

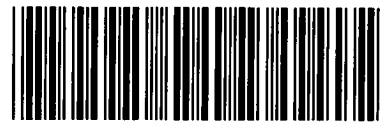


C. Czarnikow Limited

**Directors' report and consolidated financial statements
for the year ended 31 December 2019**

Registered office:
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

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COMPANIES HOUSE

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Directors, advisors and other information

Directors

R Cave (Chief Executive Officer)
D West
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J N C Randles (Chief Financial Officer)
W J Rook
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Registered Office

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London
EC4M 8AB

Auditors

Nexia Smith & Williamson
25 Moorgate
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Strategic report

The Directors present the Strategic report for C. Czarnikow Limited ("CCL") and its subsidiaries (together the "Group") for the year ended 31 December 2019. The Directors acknowledge the purpose of this Strategic report to inform members of the Company and help them assess how the Directors have performed their duty under Section 172 of the Companies Act ("s172") to promote the success of the Company.

BUSINESS MODEL

Mission and purpose

The Group's mission is to deliver effective supply chain, pricing and financing services for all our clients. We have been doing this for over 159 years and are well known around the world for our expertise in providing added-value services to the sugar industry. Since 2018 we have repositioned ourselves as a modern service provider of choice in our chosen supply chains of sugar and complementary products such as ethanol, ingredients and packaging. Recently, the Management Committee articulated the Group's purpose – to exert a positive economic and sustainable influence in our food, beverage and energy supply chains. After considerable discussion and reflection, the Management Committee concluded that this purpose encapsulates more accurately its overall business approach and the holistic value that the Group generates.

Global operations

We have a global outlook, operating from ten offices, with a local presence in a further five countries, and employing around 208 people. The Group's registered headquarters are in London and it has nine other offices in Bangkok, Dubai, Guangzhou, Mexico City, Miami, Nairobi, Sao Paulo, Singapore, and Tel Aviv, and a local presence in Bahrain, Dar Es Salaam, Hyderabad, Milan, and Trinidad.

Principal activities

We provide a sophisticated range of services, which we split into three areas:

1. Buying, selling and moving physical product
2. Pricing and financial services
3. Sustainability advice and promotion

1. Buying, selling and moving physical product

What we do

We buy, sell and move raw (unrefined) and white (refined) sugar and complementary products (food ingredients, packaging and ethanol) across a very focused part of the supply chain. We do not directly supply or market products to the end user, but are very active in trading to and from primary and secondary sugar processors, and industrial consumers. For some clients, we stock and repackage physical product and organise warehousing and logistical requirements, including the provision of vendor-managed inventory (VMI) services. In some instances, we take title to goods and agree to sell future production on our clients' behalf ('off-taking'), and develop bespoke distribution and supply strategies.

Core clients

Our core clients for buying, selling and moving physical product are:

- Primary processors (e.g. sugar beet factories, sugar cane mills)
- Secondary processors (e.g. sugar cane refineries, liquid plants)
- Industrial consumers (e.g. large food and beverage companies and ethanol fuel blenders).

Resources and relationships

Our physical trading business is transaction-rich and asset-light and we do not own any farming or production assets. However, we are prepared to invest in small-scale or 'synthetic' assets (e.g. silos, warehouses) as a part of our commitment to developing strong client relationships. Successful engagement helps us facilitate the most effective, efficient and sustainable movement of goods in our targeted supply chains.

Value creation and how we make money

Our business philosophy is not to favour certain clients or our own operations, but to create overall value by optimising the transaction for all parties involved, in return for a small margin on high volumes. Given our strong reputation we are often called upon to negotiate some of the more complex deals in play.

What you can expect

A further increase in the ratio of our traded revenue from non-sugar products, as a result of the development of relationships in new industrial sectors (e.g. dairy, energy and fertilisers).

2. Pricing and financial services

What we do

We offer a range of client-centric pricing and financial services, which complement our physical trading activities, and include:

Financing solutions and price risk management

We use derivatives to manage price risk exposure, provide related consultancy and execution services, and arrange financing solutions and appropriate securities to extend short- and medium-term payment terms.

Corporate finance and market analysis

Our Corporate finance team advises farmers, sugar processors and investors in the sugar and bioenergy markets. Our Analysis team enhances internal and external business decisions by providing world-leading market advice. Czapp (our client portal and app) offers access to bespoke market information and data.

Core clients

Our core clients for pricing and financial services are:

- Physical trading clients
- Banking partners
- Sector-specific investors

As we expand our services we are working with larger, more diverse farms and processors.

Resources and relationships

Our global specialist teams benefit from exceptional experience and market knowledge and are responsible for developing key external and internal relationships.

Value creation and how we make money

Our pricing and financial services keep the supply chain moving effectively through the provision of funding, market information and risk mitigation. For us, these services secure additional revenue, offset market vagaries, attract new partners, deepen relationships and strengthen our brand.

We are remunerated, depending on risk levels and types of service, through annual subscriptions, consultancy and deal fees, deal fees, retainers, costs per service/bundled services and commission.

What you can expect

Growth in revenue from our pricing and financing services and a return on our investment in Czapp. Our new Head of Structured Finance role will expand our capabilities in finance solutions.

3. Sustainability advice and promotion

What we do

VIVE is a continuous improvement sustainability programme that measures, monitors and benchmarks participants' performance against global sustainability standards along the entire sugar supply chain and, recently, for other products. The programme has been developed through a global agreement between ourselves and Intellync (formerly ABSustain) and has four universal improvement objectives – governance, people, environment and traceability. We tailor the programme to meet the bespoke needs of each client and enable positive change. Through 'Buyers Supporting VIVE' we also assist industrial buyers in engaging their supply chains in improved sustainability practices.

Our core clients

We engage a number of participants along the supply chain, including:

- Primary and secondary processors (VIVE participants)
- Farmers, shippers, forwarders and food and beverage companies (engagement to better understand and implement sustainability requirements)
- Industry-leading benchmark programmes (collaboration to streamline audits)

Value creation and how we make money

Through our involvement in VIVE, we are raising the overall quality and ethical standards in our chosen supply chains by promoting sustainable best practices at the farm, facilities and shipping levels. We also create commercial value by helping our industrial consumers meet end-consumer demand for transparent information about the provenance of food ingredients. Our income from VIVE is mainly derived from annual subscriptions and one-off consultancy fees.

What you can expect

Active expansion of VIVE into new geographic areas and a continued focus on strengthening VIVE's strategic 'spine' of global producers and processors.

VISION AND STRATEGY

Our latest vision, strategy and corporate goals were launched in 2018.

Vision

Our unique network and cutting-edge services will ensure we are a world-leading supply chain, pricing and financing services company.

Strategic priorities

Broaden into new markets

- Increase the scale of our network by expanding the number of markets in which we operate
- Develop a more intricate network by expanding the number of clients with whom we work in these markets

Deepen existing relationships

- Anchor our network against market fluctuations by offering sophisticated services which embed Czarnikow in our clients' operations
- Increase value creation by offering multiple services to existing clients

Corporate goals

- Reinforcing the brand of Czarnikow as a world-leading, modern services company
- Delivering on ROCE expectations
- Creating an exciting place to work
- Providing unmatched client satisfaction

STAKEHOLDER ENGAGEMENT

s172 STATEMENT

During the year under review, the Directors have had regard to the need to foster the Group's business relationships with suppliers, customers, and others. In the table below (on page 6) we summarise how we engage with key stakeholders to share and establish a mutual understanding of our long-term business expectations. Stakeholder engagement assists our Directors in performing their duties under s172 of the Companies Act 2006 by providing them with information to consider when developing strategy and making business decisions. We use formal and informal communication channels to engage with our stakeholders. In the table we also summarise our long-term value creation by stakeholder group.

Directors' decision-making

During the year under review, engagement with and understanding of our key stakeholders has influenced the Directors' decision-making in the following material areas:

- Redefining the business as a modern services company
- Increasing our global network by building a new global presence in Bahrain and continuing to replicate our Brazilian supply chain model in Thailand
- Expanding our product portfolio and accelerating our move into trading more complementary ingredients and packaging
- Launching our borrowing base facility
- Developing new software to streamline our internal processes
- Launching our new client portal and app, Czapp.

Stakeholder engagement and longer-term value creation

STAKEHOLDER GROUP	KEY ENGAGEMENT METHODS	STAKEHOLDER EXPECTATIONS	LONG-TERM VALUE CREATION
CLIENTS¹: > farmers > primary processors > secondary processors > industrial consumers	> Interaction with farmers through VIVE, Corporate finance and Trade finance teams > Daily interaction with processors and industrial consumers on trading floor > Weekly strategy planning meetings between Czarnikow's Trading Directors and processors and industrial consumers > Close working relationship with Procurement and Quality control teams of industrial consumers	> Deeper understanding of client business to provide more added-value solutions > Further cost optimization > Bespoke knowledge-sharing	> Optimising price, logistics and financing > Providing innovative procurement solutions > Promoting ethical and sustainable supply chains > Reducing environmental impact > Reducing overall supply chain risks > Improved farming and manufacturing practices, including health and safety and product quality
LOGISTICS PARTNERS	> Daily interaction with container shipping partners > Frequent communication with trucking, bulk shipping and warehouse partners	> Strong flow of communication to optimise movement of goods > Long-term cooperation to improve joint operational working practices > Knowledge-sharing to promote best-in-class processes	> Ensuring the safe and timely delivery of goods > Protecting goods from loss and damage during transit and storage > Transporting goods in an efficient and sustainable manner
SUPPLIERS²	> Various teams	> Open dialogue > Prompt payment	> Improved bespoke services > Fair payment terms
EMPLOYEES	> Team and line managers > Open-door policy > Employee intranet > Appraisals > Formal and informal strategy updates > Regular global 'All Hands' meetings	> Improved training courses > Further investment in the workplace > Greater diversity and inclusion > Exciting opportunities for development and career progression	> Creating a more exciting workplace, including benefits and culture > Improving recruitment, retention and rewards > Promoting efficiencies and innovation through teamwork and communication
SHAREHOLDERS	> Quarterly CCL Board meetings (parent company)	> ROCE improvements > Transparent, reliable and timely information > Meeting other agreed targets	> Shared understanding of and support for long-term aspirations
SUSTAINABILITY BENCHMARKING PARTNERS	> VIVE team	> Creating most beneficial and comprehensive umbrella benchmarking programme for the supply chain	> More VIVE participants as administration burden reduces and global recognition increases > More sustainable supply chains
BANKING PARTNERS	> Annual roadshow with current and new partners alongside ad hoc calls and meetings	> Transparent, reliable and timely information > Meeting other agreed targets	> Ensuring a financial platform to support growth plans and opportunities
LOCAL COMMUNITIES AND GOVERNMENTS	> Country teams > Direct employee engagement in charity/volunteering initiatives	> Knowledge of local jurisdictions > Local economic development	> Goodwill through local job creation and charity support > Timely tax returns and payments
ENVIRONMENT	> Employee schemes/initiatives to minimise direct impact > Clients and logistics partners to promote operational efficiencies; also through VIVE	> Lower emissions and zero waste to landfill > Evaluation of alternative energy sources > More robust environmental monitoring	> In-house awareness and impact education > Optimising transportation/shipping routes to maximise cargo efficiencies and reduce fuel usage > Reducing environmental impact through VIVE

¹ At Czarnikow, we consider all buyers and sellers of physical product as 'clients' – it does not matter where they sit in the supply chain as we provide services to them all.

² Our 'suppliers' are, in the main, providers of professional services (e.g. consultancy, auditors, marketing services, etc.) and not providers of ingredients, fuel or packaging as these are considered to be clients.

2019 BUSINESS PERFORMANCE

MARKET CONDITIONS AND OUTLOOK

Record stock levels

We started 2019 with close to record global sugar stock levels, and promptly saw these rise further, following several blockbuster sugar cane harvests in the northern hemisphere. India produced a record 33 million metric tonnes of sugar, with refined sugar stocks hitting their highest ever level in April 2019 at 21 million metric tonnes – nearly enough to cover a full year's consumption. In an attempt to clear domestic sugar stocks, the Indian government awarded export subsidies for 5 million tonnes of sugar of up to US\$140/metric tonne.

Thailand had its second-best ever year, producing 14.5 million tonnes of sugar. A surplus of refined sugar for export surged onto the market, and was a prime driver in pushing prices lower until the middle of 2019.

Refined sugar from India and Thailand competed fiercely in the Indian Ocean and East Asian markets. As a result, India was only able to export just under 4 million tonnes (in relation to sugar mills only) between October 2018 and September 2019 – despite government incentives. Meanwhile, Thai refined sugar was delivered in huge quantities against the August 2019 futures expiry but was only fully shipped to destination by the year end.

Refining slow down

Given the above dynamics, re-export refiners (who import and refine raw sugar and were already finding it difficult to compete on cost) were also affected by the impact oversupply had on the 'white premium'. This is the differential between the refined and raw sugar futures price. For most of 2019 the 'white premium' struggled to exceed US\$70/metric tonne, falling short of the desired US\$80-100/metric tonne to turn a profit, and resulted in many refiners slowing their throughput rates.

Knock-on effect in Brazil

This slow-down had a knock-on effect on global raw sugar demand, in particular for high-quality Brazilian raw sugar. In 2019, shipments were the lowest for a decade at 15.8 million tonnes and left Brazil with an excess of approximately 1.7 million tonnes of unrefined sugar at year end, even though Brazilian sugar mills had allocated the maximum amount of sugar cane possible to ethanol production. For the second season running the ratio of sucrose used to make sugar, not ethanol, was below 36%. As Brazilian ethanol production surged so did motorists' demand for ethanol at the pumps, helped by high local gasoline prices.

Low global consumption

Continued low global sugar consumption growth did little to improve market prices. Sugar consumption is driven by population growth, increasing wealth and urbanisation and – up to 2014 – we assumed a global sugar consumption growth of around 2% per year, with 1% attributed to an expanding population and the other 1% to increasing global affluence. Typically, high sugar prices would edge global consumption growth towards the 1% baseline while low prices would move it towards 3% a year. In 2019 we estimate that global sugar consumption grew by just 1% – the same rate as global population growth. Effectively, per capita sugar consumption was static.

Sudden price upturn

However, at the very end of 2019, the market turned sharply upwards, breaking a year's worth of depressed trading. This was driven by expectations that 2020 sugar production would be significantly worse than in 2018 and 2019 – not because farmers had planted less sugar cane and beet in response to low sugar prices, but due to climatic conditions.

Many major sugar producers had difficult 2019/20 harvests. Indian sugar production is expected to fall by around 7 million tonnes year on year owing to poor water availability in the first half of 2019, followed by flooding in Maharashtra in the middle of the year. Production in India is likely to be in line with consumption, meaning local sugar stocks will fall if exports continue.

In Thailand the sugar cane harvest was badly stunted by dry weather, leading to a significant shortfall in sugar production. Meanwhile, some of the USA sugar beet crop was left unharvested owing to the early arrival of winter snows.

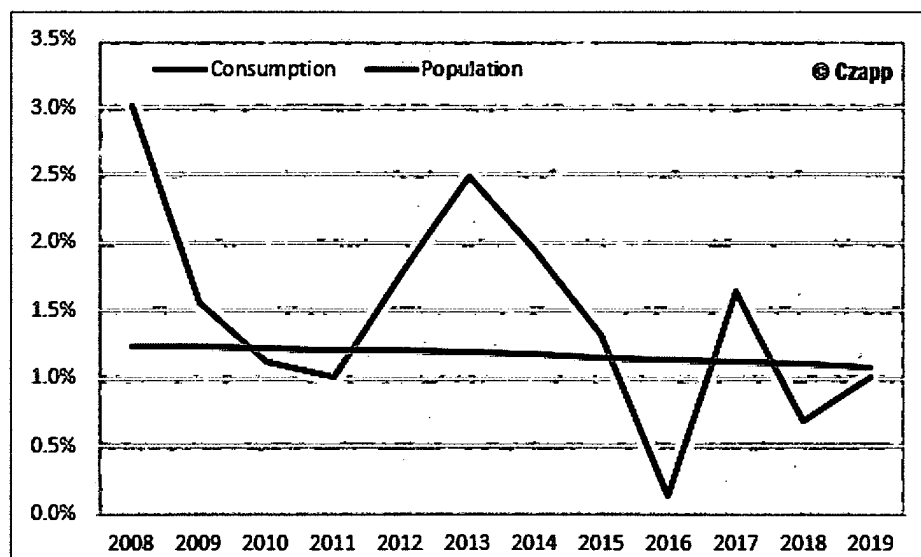
By the end of 2019, global sugar stocks were still near record highs, but production for the year ahead was expected to be lower. With some slack perceived to be coming out of the sugar market, prices surged.

2020 Market outlook

Continued pressure on sugar consumption

In 2020, we anticipate another year of static global sugar consumption. At a local level, we expect robust sugar consumption growth in sub-Saharan Africa and parts of Asia, but this is being counterbalanced by per person consumption declines in Europe and China. People are decreasing the amount of sugar they consume owing to key developments such as government taxation on sugar, product reformulations, portion control and marketing regulations.

Sugar consumption growth rate vs population growth rates



Source: Czapp

Growth in sugar taxation

At least 28 countries have introduced some form of sugar tax in the last nine years in a bid to reduce excessive sugar consumption and improve the health of their population. It is too early to understand if health targets have been achieved, but our view is that once taxes are introduced they are more likely to be extended than taken away as they are also effective revenue generators.

Food reformulation

An increasing number of large food and beverage companies are adjusting their product ranges to include low- and/or lower-sugar options. This is well-established in the soft drinks industry, where diet variants have existed for decades and are commonly accepted by consumers. However, reformulation in other areas can be difficult. Sugar acts as a sweetener, preservative and also gives food texture and bulk. When sugar is removed, other ingredients may need to be added to replace these functions.

Consumers also expect a consistent experience and taste when they buy well-known food and drink brands. Companies are therefore extremely cautious about changing flagship brands. Nonetheless, major food and beverage companies around the world are starting to reduce or replace sugar – with varying success. Dairy products, for example, can use non-sucrose sweeteners to replicate sweetness, and thickeners to improve mouth-feel. Cereal manufacturers have also successfully reduced the amount of sugar in some of their products. In the UK, for example, Kellogg's *Coco Pops* now contain over 40% less sugar than three years ago.

However, it can be more difficult to reduce the sugar content of confectionery and snack foods and some attempts have resulted in poor sales and failed launches. In these categories in particular, we are seeing increasing expenditure on food technology. For example, Nestlé is replacing sugar with fibre in *Milo* drinks, and has experimented with adding cocoa pulp to chocolate bars. Mondelez has launched a *Dairy Milk* chocolate bar with 30% less sugar, achieved by substituting sugar with soluble maize fibre.

Food portion control

Major food and beverage companies are also reducing portion sizes and calories. By the end of 2017, 99% of Mars Wrigley chocolate and confectionery products were sold in serving sizes under 250 calories. Mars Wrigley's current ambition is to increase the number of its <200 calorie treat packs. Meanwhile, 95% of Ferrero's individually-wrapped products each have fewer than 150 calories, and 40% of The Coca Cola Company's sparkling drinks brands are sold in serving sizes under 250ml.

Clearly, people can choose to increase the number of portions they consume in a single sitting. But in practice it is hard to find evidence of this happening and, for many consumers, consuming smaller portion sizes equates to cutting back on sugar.

Food advertising and marketing

We are also seeing changing regulations relating to on-pack communication – particularly for children's food. In 2016, Chile regulated the advertising of foods deemed unhealthy for children and banned mascots and promotional toys. Mexico has recently rolled out similar packaging regulations.

Impact of COVID-19

At the time of writing, the COVID-19 outbreak, which began in China in December 2019, has spread globally and is now classified as a pandemic. Many countries and regions have taken self-isolation or full lock-down measures to protect their citizens and commodity supply chains have been severely disrupted. We are forecasting that for these countries local sugar consumption will be around 5% lower than normal. At the global level, we have reduced our global sugar estimation by nearly 2 million metric tonnes and predict a fall in per capita consumption in 2020.

Sugar production 2020/21

Assuming normal weather conditions, we expect global sugar production to rebound in 2020/21 – mainly influenced by India. For Indian farmers, sugar cane is still the most lucrative crop as the government sets the price that sugar mills must pay to farmers, irrespective of sugar market returns. We anticipate that India's sugar production will rebound from 26.5 million to 30 million tonnes in 2021, sugar stocks will build once more and the government will continue to subsidise future exports.

We also expect the Centre-South (CS) Brazilian's sugar cane industry to increase production at the expense of ethanol if sugar returns are strong enough, especially in the first half of 2020. With prices around 15USc/lb, we expect CS Brazil to produce 32.7 million tonnes of sugar, up from less than 27 million tonnes in 2019 with a potential increase to 36 million tonnes should the price surpass 16USc/lb.

Conclusion

With sugar production expected to rebound and sugar consumption to remain static, we anticipate limited price changes as we move through 2020. While it is difficult to foresee that sugar prices will fall back towards 10USc/lb, it is also hard to envisage the market sustaining a period above 16USc/lb given that sugar stocks remain plentiful and we are not anticipating any large-scale cut backs by major sugar producers with the possible exception of Thailand. The sugar market transition continues.

BUSINESS REVIEW 2019

In 2019, C Czarnikow Limited ('the Group') generated US\$42.9 million gross profit (2018: US\$39.0 million) on a turnover of US\$1,800.4 million (2018: US\$1,680.1 million), giving a pre-tax profit of US\$7.0 million (2018: US\$5.5 million). This was a commendable performance during another year of a prolonged low-priced sugar market and static sugar consumption growth.

Overheads and investment

Our ability to stay profitable, despite difficult trading conditions, gives us and our stakeholders confidence in our service-led business model and ongoing expansion plans. To prepare for further growth, we increased our level of investment in our systems (as evidenced by intangible assets rising from US\$2.0 million in 2018 to US\$3.5 million in 2019), products and people in 2019 and are already seeing good returns from our actions.

The most significant investment was in our IT team, where we engaged 20 developers in 2019. Our ability to develop our own, bespoke software is a key competitive differentiator. Our relentless focus on improving our 'tech' competencies in recent years means we now have full control of our core systems, all of which have been brought back in house. The successful launch of Czapp, our client-facing app, is further evidence of our leading-edge 'tech' capabilities, allowing us to supply data and intelligence internally and for our clients.

During the year we expanded our global team to manage our expanding product portfolio, formed a new entity in Bahrain and have planned for the opening of a further three offices in 2020. We aim for one of these to be in Vietnam which exemplifies our ability to respond rapidly to opportunities created by regulatory change. We continued to invest in our people by increasing the level of internal training. For example, Power BI and SQL training was carried out across our offices – complementing our overall focus on digitisation – and has enabled employees to analyse and present data more effectively.

Our overheads increased slightly on 2018, owing in part to our investment in local expertise in Thailand, Miami and Brazil, which upskills our operational capabilities and facilitates the expansion of our product lines. We are prepared to increase overheads further to support growth, but these will be targeted and carefully-costed to ensure maximum value.

Business focus and outlook

At the start of 2020, the anticipation of climate-related sugar production difficulties in the northern hemisphere triggered a sudden surge in sugar market prices. At this stage we do not foresee this rally's momentum lasting deep into the year; however we remain primed for immediate ongoing price uncertainty. Our medium-term position is more conservative and takes into account the market fundamentals of government intervention policies and high global stocks.

We are well-placed, however, to manage short-term price volatility in the marketplace, particularly as it will support our trade finance and price risk management services to gain greater traction. To enhance these financing capabilities, we have created a new role – Head of Structured Finance – to widen our client offer across the entire supply chain. Similarly, the roll-out of our Borrowing Base Facility will increase the volume of forward contracts we can take on, reduce our liquidity risk and help mitigate market volatility.

In 2019, we traded 56 product lines (up 47% on 2018) and we intend to continue expanding our product portfolio. New products generate revenue and facilitate our development into new markets, where we can scale up our operations quickly and effectively given our IT capabilities. However, while the market remains uncertain, we will continue to exercise prudence and discipline in assessing all expansion plans and associated investments.

We look forward to realising financial and operational benefits from our activities and investments in 2019, and will continue to focus on our core strategic pillars of 'Broaden and Deepen', advancing our existing relationships while we build new ones. We are experiencing an exciting time of growth, and appreciate both the opportunities and responsibilities that come with it. We remain committed to creating value and sustainable advantage for ourselves – and our sector as a whole – by facilitating the most ethical, efficient and cost-effective movement of products across our supply chains.

CEO's review of 2019

"The level of employee enthusiasm for our long-term business prospects has never been higher and this stands us in good stead as we enter a period of disruption and uncertainty given the accelerating global impact of COVID-19. As I met with people around the Group in 2019 and soaked up their energy, my observation is that our strategy has finally 'landed'. Fully communicated and understood across the Group, it is recognised as an important anchor that keeps us rooted and enables long-term growth. With increased confidence and more tools at our disposal, we have successfully started to move beyond our perceived comfort zone. In this report, you can read how in 2019 we redefined our business by expanding through new products, services and systems and taking on greater responsibilities – all within a client-focused framework.

Our food and beverage manufacturing clients, for example, asked us more frequently to help them source a wider range of ingredients. In 2019, our traded volume of non-sugar products made its mark and at the outset of 2020 continued to gain critical mass. This development helped offset last year's recalcitrant low-price sugar trading environment. More importantly it cements client relationships, and opens up different conversations and opportunities – even in the current challenging and changing conditions.

In 2019, we also expanded our global activities and services. We created an entity in Bahrain to deliver more value to clients locally, and we have set in motion plans for further new entities based on this premise. Ongoing investment in IT systems is creating internal and external benefits such as employee satisfaction, new business and our ability to add value from improved data and intelligence. Our focus is neither on the 'big' nor the 'artificial'; it is strictly business-driven and client-led.

Through our engagement with farmers, factories and financiers we have a unique position in the food, beverage and energy supply chains. With no growing or manufacturing assets of our own, we have the freedom and objectivity to work for the good of the supply chain as a whole and – increasingly – to support and promote sustainable best practices. We choose to do this because we believe we should and know that we can. Through our sustainable supply chain programme (VIVE), our mutual relationships and open partnerships we have positively influenced responsible sourcing, water usage, new product development and green financing. We are part of the solution to meet growing end-consumer demand for products with a purpose – whether healthier, ethically-farmed, reasonably-packaged or beneficial to the community.

Our employees demonstrate the entrepreneurial spirit that we harness in the business, and our talented and diverse business specialist and leaders embody this culture in particular. They challenge and complement our experienced and invaluable Board members and represent our future. We recruit and promote strictly on merit and, over time, will naturally achieve a more representative balance of gender, nationality and social makeup at Board level. Initiatives such as disclosing our first voluntary gender pay gap demonstrate our long-term ambition to achieving greater diversity across our business.

Since the end of 2019, the accelerating impact of the COVID-19 global pandemic has shocked the whole world. Our priority has been the safety of our employees and their families and I would like to thank them for their flexibility and resilience. The effects of the virus are far-reaching and will be long-lasting but we believe we have a vital role to play in keeping the food, beverage and energy supply chains moving, despite the inevitable disruptions caused by global self-isolation and lock-down measures. Whatever I write today will, inevitably, be out of date tomorrow. However, we will continue to share our latest insights and knowledge and update the markets and our clients daily through our social media channels and corporate website.

As far as last year is concerned – which seems a very long time ago now – the Board was pleased with our financial performance in 2019, especially in light of low-price trading conditions. Our operating profit was up on the previous year's level at US\$10.3 million (2019: US\$8.1 million) but does not yet reflect our aspirations. Despite not knowing what lies ahead in the coming months, we are confident that by staying informed and connected we can continue to act to the best of our ability throughout this period to support our clients and partners until such time as the situation settles. We aim – as best we can with the restrictions affecting all our workplaces – to remain focused on keeping our employees safe, nurturing our strong client relationships, sharing specialist knowledge, and taking the lead and responsibility to manage a vital, sustainable food, beverage and energy supply chain."

KEY PERFORMANCE INDICATORS AND ANALYSIS

In assessing the performance of the Group, the Directors look to a number of different measures, both financial and non-financial, a selection of which are detailed below.

	2019	2018
Net revenue growth/(decline)	10.19%	(3.17)%
Return on equity	6.98%	6.32%
ROCE	14.38%	11.25%
Jaws ratio ³	4.59%	(5.95)%
Number of contractual physical trading counterparties in the period	652	617
Available financial facilities	\$765.0m	\$646.0m

RISK MANAGEMENT

Risk management framework

The Group's operations are exposed to a variety of risks, as described below. The Group has in place a risk management programme which seeks to limit any potential adverse effects on the financial performance of the Group.

The policies and limits operated by the Group are set and reviewed regularly by the Parent Company, C. Czarnikow Limited ("CCL" or the "Parent"). CCL has delegated the responsibility of managing the Group's principal risks to the Risk Committee, the CEO of CGL, and CGL senior management. The Risk Committee sets all policies and Committee terms of reference and monitors CGL activities. The CEO of CGL is assisted by three bodies: the Credit Committee; the Operational Risk Committee; and the Legal and Compliance team.

³ Demonstrates the extent to which income growth rate exceeds expense growth rate

An overview of each body's responsibilities is outlined below.

Credit Committee

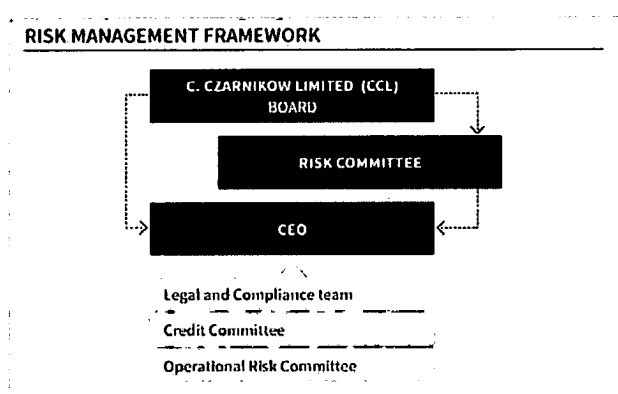
The Credit Committee reviews, approves and monitors all credit exposure of CGL by counterparty and country. It approves the granting of credit to all new clients.

Operational Risk Committee

The Operational Risk Group monitors and controls operational risk, as well as enhancing the efficiency and value of the business.

Legal and Compliance Team

The Legal and Compliance team is responsible for ensuring compliance with all local jurisdictions in which CGL operates. Its responsibilities include anti-financial crime areas such as anti-bribery and anti-money laundering.



Principal risks

The Group considers the principal risks, and their mitigation, stated below, to be of primary relevance to the Group's business activities.

Credit risk

Credit risk arises from the risk of our counterparties failing to meet their contractual obligations in relation to the payment terms we offer them. Our dedicated Credit Risk team and Credit Committee are responsible for reviewing, approving and monitoring all credit exposure, and the credit policies of the Group, including credit insurance. The Credit Committee meets every week and works alongside the Risk team to assess risks using a multi-layered approach to ensure we are better placed to face credit risk challenges as they arise. Throughout the credit cycle, from business origination to repayment, risks are properly identified, assessed and presented.

Liquidity risk

Liquidity (or cash flow) risk is when the Group is exposed to requests to meet its payment obligations when they fall due, including margin calls on derivative financial instruments used to mitigate price risk. We produce daily reports to model and forecast liquidity requirement based around Value at Risk and Cash Flow at Risk measurements. A risk mitigation 'ladder' is also in place to manage liquidity risks. The Group maintains transactional finance secured on the underlying business, with its maturity dependent on the tenor of the physical transaction. The Group has developed many long-term relationships with a diverse selection of funding partners to secure reliable sources of funding not reliant on any one party. In addition, the Group monitors the probable cash flow requirement of the derivative financial instruments used to mitigate price risk, and will switch to alternative derivative financial instruments if necessary. Our borrowing base facility will enable us to further manage our margin and physical finance requirements.

Price risk

Price risk arises as the Group is exposed to daily fluctuations in the price of underlying commodities through derivative instruments traded on listed exchanges and over-the-counter markets and related cross-currency pairs. CCL's Risk Committee oversees and approves the price risk limit of the Group's activity, working within a set of principles established under the price risk management framework and using derivative financial instruments to mitigate as much risk as possible.

Key personnel risk

Our main assets are the intellectual property generated by our employees. Any loss of key personnel through staff turnover represents a risk to our ability to remain profitable. We strive to create a rewarding, positive workplace, allowing our employees to realise their potential in alignment with our long-term aspirations. We identify strengths and opportunities through regular check-in meetings, offer formal and informal learning, and provide competitive long-term remuneration.

Systems risk

Systems risk is the risk of failure of core processes and technologies that the business relies on for the smooth functioning of daily activities. We have a disaster recovery and business continuity plan and back-up systems, which we update and test regularly. We also maintain dual providers of key services such as internet connections and telephone lines. The development of internal systems enables us to have greater control over our key data flows and respond faster to issues.

Shipment risk

Shipment risk is the risk of costs being incurred in the course of delivering sugar to clients (e.g. relating to shipment windows or demurrage) and/or relating to changes in freight costs. Our relationships, knowledge, operational efficiency and insurance reduce the impact of this risk. Continued investment in our operational IT systems has led to improved safeguards and controls over operational processes.

Political risk

Political risk is the risk of instability, which could stem from a change in government, legislative bodies, other foreign policymakers, or military control. Due diligence, insurance and local knowledge are employed to ensure that Czarnikow carefully manages any trading activities in politically volatile locations. As a global business with diversified exposure to many countries and bodies, the potential impact of this risk is reduced.

Regulatory risk (including financial crime)

This includes the risk of penalties for failing to implement legislative or regulatory requirements, or of being negatively affected by international trade sanctions and practices, including financial crime, fraud, theft, bribery or money-laundering when trading with counterparties. We operate comprehensive sanctions, anti-bribery and anti-money-laundering policies and procedures, including Group-wide training. Transactions and counterparty agreements are scrutinised to ensure that they are with appropriate parties and within legal and regulatory parameters.

Reputational risk

Reputation risk is the threat or danger to our good name or standing, for example as a direct result of our actions, as an indirect result of employee actions, or tangentially through peripheral parties such as joint venture partners or suppliers. Czarnikow's commitment to a sustainable supply chain and best practice corporate governance form the key pillars of its mitigation strategy in the area of reputational risk. Furthermore, our sustainable supply programme, VIVE, ensures that we are at the forefront of encouraging best practice throughout the supply chain.

Currency risk

As the Group's main functional currency is the US dollar, we are exposed to currency risk in relation to overheads across our regional offices. The Group has additional exposure to currency risk when it facilitates non-US dollar-denominated trades. Czarnikow has policies and procedures in place to hedge non-US dollar exposure via deliverable and non-deliverable forward contracts to mitigate these risks as much as possible.

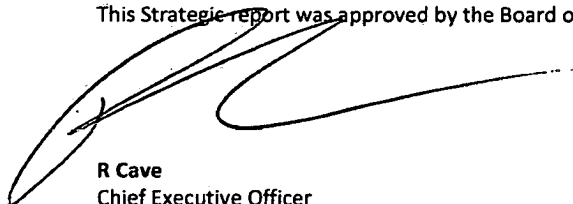
Interest rate risk

The Group's business is facilitated through the use of numerous funding facilities, and therefore is exposed to interest rate risk, which could impact the cost of funding significantly. As our funding facilities are used predominantly to provide payment terms to our clients, we are not directly exposed to this risk. However, we actively monitor latest interest rates to identify any impact on credit risk exposure or our internal funding requirements. We also communicate any changes or potential impact to our clients.

Employee health and wellbeing risk

In 2019, this was identified as a new principal risk to our business. Our people are a major source of value to our business. The healthier and happier they are, the better they will be able to contribute to the long-term growth and prosperity of the Company. Increasing awareness of the impact of modern lifestyles on mental health is creating greater focus on employee health and wellbeing and we intend to be at the forefront of the debate with our employees. Through our HR team we aim to catch any decrease in employee wellbeing early and effect proper treatment. Managers hold regular check-in meetings with their direct reports, and confidential employee meetings are held regularly with the HR team. We provide subsidised gym memberships, healthy food and host monthly wellbeing information-sharing updates.

This Strategic report was approved by the Board on 25 March 2020.



R Cave
Chief Executive Officer

Directors' report

The Directors submit their Directors' report together with the audited financial statements of the Group for the year ended 31 December 2019.

Future developments

There are no significant or material changes expected in the Group's business in the foreseeable future.

Results and dividends

The consolidated profit for the year after taxation was \$5,003,000 (2018: \$4,021,000).

No dividend was declared during the year (2017: \$nil).

The Directors have prepared the financial statements on a going concern basis. Refer to note 1 for more information.

Directors

The Directors who served during the year and subsequent to the year-end are shown below:

R Cave (Chief Executive Officer)
D West
R Morrison
J N C Randles (Chief Financial Officer)
W J Rook
P M Weston
M J S Booth

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors against claims from third parties in respect of certain liabilities arising out of, or in conjunction with, the execution of their powers, duties and responsibilities as Directors of the Company.

Charitable donations

The Group made charitable donations of \$77,994 (2018: \$60,263) during the year.

Disclosure of information to the auditors

In the case of each person who was a Director at the time this report was approved:

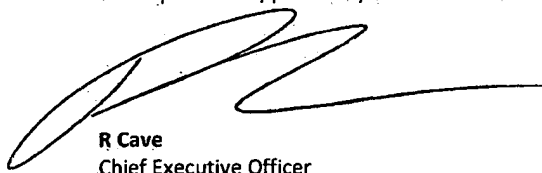
- so far as that Director was aware there was no relevant available information of which the Company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Nexia Smith & Williamson will therefore continue in office.

This report was approved by the Board on 25 March 2020.



R Cave
Chief Executive Officer

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union 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 Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF C. CZARNIKOW LIMITED

Opinion

We have audited the financial statements of C. Czarnikow Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated and Company statement of financial position, Consolidated and Company Statement of changes in equity, Consolidated and Company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent 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.

Emphasis of matter – impact of COVID-19

We draw attention to note 1 of the financial statements, which describes management's assessment of the impact of COVID-19 on the Group's ability to operate as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Directors' report and consolidated financial statements other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 17 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 Group's and the Parent 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 Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

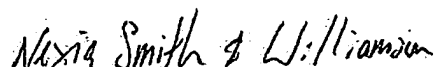
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Guy Swarbreck**

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

25 March 2020

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	4	1,800,406	1,680,125
Cost of sales		<u>(1,757,481)</u>	<u>(1,641,168)</u>
Gross profit		42,925	38,957
Administrative expenses		(32,626)	(30,899)
Operating profit		<u>10,299</u>	<u>8,058</u>
Finance costs	8	(11,690)	(12,022)
Finance income	9	<u>8,391</u>	<u>9,458</u>
Profit before taxation		7,000	5,494
Taxation	10	(1,997)	(1,473)
Profit for the year		<u>5,003</u>	<u>4,021</u>
<i>Other comprehensive income</i>			
Exchange movement on foreign net investment		<u>(290)</u>	<u>(864)</u>
Total comprehensive income for the year		<u>4,713</u>	<u>3,157</u>

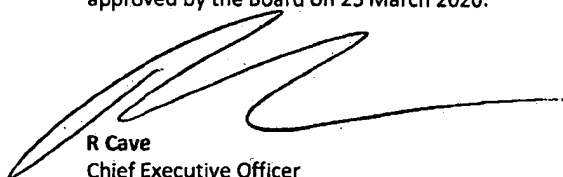
The notes on pages 29 to 58 form an integral part of these financial statements.

All of the Group's operations are classed as continuing.

Consolidated statement of financial position*as at 31 December 2019*

		31 December 2019 \$'000	31 December 2018 \$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	7,212	2,596
Intangible assets	12	3,530	2,028
Investment in joint venture	14	1,165	-
Deferred tax assets	20	1,615	1,311
Total non-current assets		13,522	5,935
Current assets			
Inventories	15	188,441	156,421
Trade and other receivables	16	211,896	162,401
Financial assets held for trading	29	108,678	143,837
Current tax assets		1,904	84
Cash and cash equivalents		14,412	12,364
Total current assets		525,331	475,107
Total assets		538,853	481,042
Non-current liabilities			
Trade and other payables	18	4,991	-
Deferred tax liabilities	20	152	-
Total non-current liabilities		5,143	-
Current liabilities			
Trade and other payables	18	420,905	339,822
Financial liabilities held for trading	29	35,854	68,478
Current tax liabilities		3,035	1,097
Total current liabilities		459,794	409,397
Total liabilities		464,937	409,397
Net assets		73,916	71,645
Equity			
Share capital	21	1,511	1,511
Investment – own shares		(4,068)	(1,376)
Share premium account		6,611	6,611
Foreign currency translation reserve		(4,166)	(3,876)
Retained earnings		73,706	67,923
Capital contribution		322	852
Total equity		73,916	71,645

The notes on pages 29 to 58 form an integral part of these financial statements. The financial statements were approved by the Board on 25 March 2020.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

R Cave
Chief Executive Officer
Registered number: 3215084

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital \$'000	Investment in own shares \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Capital cont- ribution \$'000	Retained earnings \$'000	Total equity \$'000
1 January 2018	1,511	(1,458)	6,611	(3,012)	1,240	63,638	68,530
Profit for the year	-	-	-	-	-	4,021	4,021
<i>Other comprehensive income for the year</i>							
Exchange movement on foreign net investment	-	-	-	(864)	-	-	(864)
<i>Total comprehensive income for the year</i>	-	-	-	(864)	-	4,021	3,157
Share based payments	-	82	-	-	(388)	264	(42)
31 December 2018	1,511	(1,376)	6,611	(3,876)	852	67,923	71,645
Profit for the year	-	-	-	-	-	5,003	5,003
<i>Other comprehensive income for the year</i>							
Exchange movement on foreign net investment	-	-	-	(290)	-	-	(290)
<i>Total comprehensive income for the year</i>	-	-	-	(290)	-	5,003	4,713
Share based payments	-	258	-	-	(530)	780	508
Share purchase	-	(2,950)	-	-	-	-	(2,950)
31 December 2019	1,511	(4,068)	6,611	(4,166)	322	73,706	73,916

The notes on pages 29 to 58 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Net cash (used in)/generated from operating activities	22	(63,249)	20,004
<i>Investing activities</i>			
Purchase of property, plant and equipment	11	(296)	(646)
Payments for development of intangible assets	12	(2,174)	(1,610)
Investment in joint venture	14	(1,165)	-
Interest received	9	8,391	9,458
Net cash generated from investing activities		4,756	7,202
<i>Financing activities</i>			
Proceeds/(costs) from financing arrangements		72,050	(12,843)
Principal element of lease payments		(953)	-
Interest paid		(11,690)	(12,022)
Net cash generated from/(used in) financing activities		59,407	(24,865)
Net increase in cash and cash equivalents		914	2,341
Cash and cash equivalents at the beginning of the year		12,364	11,132
Effects of foreign exchange differences on cash and cash equivalents		1,134	(1,104)
Cash and cash equivalents at the end of the year		14,412	12,364

The notes on pages 29 to 58 form an integral part of these financial statements.

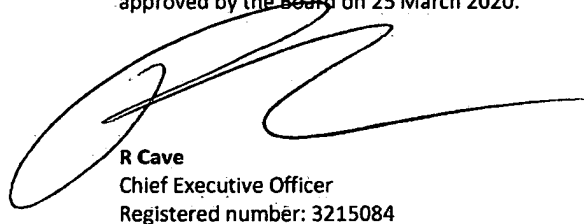
Statement of financial position - Company

as at 31 December 2019

	Notes	31 December 2019 \$'000	31 December 2018 \$'000
Non-current assets			
Investment in subsidiaries	13	1,511	1,511
Current assets			
Trade and other receivables	17	-	2,203
Cash and cash equivalents		17	17
Total current assets		17	2,220
Total assets		1,528	3,731
Current liabilities			
Trade and other payables	19	513	10
Net assets		1,015	3,721
Equity			
Share capital	21	1,511	1,511
Investment – own shares		(4,068)	(1,376)
Retained earnings		3,572	3,586
Total equity		1,015	3,721

The Company's loss after taxation for the year was \$14,000 (2018: loss of \$36,000). The Company had no other comprehensive income (2018: \$nil).

The notes on pages 29 to 58 form an integral part of these financial statements. The financial statements were approved by the Board on 25 March 2020.



R Cave
Chief Executive Officer
Registered number: 3215084

Statement of changes in equity - Company

for the year ended 31 December 2019

	Share capital \$'000	Investment in own shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	1,511	(1,458)	3,622	3,675
Loss for the year	-	-	(36)	(36)
Issue of shares	-	82	-	82
Balance at 31 December 2018	1,511	(1,376)	3,586	3,721
Loss for the year	-	-	(14)	(14)
Share based payments	-	258	-	258
Share purchase	-	(2,950)	-	(2,950)
Balance at 31 December 2019	1,511	(4,068)	3,572	1,015

The notes on pages 29 to 58 form an integral part of these financial statements.

Statement of cash flows - Company

for the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Net cash used in operating activities	23	-	(5)
Net cash used in investing activities		-	-
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		17	22
Effect of foreign exchange difference on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		17	17

The notes on pages 29 to 58 form an integral part of these financial statements.

Notes to the financial statements (*continued*)

1. General information

The Company

C. Czarnikow Limited ("CCL", the "Company" or the "Parent Company") and its subsidiaries (together the "Group") is an international company in the sugar sector. The Group buys and sells sugar and sugar-related commodities and advises clients on how best to manage sustainable supply chains, creating long-term value for those who work with and for the Group.

The Company is a private limited company, limited by shares, incorporated in England and Wales. The address of its registered office is Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

The Directors have prepared the financial statements on a going concern basis. In considering the going concern status of the Group, the directors have assessed the key factors likely to affect the Group's business model and strategic plan, future performance, solvency and liquidity taking into account the emerging risks as well as the principal risks. The directors have reviewed the corporate plan, the output of the Group's formalised process of budgeting and strategic planning. The corporate plan is evaluated and approved each year by the Board and considers the Group's future projections of profitability, cashflows, capital requirements and resources and key financial ratios over the period.

The Group has successfully triggered business continuity provisions in response to Government directives in our operational centres in the UK and around the world, ensuring our ability to maintain full service delivery to our clients and keep critical food, beverage and energy supply chains open. Currently, all relevant staff are successfully working remotely and have full access to our technology platform that allows them to connect virtually and continue as normal on existing engagements and business development activities. The Management team is monitoring the welfare of our staff on a daily basis and is providing them with the support they need to operate effectively from remote locations.

The Group has developed a set of financial measures designed to flexibly mitigate the expected near term operational and financial and potential longer term economic impact of the pandemic on our business, whilst allowing the Group the ability to take advantage of the expected opportunities that we expect to emerge. Whilst these measures may be extended as events unfold, we are confident that they give flexibility and sufficient liquidity to the business to ensure that it can withstand significant shocks, whilst remaining as a going concern for the next twelve months from the date of approval of the Director's report and consolidated financial statements.

2. Significant accounting policies

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies have been applied consistently by Group entities.

b. Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries") prepared to 31 December each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes to the financial statements (*continued*)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

c. Changes in accounting policies and disclosures

New and amended standards and interpretations adopted by the Group and Company

The following new and amended Standards and Interpretations have been adopted by the Group and Company for the year ended 31 December 2019:

Title	Effective date	Description and impact on the Group
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	The standard replaces IAS 17 Leases and has the effect of bringing almost all leases onto the balance sheet in a manner similar to the current 'finance lease' treatment. IFRS 16 has increased the Group's total assets and total liabilities but has not had a material impact on net assets.

New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2019:

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as they were not effective for the year ended 31 December 2019 (and in some cases had not yet been adopted by the EU). The Group is currently assessing the impact of these standards and interpretations will have on the presentation of, and recognition in, its results in future periods:

Title	Effective date	Description and impact on the Group
Amendments to IAS 1 Presentation of Financial Statements; and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Annual periods beginning on or after 1 January 2020	The amendments clarify the definition of what is material to the financial statements and how to apply the definition. The amendments will have an impact on the presentation and disclosure in the financial statements. After applying the new definition, the financial statements may have less disclosures as it may be easier to justify that certain disclosures are immaterial to users of financial statements. Furthermore, more meaningful disclosures may be presented in a more prominent manner due to the additional guidance on the effects of obscuring information.

There are no other new or amended standards that are considered to have a material impact on the Group.

d. Exemptions

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from publishing its individual statement of profit or loss and other comprehensive income and related notes.

The Group does not provide segmental reporting analysis due to the exemption for non-listed companies in IFRS 8.

Notes to the financial statements (*continued*)

e. Measurement convention

The financial statements are prepared on the historical cost basis with the exception of the assets and liabilities discussed in note 2i and 2s which are stated at their fair value.

f. Foreign currencies

The financial statements are prepared in US dollars, being the functional currency of the Company and Group. The exchange rate between US dollars and Sterling at the year-end was \$1.3262:£1 (2018: \$1.2729:£1).

Transactions in foreign currencies are recorded in US dollars at the rates of exchange prevailing on the dates of the transactions. Where consideration is received in advance of revenue being recognised the date of the transaction reflects the date the consideration is received. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions are taken to operating profit.

Exchange differences arising on the retranslation of monetary and non-monetary items carried at fair value are included in profit and loss for the year, except for differences arising on the retranslation of monetary and non-monetary items in respect of which gains and losses are recognised directly in equity. For such monetary and non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

The assets and liabilities of subsidiaries in foreign currencies are translated into US dollars at the rates of exchange prevailing at the year-end date. The results of subsidiaries in foreign currencies are translated at the average rate of exchange during the financial year. Differences arising from the translation of the opening net investment in subsidiary companies are taken to equity.

g. Revenue recognition

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

Sales of goods are recognised when goods are delivered and control has passed.

Revenue arising from the provision of services is recognised when and to the extent that the customer simultaneously receives and consumes the benefits of the Group's performance or the Group does not create an asset with an alternative use but has an enforceable right to payment for performance completed to date as follows:

- **Brokerage fees and risk management fee income**

Brokerage is the commission on conclusion of a shipment. Performance obligations are considered to be satisfied as defined by the incoterm and revenue is recognised at this point.

Risk management fee income represents fees receivable from clients arising from price hedging services during the year and this fee is recognised as earned within revenue upon contract completion.

- **Advisory, corporate finance and investment management fees**

Transaction price is negotiated in advance and agreed in a fixed price contract. Revenue on subscription fees for access to analysis information is recognised over the period of the contract as performance obligations are satisfied on an ongoing basis. Revenue on other advisory fees provided in the normal course of business are recognised in accordance with contractual entitlement.

Notes to the financial statements (continued)

Revenue on investment management fees represents fees receivable from clients for market and fund management advice during the year and is recognised, at the pre-agreed price, upon completion of performance obligations in line with contractual entitlement.

- **Sales of physical goods**

Revenue on sales are recognised when the risks and rewards of owning the physical goods are transferred, in line with Incoterms.

- **Derivative contracts**

Physical forward contracts for the sale and purchase of physical goods are recognised in cost of sales on a trade date basis at the best estimate available at that time, since the Directors believe such contracts are in substance financial instruments. The best estimate is derived from the daily quoted settlement price of the derivative contract.

Futures contracts and forward foreign exchange traded contracts are valued on a mark-to-market basis and are reported at the balance sheet date in cost of sales.

h. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated statement of financial position.

The Directors consider that the carrying amount of the assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

i. Inventories

The fair value movements in respect of inventories are recognised in financial assets held for trading within the Statement of financial position. The Directors consider that this accounting treatment gives a true and fair view of the Group's results for the year.

j. Property, plant and equipment

Fixed assets are shown at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write off the cost or valuation of each asset, less estimated residual value, on a straight line basis over its estimated useful life as follows:

Right-of-use leases	- over the period of the lease
Leasehold improvements	- over the remaining period of the lease
Furniture and equipment	- 3 to 6 years
Motor vehicles & computers	- 3 years

Depreciation is not recognised on assets under construction.

k. Intangible assets

Intangible assets with finite lives are amortized over their respective estimated useful lives on a straight-line basis and reviewed for impairment when circumstances warrant. Each reporting period, the estimated useful lives of intangible assets that are subject to amortization are reviewed to determine whether events or circumstances warrant revised estimates of useful lives.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group for which it is probable that the expected future economic benefits attributable to the assets would flow to the

Notes to the financial statements (continued)

Group beyond one year are recognized as intangible assets. Capitalised internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Once costs have finished being capitalised the internal-use software costs are amortized on a straight-line basis over their applicable expected useful lives, which are approximately three years. Where no internal-use intangible asset can be recognized, development expenditures are expensed as incurred. Costs associated with maintaining computer software are expensed as incurred. Amortization is not recognised on work in progress.

I. Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Equity comprises share capital, investment in own shares, share premium, foreign currency translation reserve, capital contribution, revaluation reserve and retained earnings which are described below.

Share capital

Share capital represents amounts subscribed for shares at nominal value.

Investment in own shares

The employee benefits trust ("EBT") was set up to buy and sell the shares of CCL, to be used for the benefit of employees of the Company and its subsidiaries. The EBT has waived the right to receive dividends on shares that have not been exercised held in CCL.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

Foreign currency translation reserve

The foreign currency translation reserve refers to the exchange differences on translating foreign operations recognised through other comprehensive income, net of amounts reclassified to profit and loss when those assets have been disposed of or are determined to be impaired.

Capital contribution

The capital contribution account refers to additional contribution to the equity of the Company that does not require issuance of shares.

Retained earnings

Retained earnings represents accumulated profits and losses attributable to equity shareholders.

m. Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Notes to the financial statements (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss and other comprehensive income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

n. Pensions

The Group contributes to defined contribution pension schemes for its employees. Contributions by the Group are charged to the Statement of profit or loss and other comprehensive income as they fall due.

o. Investment in subsidiaries

Investments in subsidiaries are held at cost less any impairment in their value.

p. Joint ventures

The Group's share of the results of its joint venture in CZ Energy Comercializadora de Etanol S.A are included in the Groups Statement of profit and loss and other comprehensive income and Statement of financial position using the equity method of accounting. Investments in joint ventures are carried in the Statement of financial position at cost. If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

q. Leases

Accounting policy applicable before 1 January 2019

Leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. At December 2018 all leases were classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Accounting policy applicable after 1 January 2019

IFRS 16 was adopted as of 1 January 2019 without restatement of comparative figures. See note 36 for details of the transition.

A right of use asset and a lease liability has been recognized for all leases except leases of low value assets, which are considered to be those with a fair value below £\$5,000, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs

Notes to the financial statements (continued)

incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

r. Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the Statement of profit or loss and other comprehensive income.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the Statement of profit or loss and comprehensive income, with a corresponding adjustment to equity. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Certain share option charges have been reallocated to Czarnikow Group Limited ("CGL") to better reflect the impact within the Group. This has had no effect on the net assets or profit or loss of the Group and no effect on the net assets of the Company.

s. Financial instruments

The Group's financial instruments are classified as follows:

- **Financial assets and liabilities at fair value through profit and loss**

These include all financial instruments held for trading, including derivatives, as well as those designated at fair value through profit or loss at inception. The financial assets and liabilities are recorded initially at fair value with changes in the fair value charged or credited to the Statement of profit or loss and other comprehensive income in the period they arise.

- **Amortised cost**

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the

Notes to the financial statements (continued)

trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade receivables and other receivables in the Consolidated statement of financial position.

• **Financial liabilities**

Financial liabilities at amortised cost include trade payables, other payables and accruals, finance lease liabilities, bank debt and long-term debt. Trade payables are recognised initially at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank debt and long-term debt are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Directors consider that the carrying amount of the trade and other payables disclosed in notes 18 and 19 are a reasonable approximation of their fair value.

t. Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised initially in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on an arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement.

u. Employee benefit trust

The Group operates an Employee Benefit Trust ("EBT") through an offshore Trust established by the shareholders with a view to increasing the ultimate involvement of the management and staff in the future ownership of the Company. The assets and liabilities of the EBT, which purchases and holds ordinary shares of the Company in connection with certain employee share schemes, are included within the Company and Group financial statements to the extent that the Group has de facto control thereof. Any consideration paid or received by the EBT for the purchase or sale of the Company's own shares is shown as a movement in the Company and Group shareholders' equity.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Notes to the financial statements (continued)

Financial instruments – fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Determination of performance obligations and satisfaction thereof

For the purpose of recognising revenue, the Directors are required to identify distinct goods or services in contracts and allocate the transaction price to the performance obligations. With reference to the revenue streams of the Company the Directors have made specific judgements as follows:

Brokerage fees and risk management fee income

The Company acts as an agent in respect of brokerage fees and as such only recognises the net commission fee within revenue. Revenue is recognised as defined by the incoterm.

Risk management fees are calculated on a lot by lot basis and revenue is recognised on completion of the trade.

Advisory, corporate finance and investment management fees

Revenue on subscription fees is recognised over the period of the contract as performance obligations are satisfied on an ongoing basis. Revenue on other advisory fees is considered on a case by case basis and is recognised in accordance with the contract.

Revenue on investment management fees relates to stand alone services rather than ongoing work and is recognised upon completion of the performance obligations specified within the contract.

Sales of physical goods

Revenue on sales of physical goods is recognised on the date when substantially the risks and rewards of owning the physical goods are transferred to the counterparty.

Derivative contracts

Physical forward contracts are recognised on a trade date basis at the best estimate available at that time, since the Directors believe such contracts are in substance financial instruments. The best estimate is derived from the daily quoted settlement price of the derivative contract.

Futures contracts and forward foreign exchange traded contracts which are taken out to hedge price risk associated with underlying physical trades are valued on a mark-to-market on a daily basis.

Notes to the financial statements (*continued*)

Key sources of estimation uncertainty

Provision for doubtful receivables

The trade receivables and financial assets held for trading balances recorded in the Group's Statement of financial position comprise a relatively small number of large balances. A full line by line review of financial assets held for trading balances is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Fair value of financial assets and liabilities held for trading

As at 31 December 2019, some of the Group's financial assets and liabilities that are held for trading were not traded in an active market and their fair value has had to be estimated using valuation techniques. Valuations for certain investments required the use of inputs that could not be derived from current market prices. Refer to note 29 for more details about the methods and assumptions used in estimating fair values and a sensitivity analysis.

Discount rate

The Group initially measures its lease liabilities as the present value of the lease payments that are not paid at the commencement date, discounted using the Groups incremental borrowing rate of 3.75%. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

4. Revenue

An analysis of the Group's revenue, all continuing operations, is as follows:

	2019	2018
	\$'000	\$'000
Brokerage, trading and advisory	<u>1,800,406</u>	<u>1,680,125</u>

5. Operating expenses

The Group's operating profit for the year is stating after charging:

	Notes	2019	2018
		\$'000	\$'000
Cost of physical goods		1,749,651	1,630,857
Depreciation of property, plant and equipment	11	1,457	615
Amortisation of intangible assets	12	672	262
Staff costs	7	23,971	22,566
Net foreign exchange losses		300	722
Operating lease rentals		<u>151</u>	<u>1,009</u>

Cost of physical goods includes the cost of physical products, freight, haulage, insurance and other related costs to provide the product to the final customer.

Notes to the financial statements (continued)

6. Auditor's remuneration

	2019 \$'000	2018 \$'000
Fees payable to the Company's auditor for the audit of the parent company annual financial statements	212	204
Fees payable to the Company's auditor and its associates for other services to the Group:		
• The audit of financial statements of the company's subsidiaries	131	130
• Other services relating to taxation	170	134
• All other services	10	-
	<u>523</u>	<u>468</u>

Fees payable to the Company's auditors for non-audit services to the Company itself are not disclosed in the financial statements of CCL because the Company's consolidated financial statements are required to disclose such fees on a consolidated basis.

7. Staff costs and Directors' emoluments

	2019 \$'000	2018 restated \$'000
Staff costs:		
Wages and salaries	20,846	19,465
Social security costs	2,310	2,278
Pension costs	815	823
	<u>23,971</u>	<u>22,566</u>

The pension scheme is a defined contribution scheme. Pension costs of \$126,000 were accrued for as at 31 December 2019 (2018: \$116,000). There were no prepaid contributions at 31 December 2019 (2018: nil). Pension contributions were made in respect of nil Directors (2018: three).

The prior year wages and salaries costs note has been restated to include the profit share scheme expense.

The average number of persons employed by the Group during the year analysed by category was:

	2019 Number	2018 Number
Broking and trading	89	90
Administration	119	110
	<u>208</u>	<u>200</u>

The Parent Company employs no persons and consequently has no staff costs (2018: nil).

Notes to the financial statements (continued)

Directors' emoluments for the Group were as follows:

	2019	2018
	\$'000	\$'000
Directors' emoluments		
Total emoluments	1,425	1,822
Total Company contributions to money purchase pension schemes	-	10
Share based payments	203	-
	<u>1,628</u>	<u>1,832</u>

No directors exercised share options in the year (2018: nil). Three directors were granted share awards during the year (2018: nil). The share price at date of exercise was \$71.65.

	2019	2018
	\$'000	\$'000
Highest paid director		
Emoluments	542	744
Share based payments	72	-
	<u>614</u>	<u>744</u>

The highest paid director did not exercise share options in the year (2018:nil) however was granted share awards in the year (2018: nil).

8. Finance cost

	2019	2018
	\$'000	\$'000
Interest payable on transaction financing loans	11,430	12,022
Interest payable on lease liabilities	260	-
	<u>11,690</u>	<u>12,022</u>

9. Finance income

	2019	2018
	\$'000	\$'000
Bank interest receivable	8,391	9,458

Notes to the financial statements (continued)

10. Taxation

	2019	2018
	\$'000	\$'000
Current tax		
UK tax in respect of the current year	896	831
Adjustment in respect of prior years	47	97
Overseas tax charge in respect of the current year	1,261	747
Adjustment in respect of prior years	(56)	12
	<u>2,148</u>	<u>1,687</u>
Deferred tax		
In respect of the current year	(165)	(286)
Effect of changes in tax rates	14	72
	<u>(151)</u>	<u>(214)</u>
Total taxation charge	<u>1,997</u>	<u>1,473</u>

Tax has been calculated using an estimated annual effective tax rate of 28.8% (2018: 26.6%) on profit before tax. The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2019	2018
	\$'000	\$'000
Reconciliation of effective tax rate		
Profit before taxation	7,014	5,494
Tax using the Company's domestic taxation rate	1,333	1,044
<i>Taxation effects of:</i>		
Deferred tax not recognised	(182)	188
Non-taxable and non-deductible items	72	(33)
Foreign exchange differences	42	30
Fixed asset differences	11	11
Other differences	(36)	(99)
Differing tax rates in different jurisdictions	415	309
Adjustments in respect of prior years	342	23
	<u>1,997</u>	<u>1,473</u>

11. Property, plant and equipment – Group

	2019	2018
	\$'000	\$'000
Property, plant and equipment owned	2,342	2,596
Right-of-use assets	4,870	-
	<u>7,212</u>	<u>2,596</u>

Notes to the financial statements (*continued*)

Property, plant and equipment owned

	Assets under construction \$'000	Leasehold improvements \$'000	Furniture and equipment \$'000	Computer assets \$'000	Motor vehicles \$'000	Total \$'000
Cost						
At 1 January 2018	23	1,587	1,659	7,725	112	11,106
Additions	-	336	129	181	-	646
Disposals	-	(219)	(12)	(785)	(49)	(1,065)
Transfers	(23)	-	-	23	-	-
Retranslation	-	(40)	(35)	(44)	-	(119)
At 31 December 2018	-	1,664	1,741	7,100	63	10,568
Additions	-	33	145	118	-	296
Disposals	-	-	(26)	(2,142)	(57)	(2,225)
Transfers	-	-	-	-	-	-
Retranslation	-	(8)	(4)	6	-	(6)
At 31 December 2019	-	1,689	1,856	5,082	6	8,633
Depreciation						
At 1 January 2018	-	581	688	7,082	112	8,463
Charge for the period	-	156	216	243	-	615
Disposals	-	(219)	(7)	(774)	(49)	(1,049)
Retranslation	-	(9)	(11)	(37)	-	(57)
At 31 December 2018	-	509	886	6,514	63	7,972
Charge for the period	-	166	226	153	-	545
Disposals	-	-	(23)	(2,141)	(57)	(2,221)
Retranslation	-	(3)	(6)	4	-	(5)
At 31 December 2019	-	672	1,083	4,530	6	6,291
Net book amount						
At 31 December 2018	-	1,155	855	586	-	2,596
At 31 December 2019	-	1,017	773	552	-	2,342

Notes to the financial statements (continued)

Right-of-use assets

The Group leases many assets including buildings, warehouses and vehicles. Information about leases for which the Group is a lessee is presented below.

	Buildings \$'000	Other \$'000	Total \$'000
At 1 January 2019	5,207	27	5,234
Additions during 2019	487	61	548
Depreciation charge for the year	(890)	(22)	(912)
At 31 December 2019	4,804	66	4,870

The Group leases buildings for its office space. The lease of office space typically runs for a period of 10 years. Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually. There are no termination clauses or extension clauses in the leases which would materially affect the future cash outflows in the lease liabilities.

The Group also leases vehicles and equipment, with lease terms of three to five years.

12. Intangible assets – Group

	Work in Progress \$'000	Software \$'000	Total \$'000
Cost			
At 1 January 2018	242	495	737
Additions	1,610	-	1,610
Transfers	(869)	869	-
At 31 December 2018	983	1,364	2,347
Additions	2,174	-	2,174
Transfers	(1,520)	1,520	-
At 31 December 2019	1,637	2,884	4,521
Amortisation			
At 1 January 2018	-	57	57
Amortisation charge	-	262	262
At 31 December 2018	-	319	319
Amortisation charge	-	672	672
At 31 December 2019	-	991	991
Net book amount			
At 31 December 2018	983	1,045	2,028
At 31 December 2019	1,637	1,893	3,530

Notes to the financial statements (continued)

13. Investment in subsidiaries - Company

	\$'000
Cost and net book amount	
As at 1 January 2018, as at 1 January 2019 and as at 31 December 2019	1,511

Details of the investments in which the Company directly holds at 31 December 2019 are as follows.

Company name	Country of incorporation	Parent Company	% holdings and voting rights
Czarnikow Group Limited	Great Britain	CCL	100%
C. Czarnikow Sugar Futures Limited	Great Britain	CGL	100%
C. Czarnikow Sugar Limited	Great Britain	CGL	100% *
Sugarworld Limited	Great Britain	CGL	100% *
C. Czarnikow Sugar Inc. ("CSI")	United States of America	CGL	100%
C. Czarnikow Sugar (East Africa) Limited	Kenya	CGL	100%
C. Czarnikow Sugar Pte Limited	Republic of Singapore	CGL	100%
C. Czarnikow Sugar (Mexico) SA de CV	Mexico	CGL	100%
Czarnikow Servicios Personales (Mexico) SA de CV	Mexico	CGL	100%
C. Czarnikow Sugar (India) Private Limited	India	CGL	100%
C. Czarnikow Sugar (Guangzhou) Company Limited	China	CGL	100%
Sucris Limited	Israel	CGL	50% *
Sucarim (C.I.S.T.) Ltd	Israel	CGL	100%
Czarnikow Futures Inc.	United States of America	CSI	100%
Czarnikow Brazil Ltda	Brazil	CGL	100%
Czarnikow Italia SRL	Italy	CGL	100%
Czarnikow Tanzania Limited	Tanzania	CGL	100%
Czarnikow Thailand Limited	Thailand	CGL	100%
Czarnikow Supply Chain Sales for Food and Beverage Ingredients Bahrain S.P.C.	Bahrain	CGL	100%

*dormant Company

Czarnikow Supply Chain Sales for Food and Beverage Ingredients Bahrain S.P.C. was incorporated on 21 May 2019.

Registered addresses for subsidiaries are disclosed in note 37.

Notes to the financial statements (continued)

14. Joint Venture

The Group, through its subsidiary in Brazil, started to hold a stake in the jointly-owned subsidiary of CZ Energy Comercializadora de Etanol S.A. ("CZ Energy") through the subscription of 4,900,000 in common shares issued due to the capital increase of CZ Energy, approved by the General Meeting Extraordinary held on June 18, 2019. The shares now subscribed were paid up at the issue price of BRL \$1.00 per share, totaling BRL \$4,900,000 (USD \$1,301,495). CZ Energy's stake is presented as follows, CZARNIKOW 49%, Vale do Açúcar e Álcool S.A. 26% and Canápolis e Açúcar e Etanol S.A. 25%. CZ Energy is not currently operational. The Group accounts for its investment in CZ Energy comercializadora de Etanol S.A. using the equity method.

						2019 \$'000
<u>Subsidiary</u>	<u>Country</u>	<u>Participation</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Quotaholder's Equity</u>	<u>Equity Method</u>
CZ ENERGY	Brazil	49%	2,395	17	2,378	(103)

Investment movement in JV

	2019 \$'000
Share capital	10,000
Percentage of participation	49%
Equity – CZ Energy	2,378
Investments in JV	1,215
Equity method - loss in year	(50)
Net book value	1,165

15. Inventories

	2019 \$'000	2018 \$'000
Physical goods	<u>188,441</u>	<u>156,421</u>

Notes to the financial statements (continued)

16. Trade and other receivables - Group

	2019	2018
	\$'000	\$'000
Trade receivables	208,060	157,303
Less: provision for doubtful receivables	(772)	(627)
Net trade receivables	207,288	156,676
Other receivables and prepayments	4,608	5,725
	211,896	162,401

Trade receivables and other receivables are the only financial assets held at amortised cost. The directors consider that the carrying amount of these financial assets are a reasonable approximation of their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information such as the credit status of individual counterparties.

In respect of trade receivables, the Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is assessed by the Credit Committee. Trade receivables past due are subject to additional credit control procedures and are reviewed on a weekly basis. Trade receivables are only written off when there is no reasonable expectation of recovery.

12 month and lifetime expected credit losses are estimated based on historical loss rates adjusted where evidence is available that different rates are likely to apply in the future.

As at 31 December 2019, trade receivables of \$14.2 million (2018: \$35.7 million) were past due but not impaired. The ageing analysis of these receivables is as follows.

	2019	2018
	\$'000	\$'000
Up to 3 months past due	12,678	33,408
3 to 6 months past due	267	1,523
Over 6 months past due	1,264	764
	14,209	35,695

Notes to the financial statements (continued)

17. Trade and other receivables – Company

	2019	2018
	\$'000	\$'000
Amounts owed by affiliated companies	-	2,203

As at 31 December 2019, trade receivables of \$nil (2018: \$nil) were past due but not impaired. Trade receivables and amounts due from affiliated companies are the only financial assets at amortised cost. The Directors do not consider any impairment provision is required against the above assets and consider that the carrying amount is a reasonable approximation of their fair value.

18. Trade and other payables - Group

	2019	2018
	\$'000	\$'000
Transaction financing loans	318,274	246,224
Trade payables	90,437	84,205
Other payables and accruals - Current	11,086	9,393
Leases –Current	1,108	-
Leases – Non-current	4,991	-
	<u>425,896</u>	<u>339,822</u>

19. Trade and other payables - Company

	2019	2018
	\$'000	\$'000
Other payables and accruals	14	10
Amounts owed to affiliated companies	499	-
	<u>513</u>	<u>10</u>

Notes to the financial statements (continued)

20. Deferred tax

The movements in deferred tax assets and liabilities during the year, by category, are as follows:

	Accelerated capital allowances \$'000	Short term timing differences \$'000	Tax losses \$'000	Total \$'000
At 1 January 2018	229	393	479	1,101
Deferred tax asset	232	424	479	1,135
Deferred tax liability	(3)	(31)	-	(34)
Adjustments to prior period	-	103	-	103
Charged directly to profit or loss	(50)	200	(43)	107
At 31 December 2018	179	696	436	1,311
Deferred tax asset	179	696	436	1,311
Deferred tax liability	-	-	-	-
Adjustments to prior period	(257)	(48)	78	(227)
Charged directly to profit or loss	(54)	483	(50)	379
At 31 December 2019	(132)	1,131	464	1,463
Deferred tax asset	4	1,147	464	1,615
Deferred tax liability	(136)	(16)	-	(152)

21. Share capital

	2019 \$'000	2018 \$'000
Authorised, allotted, issued and fully paid		
1,000,000 ordinary shares of £1 each	<u>1,511</u>	<u>1,511</u>

Notes to the financial statements (continued)

22. Net cash (used in)/generated from operating activities - Group

	2019	2018
	\$'000	\$'000
Profit before tax	7,000	5,494
Depreciation	1,457	615
Amortisation	672	262
Loss on disposal on property and equipment	4	16
(Increase)/decrease in inventories	(32,020)	15,173
(Increase)/decrease in trade and other receivables	(49,495)	10,972
Decrease/(increase) in financial assets held for trading	35,159	(38,369)
Increase in trade and other payables	9,195	3,435
(Decrease)/increase in financial liabilities held for trading	(32,624)	21,522
Exchange (loss)/gain on elimination of Group assets and liabilities due to retranslation of subsidiaries	(1,423)	307
Interest income	(8,391)	(9,458)
Interest paid	11,690	12,022
	<u>(58,776)</u>	<u>21,991</u>
 Income tax paid	 (2,031)	 (1,945)
Elimination of non cash share based payment	(2,442)	(42)
 Net cash (used in)/generated from operating activities	 <u>(63,249)</u>	 <u>20,004</u>

Notes to the financial statements (continued)

23. Net cash used in operating activities - Company

	2019	2018
	\$'000	\$'000
Loss before tax	(14)	(36)
Decrease / (increase) in trade and other receivables	2,203	(59)
Increase in trade and other payables	503	8
Elimination of non cash share based payment	(2,692)	82
Net cash used in operating activities	-	(5)

24. Lease liabilities – Group

Contractual undiscounted cash flows of lease liabilities are as follows:

	2019
	\$'000
Due:	
Within one year	1,338
Within two to five years	4,497
After five years	1,034
	6,869

Lease liabilities included in the statement of financial position at 31 December:

	2019
	\$'000
Current	1,108
Non-current	4,991
	6,099

25. Pension commitments - Group

The Group contributes to defined contribution pension schemes. The amounts recognised in the Statement of profit or loss and other comprehensive income in respect of these provisions are as follows:

	2019	2018
	\$'000	\$'000
Pension cost recognised in the year:		
Defined contribution scheme	815	823

No amounts were outstanding at the Statement of financial position date (2018: \$nil) in respect of these pension commitments.

Notes to the financial statements (continued)

26. Subsequent events

There has not been any matter occurring subsequent to the end of the financial period that has affected significantly, or may significantly affect the operations of the Group.

27. Related party transactions

The Group has related party relationships with its subsidiaries and with its Directors. The Group did not have material transactions or have year end balances with its Directors in the year ended 31 December 2019. In the course of normal operations, related party transactions entered into by the Group have been contracted on an arm's length basis.

The Company has a related party relationship with its subsidiaries. Material year end balances with related parties were as follows:

	2019	2018
	\$'000	\$'000
Amounts due (to) / from Czarnikow Group Limited	(500)	2,079

The only material transaction which took place in 2019 related to share based payments of \$2,692,000. A list of the Company's subsidiaries as at 31 December 2019 is presented in note 13.

Key management

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group, or in relation to the Company. In the opinion of the Board, the Group and Company's key management are the Directors of the Group. Information regarding their compensation is given in note 7 in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

Controlling party

In the opinion of the Directors there is no one ultimate controlling party.

28. Share based payments - Group

The Group operates an employee trust which was established to encourage motivate and retain employees. All expenses incurred are settled directly by the Group and charged to the profit or loss as incurred. The cost of the shares purchased and held by the Trust of \$3.7 million (2018: \$1.4 million) is deducted from shareholders' funds. The assets and liabilities of the Trust are included in the financial statements of the Group to the extent that assets have not been unconditionally allocated to specific employees. The Trust holds 150,000 (2018: 150,000) shares in the Company.

Share Options and Deferred Share awards

The Group makes conditional share awards to some employees under annual schemes based on the performance of the individual and of the Group. The schemes award the employee a defined number of shares over a vesting period ranging from one to three years after the grant date of the award. Options granted to employees remain outstanding of which all are vested and remain exercisable up to ten years after the granting of the award. All awards are equity settled and options are exercisable at nil cost to the employee.

Notes to the financial statements (continued)

A charge in respect of employee share-based payments is recognised in the profit or loss, with a corresponding entry in the profit or loss reserve, and reflects the fair value of the services received. The fair value of the service is determined using a valuation technique based on the fair value of the equity instruments granted, and is spread over the performance and vesting period. The charge to the profit or loss is adjusted based on an estimate of awards that will lapse prior to vesting. Each scheme is assessed individually and estimates of the number of lapses range from 0%–15%. The Directors consider that the fair value of share awards is represented by the fair price of the Parent Company's shares as at the date the award is granted.

Details of the share options outstanding during the year are as follows:

	2019	2018
	Number	Number
Outstanding at beginning of period	28,972	21,530
Granted during the period	11,542	15,680
Forfeited during the period	-	(1,708)
Exercised during the period	(13,586)	(6,530)
Outstanding at the end of the period	26,928	28,972
<i>Exerciseable as follows:</i>		
Immediately exercisable	8,300	14,800
Exerciseable March 2019	-	7,086
Exerciseable March 2020	12,857	7,086
Exerciseable March 2021	5,771	-
	26,928	28,972

Notes to the financial statements (continued)

29. Financial instruments

The principal financial risks to which the Group is exposed are commodity price risk, foreign currency exchange rate risk as well as interest rate risk, liquidity risk and credit risk. The Board has approved policies for the management of these risks, as set out in the Directors' report.

Group classification		Fair value through profit or loss	Amortised cost	Total carrying value
	Notes	\$'000	\$'000	\$'000
31 December 2019				
Trade receivables	16	-	207,288	207,288
Other receivables and prepayments	16	-	4,608	4,608
Financial assets held for trading		108,678	-	108,678
Transaction financing loans	18	-	(318,274)	(318,274)
Trade payables	18	-	(90,437)	(90,437)
Financial liabilities held for trading		(35,854)	-	(35,854)
Other payables and accruals	18	-	(11,086)	(11,086)
Leases - current and non current	18	-	(6,099)	(6,099)
		72,824	(214,000)	(141,176)

Group classification		Fair value through profit or loss	Amortised cost	Total carrying value
	Notes	\$'000	\$'000	\$'000
31 December 2018				
Trade receivables	16	-	156,676	156,676
Other receivables and prepayments	16	-	5,725	5,725
Financial assets held for trading		143,837	-	143,837
Transaction financing loans	18	-	(246,224)	(246,224)
Trade payables	18	-	(84,205)	(84,205)
Financial liabilities held for trading		(68,478)	-	(68,478)
Other payables and accruals	18	-	(9,393)	(9,393)
		75,359	(177,421)	(102,062)

Trade receivables, other receivables, trade payables and other payables and amounts due to/by the Group and Company have short times to maturity. For this reason, their carrying amounts at the year-end approximate fair value.

Transaction financing loans are recognised at book value with interest accrued over the relevant period. This approximates the result of measuring loans at amortised cost.

The Group's derivative financial assets, financial liabilities and investments are measured at fair value on the basis of publicly quoted prices or market conditions on the Statement of financial position date.

The fair value of the Group's financial assets and liabilities are based on quoted market prices. Below is the classification of the financial instruments valued at fair value, classified under the fair value hierarchy.

The Group's lease liabilities are measured as the present value of the lease payments that are not paid at commencement date, discounted using the Group's incremental borrowing rate. This approximates the result of measuring leases at amortised cost.

Notes to the financial statements (continued)

Group fair value hierarchy

31 December 2019

	Level 1	Level 2	Total carrying value
	\$'000	\$'000	\$'000
Financial assets held for trading	16,682	95,996	108,678
Financial liabilities held for trading	(1,516)	(34,338)	(35,854)
	15,166	61,658	72,824

Group fair value hierarchy

31 December 2018

	Level 1	Level 2	Total carrying value
	\$'000	\$'000	\$'000
Financial assets held for trading	13,898	129,939	143,837
Financial liabilities held for trading	(7,011)	(61,467)	(68,478)
	6,887	68,472	75,359

There were no transfers between levels during the period. The valuation technique used in determining the fair value measurement of level 2 financial instruments is marking to market by product and origin. There were no changes to the valuation techniques during the period.

Sensitivity analysis

For financial instruments held, the Group has used a sensitivity analysis technique that measures the changes in fair value of the Group's financial instruments to hypothetical changes in market rates, being the most relevant of the principal financial risks faced by the Group. The analysis shows forward-looking estimates of market risk assuming certain adverse market conditions occur. Actual results and market conditions in the future may be materially different from those projected and changes in the instruments held or in the financial markets in which the Group operates could cause gains or losses to exceed the amounts projected. This is a method of analysis used to assess risk and should not be considered a projection of likely future events and losses.

The sensitivity analysis assumes an instantaneous 1% movement of US dollars against other currencies and an instantaneous 5% movement in the underlying commodity futures prices relating to commodity futures and options over them at the balance sheet date. All other variables are assumed to be constant. Such analysis is for illustrative purposes only as, in practice, market rates rarely change in isolation.

		Fair value change: favourable/(unfavourable)			
		Exchange rate movement		Commodity price movement	
		+1%	-1%	+5%	-5%
At 31 December 2019	Fair value	\$'000	\$'000	\$'000	\$'000
Trade receivables	207,288	(179)	179	-	-
Financial assets held for trading	108,678	(2,338)	2,338	8,504	(8,504)
Trade payables	(90,437)	127	(127)	-	-
Financial liabilities held for trading	(35,854)	2,370	(2,370)	(8,626)	8626
Transaction financing loans	(318,274)	63	(63)	-	-
	(128,599)	43	(43)	(122)	122

Notes to the financial statements (continued)

		Fair value change: favourable/(unfavourable)			
		Exchange rate movement		Commodity price movement	
		+1%	-1%	+5%	-5%
At 31 December 2018	Fair value	\$'000	\$'000	\$'000	\$'000
Trade receivables	156,676	(173)	173	-	-
Financial assets held for trading	143,837	1,043	(1,043)	(5,755)	5,755
Trade payables	(84,205)	166	(166)	-	-
Financial liabilities held for trading	(68,478)	(1,061)	1,061	5,540	(5,540)
Transaction financing loans	(246,224)	81	(81)	-	-
	(98,394)	56	(56)	(215)	215

30. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

31. Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the discounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. All the variable rate instruments were based short term LIBOR rates.

	Notes	Less than 3 months	Total
		\$'000	\$'000
At 31 December 2019			
Non-interest bearing	18	90,437	90,437
Variable interest rate instruments	18	318,274	318,274
		408,711	408,711

	Notes	Less than 3 months	Total
		\$'000	\$'000
At 31 December 2018			
Non-interest bearing	18	84,205	84,205
Variable interest rate instruments	18	246,224	246,224
		330,429	330,429

Notes to the financial statements (continued)

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Note	0-3 months \$'000	3-12 months \$'000	Total \$'000
As at 31 December 2019				
Non-interest bearing	16		207,288	207,288
As at 31 December 2018				
Non-interest bearing	16	156,676	-	156,676

32. Credit risk management

The Group reviews its overall trading commitments with its counterparties regularly, assessing the proportions between forward commitments, priced and unpriced, and realised business. Any balance of realised business may be reduced subsequently. There is no collateral held against assets. The carrying value of assets is the Group's maximum exposure to credit risk.

33. Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the transaction financing loans disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated statement of changes in equity.

The Company has no externally imposed capital resource requirements.

34. Guarantees and other financial commitments

a) Forward commitments

Forward commitments have been entered into in the ordinary course of business.

b) Guarantees

At 31 December 2019 the Group had outstanding guarantees to banks and financial institutions of \$15.6 million (2018: \$27.6 million).

35. Contingent liabilities

At 31 December 2019, the Group had no contingent liabilities (2018: \$nil).

36. Adoption of IFRS 16 – Group and Company

IFRS 16 eliminates the classification for lessees of leases as operating leases or finance leases and treats all in a similar way to finance leases. It replaced IAS 17 Leases and related interpretations.

Notes to the financial statements (continued)

• **Explanation of changes in accounting policies**

The details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the Group's leases are set out below:

Type of lease	New accounting policy	Nature of change in accounting policy
Long term property and vehicle leases	Liabilities for such leases are recognised and measured at the present value of the remaining lease payments. For new leases these are discounted using the rate implicit in the lease when readily determinable, for other leases, including those at transition, these are discounted using the incremental borrowing rate ("IBR") relevant for the lease. The average IBR applied to leases at 1 January 2019 was 3.75%. A right of use asset has been recognised using the modified retrospective approach as if the new rules applied at 1 January 2019. The comparative information has not been restated.	Under IAS 17, such lease payments were recognised on a straight line basis over the lease term and the leases were effectively 'off balance sheet'.
Short term and low value leases	A practical expedient offered by IFRS 16 has been applied to not recognise a lease liability and right of use asset for such leases but to recognise payments on a straight-line basis over the lease term. Such leases are considered to either have a lease term of no more than 12 months or an underlying asset value of no more than USD \$5,000.	IFRS 16 did not have a significant impact on the Group's accounting policies for short term and low value leases.

• **Effect of adopting IFRS 16**

The Group has adopted IFRS 16 using the modified retrospective method (including appropriate practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2019). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The below table reconciles between the operating lease commitments disclosed at 31 December 2018 and the lease liability which was recognised at 1 January 2019:

• **Measurement of lease liability – Group**

	\$'000
Operating lease commitments disclosed at 31 December 2018	7,178
Discounted using the incremental borrowing rate at 1 January 2019	6,443
Other identified leases discounted using the incremental borrowing rate at 1 January 2019	25
Less: Long-term leases which end within 2019 or are considered immaterial at year end 2019 and are accounted for as short-term leases	(71)
Lease liability recognised at 1 January 2019	6,397

Notes to the financial statements (continued)

37. Registered offices

Subsidiary or joint venture	Address
- Czarnikow Group Limited - C. Czarnikow Sugar Futures Limited - C. Czarnikow Sugar Limited - Sugarworld Limited	Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB United Kingdom
- C. Czarnikow Sugar Inc. - Czarnikow Futures Inc.	333 SE 2nd Avenue, Suite 2860, Florida, 33131, United States of America
- C. Czarnikow Sugar (East Africa) Limited	I&M Bank House, Second Ngong Avenue, PO BOX 10517, GPO 00100, Nairobi, Kenya
- C. Czarnikow Sugar Pte Limited	3 Philip Street, #14-01 Royal Group Building, 048693, Singapore
- C. Czarnikow Sugar (Mexico) SA de CV - Czarnikow Servicios de Personal, SA de CV	Descartes #54 Int. 101, Col. Nueva Anzures, Ciudad de Mexico, 11590, Mexico
- C. Czarnikow Sugar (India) Private Limited	H.No. 1-8-373/A, Chiran Fort Lane, Begumpet, Hyderabad, 500003, India
- C. Czarnikow Sugar (Guangzhou) Company Limited	Room 17A01, 232 Zhong Shan 6th Road, Guangzhou, 510180, China
- Sucarim (C.I.S.T) Ltd	No 3, Golda Meir Street, 74036, Nes Ziyvona, Israel
- Sucris Limited	8th Galgalay haplada, Hezrlia, Israel
- Czarnikow Brazil Ltda	Rua Fidencio, Ramos 308, CJ 64 Torre A - Vila Olimpia, Sao Paulo, CEP 04551-010, Brazil
- Czarnikow Italia SRL	Via Borgogna, 2, 20122 Milano, Italia
- Czarnikow Tanzania Limited	7th Floor, Amani Place, Ohio Street, P.O. Box 38568, Dar-es-Salaam, Tanzania
- Czarnikow (Thailand) Limited	1203, 12th Floor, Metropolis Building, 725 Sukhumvit Road, North Klongton, Wattana, 10110, Bangkok, Thailand
- Czarnikow Supply Chain Sales for Food and Beverage Ingredients Bahrain S.P.C.	Suite No. 1959 Diplomatic Commercial Office, Tower B, Building No 1565, Road 1722, Diplomatic Area, Manama 317, Bahrain
CZ Energy Comercializadora de Etanol S.A. (CZ Energy)	308 Rua Fidencio Ramos, 64 Tower A, Room 01, Vila Olimpia, 04551-010, Sao Paulo, Brazil