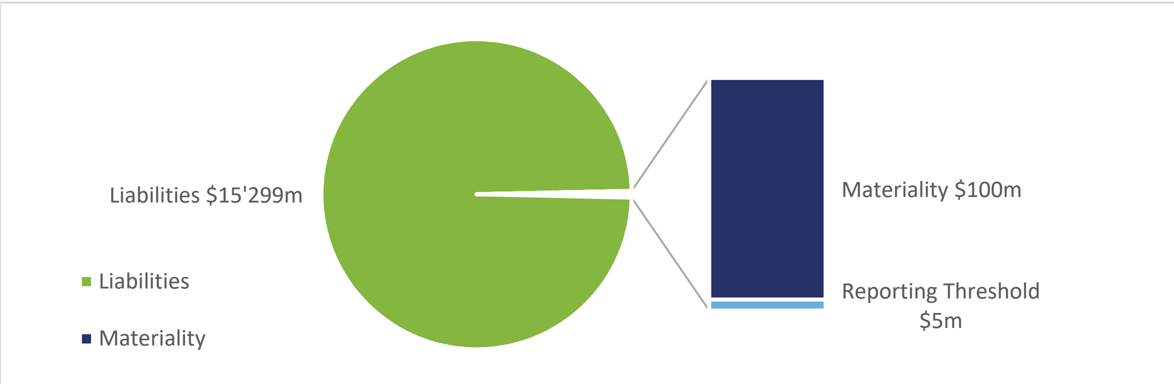
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of the key controls related to valuation and completeness of the capital market notes. We further requested an independent confirmation from the Company's European Medium Term Notes ("EMTN") programme administrative bank to confirm the total capital market notes outstanding as at 31 December 2018, in order to test the completeness of the capital market notes. Additionally, we reviewed all of the Directors' meeting minutes for the year to identify any new issuances. We recalculated the carrying amounts of the capital market notes as at 31 December 2018 using the terms set out in the respective contract of each bond and the foreign exchange rate for each respective bond to test the carrying amounts of the capital market notes. We evaluated the adequacy of the disclosure made in note 14 to the financial statements in respect of the capital market notes.
Key observations	Based on the work performed we have concluded that the valuation and completeness of the capital market notes are appropriate. We are satisfied that the capital market notes are appropriately disclosed.
Accounting for the investment in Preference Shares	
Key audit matter description	In December 2018, as part of a re-organisation within the Glencore plc group, the Company invested USD 15.2 billion in preference shares issued by a group entity, Glencore Services (UK) Ltd ('GSUK'). These preference shares, redeemable only at the option of GSUK, entitle the Company to an annual preference dividend of 3% subject to availability of distributable earnings and reserves (see notes 1, 3 and 10 to the financial statements). The primary risks for the investment have been identified as the following: • Classification of financial instrument under IFRS as either debt or equity investment. • Valuation uncertainty of financial asset under respective IFRS 9 measurement category.
How the scope of our audit responded to the key audit matter	We evaluated the terms of the investment in accordance with IAS 32 criteria for debt vs equity classification and respective IFRS 9 classification guidance for financial assets. We further challenged management's valuation of the financial asset, in particular the assessment of applicable discount rate in comparison to the Company's external borrowing rates and other market-based indicators, such as indicative transfer-pricing rates on related party loans published by tax authorities. We evaluated the adequacy and accuracy of the disclosures made in notes 3 and 10 to the financial statements in respect of the classification of the Company's investment in preference shares and associated estimation uncertainty.
Key observations	Based on the work performed, we concur with management's conclusion that the investment should be accounted for as a debt instrument. We further concluded that the accounting for the investment in preference shares at fair value through profit and loss ("FVTPL") and the disclosures in notes 3 and 10 are appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	USD 100 million (2017: USD 100 million).
Basis for determining materiality	Materiality equates to 0.65% of total liabilities, which is capped at USD 100 million.
Rationale for the benchmark applied	We determined materiality based on total liabilities as this is the driver of the Company given its purpose to raise funding in capital markets and to lend the proceeds on to or invest in other group entities.



We agreed with those charged with governance that we would report to them all audit differences in excess of USD 5 million (2017: USD 5 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Geoffrey Pinnock CA(SA)
For and on behalf of Deloitte LLP
Recognised Auditor
London, England
7 March 2019

Financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

USD '000

	Notes	2018	2017 restated[1]
Operating expenses	4	(493)	(518)
Operating loss		**(493)**	**(518)**
Finance income	6	465'368	427'455
Finance expenses	7	(467'022)	(418'388)
(Loss)/Profit before taxation		**(2'147)**	**8'549**
Tax	8	(16'379)	(2'792)
(Loss)/Profit for the financial year attributable to owners of the Company		**(18'526)**	**5'757**
Total comprehensive (loss)/income		**(18'526)**	**5'757**

[1] Refer to Note 1

All activities derive from continuing operations.

COMPANY REGISTRATION NUMBER 124626
BALANCE SHEET
AS AT 31 DECEMBER 2018

USD '000

	Notes	2018	2017 restated[1]
Non - current assets			
Loans to related parties	9	4'638'367	12'836'040
Investment in related party	10	15'200'000	-
Total non - current assets		**19'838'367**	**12'836'040**
Current assets			
Loans to related parties	9	-	2'525'792
Other debtors	11	307'569	273'119
Derivative financial instruments	12	92'591	278'909
Cash and bank balances		11	36
Total current assets		**400'171**	**3'077'856**
Total assets		**20'238'538**	**15'913'896**
Current liabilities			
Borrowings	14	1'007'711	2'141'229
Other creditors	13	650'606	847'242
Derivative financial instruments	12	326'676	278'909
Total current liabilities		**1'984'993**	**3'267'380**
Net current assets		**(1'584'822)**	**(189'524)**
Total assets less current liabilities		**18'253'545**	**12'646'516**
Non - current liabilities			
Borrowings	14	8'659'115	9'914'993
Loans from related parties	15	4'655'401	2'758'299
Total non - current liabilities		**13'314'516**	**12'673'292**
Total liabilities		**15'299'509**	**15'940'672**
Total Net assets		**4'939'029**	**(26'776)**
Equity			
Share capital	16	34	33
Share premium	16	5'002'754	2'755
Reserves and accumulated deficit		(63'759)	(29'564)
Total shareholders' equity/(deficit)		**4'939'029**	**(26'776)**

[1] refer to Note 1

These financial statements were approved by the Board of Directors on 7 March 2019.

Signed on behalf of the Board of Directors

Louise Bullen Warren Blount
7 March 2019

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

USD '000

	Share Capital (note 16)	Share Premium (note 16)	Accumulated deficit	Total
As at 1 January 2017	**33**	**2'755**	**(35'321)**	**(32'533)**
Profit on ordinary activities after taxation	-	-	5'757	5'757
As at 31 December 2017	**33**	**2'755**	**(29'564)**	**(26'776)**
Impact from IFRS 9 ECL opening adjustment	-	-	(15'669)	(15'669)
As at 1 January 2018	**33**	**2'755**	**(45'233)**	**(42'445)**
Issue of 1 share of EUR 1000 nominal	1	4'999'999	-	5'000'000
Loss on ordinary activities after taxation	-	-	(18'526)	(18'526)
As at 31 December 2018	**34**	**5'002'754**	**(63'759)**	**4'939'029**

Notes to the financial statements

1. GENERAL INFORMATION

During the year, as part of a re-organisation within the Glencore plc group, the Company entered into various transactions with other Glencore group companies, which resulted in changes in non-current loans to related parties (note 9), an investment in preference shares issued by a group entity (note 10), and an increase in the Company's equity (note 16).

Further, during the year the Company changed its reporting currency to USD and accordingly restated the previous years' comparatives and thereby eliminating the need to report previous year's CTA. The Company's functional currency is the US Dollar (USD) as this is assessed to be the principal currency of the economic environment in which it operates.

Glencore Finance (Europe) Limited (the "Company"), is a company originally incorporated in Luxembourg on 17 April 2003 as a “Société Anonyme”. Effective 1 September 2017, Glencore Finance (Europe) S.A. re-domiciled as a public limited company registered in Jersey with registered number 124626 and having its registered office at 13-14 Esplanade, St Helier, Jersey, JE1 1EE and has been renamed Glencore Finance (Europe) Limited. Effective the same date, Glencore Finance (Europe) Limited changed its tax residency to the United Kingdom.

The Company is a wholly owned subsidiary of Glencore UK Ltd and is ultimately wholly owned by Glencore plc.

The group accounts of Glencore plc are available to the public and can be obtained as set out in note 17 as is the registered office address of the parent company preparing consolidated accounts.

2. ACCOUNTING POLICIES

Basis of accounting
These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

In accordance with FRS 101 the Company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 101 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for FRS 101.

Exemptions
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair values, capital management, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Glencore plc.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis.
In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company has adopted the following principal accounting policies:

Adoption of revised standards

IFRS 9 - Financial Instruments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the entity to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics.
Changes in accounting policies resulting from IFRS 9 have been applied as at 1 January 2018, with no restatement of comparative information for prior year other than certain presentation changes. The changes for the entity were limited to the implementation of the Expected Credit Loss (ECL) Model, as set out in the paragraph impairment of financial assets. A net credit loss adjustment of USD 15.7 million as at 1st January 2018 has been recognised in the opening retained earnings.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. The entity has undertaken an analysis of the impact of the new standard and concluded that the adoption of IFRS 15 has had no material impact in respect of timing and amount of revenue recognised by the entity and accordingly prior period amounts were not restated.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The Company's forecasts and projections, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, indicate it is appropriate for the Company to adopt the going concern basis in preparing these financial statements.

Revenue recognition

Financial income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the right to receive the payment has been established, it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year end are converted at year end closing rates. The resulting exchange differences are recorded in the statement of comprehensive income. Currency and interest rate risks are suitably hedged mostly with another group entity. Non-monetary assets and liabilities are converted at the historical foreign exchange rate at the time of the transaction.

Translation of financial statements

The Company has changed its reporting currency to USD consistent with its functional currency. Accordingly, previous years' comparatives are restated.

Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank, cash in hand and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Financial instruments

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

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

IFRS 9 introduced an expected credit loss ("ECL") impairment model, which means that anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of Impairments. The Company applies a simplified approach to measure the loss allowance using lifetime expected loss provision. The model incorporates suitable credit ratings for receivables from group entities including assumptions on recovery rates.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and financial assets 'at amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including due from related parties, other financial assets, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The expected credit loss recognised represents a probability-weighted estimate of credit losses over the expected life of the financial instrument. For financial assets at amortised cost, the entity recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For those balances that are beyond 30 days overdue it is presumed to be an indicator of a significant increase in credit risk.

If the credit risk on the financial instrument has not increased significantly since initial recognition, the entity measures the loss allowance for that financial instrument at an amount equal to 12-months expected credit loss, which comprises the expected lifetime loss from the instrument were a default to occur within 12 months of the reporting date.

The entity considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the entity without taking into account any collateral held by the entity or if the financial asset is more than 90 days past due unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income. On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in statement of comprehensive income.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including cross currency swaps and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY ESTIMATION UNCERTAINTIES

There were no critical accounting judgements made in the application of the Company's accounting policies.

There is a key estimation uncertainty relating to the fair value measurement of the Company's investment in the preference shares of a related party, as disclosed in note 10. The fair value of the instrument cannot be derived from publicly available information, thus the estimation is based on models and other valuation methods, using externally verifiable inputs and assumptions where possible. However, such information is by nature subject to uncertainty due to the lack of comparable market-based transactions.
Considering the available information and timing of the transaction in mid-December 2018, management determined that the embedded interest rate of the preference shares is consistent with external market-based rates and that the fair value of the financial asset at 31 December 2018 approximates its transaction price. The valuation is highly sensitive to changes in discount rates and should the discount rate increase by 50 basis points a USD 2.17 billion decrease in the value of the financial asset could result.

4. OPERATING EXPENSES

Operating expenses mainly include various professional and consulting fees along with the audit fee. The audit fee for the year is USD 57,500 (2017: USD 65,295).

Employees
The average monthly number of employees was nil (2017: nil).

5. DIRECTORS' REMUNERATION

None of the Directors received any fees or remuneration for their services as a director of the Company during the financial year (2017: USD nil) either from the Company or any other entity within the Glencore Group.

6. FINANCE INCOME

USD '000

	2018	2017 restated
Interest income - related parties	458'678	423'969
Interest income - third parties	6'690	3'486
Total	**465'368**	**427'455**

7. FINANCE EXPENSES

USD '000

	2018	2017 restated
Interest expense - related parties	(158'056)	(28'063)
Interest expense - third parties	(319'896)	(390'325)
Expected credit loss reversal	10'930	-
Total	**(467'022)**	**(418'388)**

8. TAX

The Company, originally incorporated in the jurisdiction of Luxembourg, moved its domicile to Jersey on 1 September 2017. The Company is now incorporated in Jersey but by virtue of its place of effective management being in the UK, it is tax resident in the UK and taxed at a rate of 19%.

USD '000

	2018	2017 restated
(Loss)/Profit before tax	**(2'147)**	**8'549**
Relief/(taxation) at 19% (2017: 19.25%)	408	(1'646)
Effect of different tax rate	-	(226)
Adjustment for average outstanding bond principal	-	598
Deferred tax not recognised and other temporary differences	(1'762)	-
Income tax expense	**(1'354)**	**(1'274)**
Witholding taxes	(15'025)	(1'518)
Tax expense	**(16'379)**	**(2'792)**

Withholding income tax relates to taxes payable to the Australian Taxation Office at the rate of 10% at the time of receipt of interest income by the Company from loans granted to the group entity based in Australia.

9. LOANS TO RELATED PARTIES

USD '000

	2018	2017 restated
Non current loans to related parties	4'638'367	12'836'040
Current loans to related parties	-	2'525'792

All related parties are wholly owned Glencore plc affiliates.

10. INVESTMENT IN RELATED PARTY

USD '000

	2018	2017 restated
Investment in related party	15'200'000	-
Total	**15'200'000**	**-**

In December 2018, as part of the re-organisation (see note 1), the Company invested in preference shares issued by a group entity, Glencore Services (UK) Ltd ('GSUK'). These preference shares, redeemable only at the option of GSUK, entitle the Company to an annual preference dividend of 3% subject to availability of distributable earnings and reserves. As the amount of preference dividend is not at the discretion of GSUK, the instrument does not meet the IFRS definition of equity. The Company has classified the investment as a debt instrument measured at fair value through profit or loss (FVTPL), as the repayment of annual interest is subject to conditions and as such, the contractual cash flows do not meet the IFRS 9 definition of "solely payments of principal and interest".

11. OTHER DEBTORS

USD '000

	2018	2017 restated
Income tax receivable	284	1'208
Other receivables	-	36
Collateral for derivative instruments	307'285	271'875
Total	**307'569**	**273'119**

All amounts are due for repayment within one year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

USD '000

	2018	2017 restated
Derivative assets - related parties	92'591	278'909
Derivative liabilities - related parties	(14'255)	-
Derivative liabilities	(312'421)	(278'909)
Total	**(234'085)**	**-**

All related parties are wholly owned Glencore plc affiliates.

13. OTHER CREDITORS

USD '000

	2018	2017 restated
Amounts owed to related parties	(484'554)	(606'906)
Capital market notes interest accruals	(166'052)	(226'703)
Collateral for derivative instruments	-	(13'620)
Other payables and accruals	-	(13)
Total	**(650'606)**	**(847'242)**

All amounts are due for repayment within one year.

All related parties are wholly owned Glencore plc affiliates.

14. BORROWINGS

USD Million	Maturity	2018	2017 restated
Euro 750 million 3.375% coupon bonds	Sep.20	847	891
Euro 1,250 million 1.250% coupon bonds	Mar.21	1'408	1'475
Euro 600 million 2.750% coupon bonds	Apr.21	673	704
Euro 700 million 1.625% coupon bonds	Jan.22	801	836
Euro 1000 million 1.875% coupon bonds	Sep.23	1'124	1'195
Euro 400 million 3.700% coupon bonds	Oct.23	458	478
Euro 750 million 1.750% coupon bonds	Mar.25	857	894
Euro 500 million 3.750% coupon bonds	Apr.26	573	597
Eurobonds		**6'741**	**7'070**
JPY 10 billion 1.075% coupon bonds	May.22	**91**	**89**
GBP 650 million 6.500% coupon bonds	Feb.19	-	876
GBP 500 million 6.000% coupon bonds	Apr.22	634	682
Sterling bonds		**634**	**1'558**
CHF 175 million 2.125% coupon bonds	Dec.19	-	180
CHF 500 million 1.250% coupon bonds	Dec.20	508	512
CHF 250 million 2.250% coupon bonds	May.21	255	256
CHF 175 million 1.25% coupon bonds	Oct.24	180	-
Swiss Franc bonds		**943**	**948**
USD 250 million 3m Libor plus 1.650% coupon bonds	May.22	**250**	**250**
Total non-current bonds		**8'659**	**9'915**
Euro 1,250 million 4.625% coupon bonds	Apr.18	**-**	**1'480**
CHF 175 million 2.125% coupon bonds	Dec.19	**178**	**-**
CHF 450 million 2.625% coupon bonds	Dec.18	**-**	**461**
GBP 650 million 6.500% coupon bonds	Feb.19	**830**	**-**
USD 200 million 3m Libor plus 1.200% coupon bonds	May.18	**-**	**200**
Total current bonds		**1'008**	**2'141**
Amounts falling due after more than 5 years		**1'610**	**3'164**

15. LOANS FROM RELATED PARTIES

USD '000

	2018	2017 restated
Non current loans from related parties	(4'655'401)	(2'758'299)
Total	**(4'655'401)**	**(2'758'299)**

All related parties are wholly owned Glencore plc affiliates.

16. EQUITY

USD '000

Share capital (Issued, called up and fully paid)	2018	2017 restated
32* ordinary shares of Euro 1,000 each (2017: 31 ordinary shares)	34	33
Share premium	5'002'754	2'755

* issue of one ordinary share as approved by the Board on 13 December 2018 and confirmed by the registrar (JFSC) on 16 January 2019.

None of the common shares carry special rights or restrict voting rights. During the year, the Company became a wholly owned subsidiary of Glencore UK Ltd and also issued 1 share for EUR 1,000 nominal to Glencore UK Ltd for a consideration of USD 5 billion.

17. ULTIMATE PARENT COMPANY

The ultimate parent and controlling company is Glencore plc, a company incorporated in Jersey with registered offices at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES. This is the largest and smallest group for which consolidated financial statements are prepared which includes the Company. Copies of the consolidated financial statements of Glencore plc may be obtained from Queensway House or from www.glencore.com.