Cargill Financial Services Europe Limited

Directors' report, strategic report and financial statements

31 May 2019

Registered number 6263287

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Directors' report

Introduction

The directors present their annual report and the audited financial statements for the year ended 31 May 2019.

Summarised results are given below:	2019	2018
	$000	$000
Operating profit	132	404
Profit on ordinary activities after taxation for the financial period	272	264

Dividends

During the year the company neither declared nor paid a dividend *(2018: nil)*.

Directors

The directors who served during the period and at the report date were:

J A Edwards	resigned 26 September 2018
K Milne	
C N Wade	resigned 12 December 2018
R G Ward	
F Urquidi Negron	appointed 12 December 2018

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

F Urquidi Negron
Director

23 September 2019

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

Registered number 6263287

Strategic Report

Business review, summary results, current period performance and future developments
The company develops risk management products for a client base of mainly third party corporate and industrial organizations. CFSEL's products are over-the-counter derivatives typically designed to help clients manage commodity price risk. These products are provided on a back to back basis with other Cargill entities and CFSEL's net income relates to the recharge of the company's running costs to those other Cargill entities. These recharges are in accordance with service level agreements with those entities.

Brexit
The Company makes use of cross-border passporting rules to conduct business with customers based in the European Union (EU). Accordingly, the UK's exit from the EU is a subject of much on-going discussion by the Board. We continue to monitor developments in the negotiations between the UK and EU and are taking steps to manage any scenario.

KPIs
The company derives its income from the recharge of expenses. On that basis the directors do not believe that there are any meaningful financial key performance indicators. However, the company is authorised and regulated by the UK Financial Conduct Authority and is required to publicly disclose return on assets (calculated as net profit divided by net assets):

	2019	2018
Return on assets	**1.25%**	1.22%

Risks and uncertainties
As a regulated entity, CFSEL is required to have adequate risk management policies and process in place. CFSEL has a risk management policy, which is structured so as to identify the business risks that CFSEL faces as a result of carrying on investment business. The matrix considers the probability of an event occurring, the impact to the business if that event were to occur, and the residual risk of an event occurring in light of the company's risk mitigation procedures. The matrix considers many different risks, the most significant being:

Financial risk
The majority of CFSEL's business is conducted on a back to back basis with Cargill, Incorporated. This arrangement means that CFSEL is not exposed to market risk. In addition, CFSEL is indemnified against customer defaults. However, CFSEL would be exposed should Cargill, Incorporated default. This risk is mitigated by maintaining a balance at least equal to our regulatory capital requirement with an external bank.

The company is exposed to movements in foreign currencies as expenses are incurred in Sterling, Swiss Francs and Euros. This exposure is managed through matching foreign exchange contracts.

Regulatory risk
As a regulated entity there is a risk that the company could suffers financial, reputational or litigation damage through failure to monitor, control and eliminate or substantially reduce regulatory compliance risk. Accordingly, regulatory compliance is a key focus for the directors.

By order of the board

F Urquidi Negron
Director

23 September 2019

Velocity V1, Brooklands Drive
Weybridge, Surrey, KT13 0SL

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Cargill Financial Services Europe Limited

Opinion

We have audited the financial statements of Cargill Financial Services Europe Limited ("the company") for the year ended 31 May 2019 which comprise the Profit and Loss Account, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Cargill Financial Services Europe Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Cargill Financial Services Europe Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London,
E14 5GL
23 September 2019

Profit and loss account

for the year ended 31 May 2019

	Note	2019 $000	2018 $000
Net trading income	5	-	-
Other operating income		4,336	5,219
Gain / (loss) on foreign currency contracts		(36)	46
Administrative expenses		(4,168)	(4,861)
Operating profit		132	404
Interest receivable and similar income	6	201	805
Other interest payable and similar charges	7	(70)	(885)
Profit on ordinary activities before taxation		263	324
Tax on profit on ordinary activities	8	9	(60)
Profit for the financial year		272	264

There are no other recognised gains or losses in the year. All of the results are derived from continuing operations.

Statement of total comprehensive income

for the year ended 31 May 2019

	2019 $000	2018 $000
Profit for the year	272	264
Other comprehensive income	-	-
Total comprehensive income for the year	272	264

The notes on pages 11 to 22 form part of the financial statements.

Balance sheet
at 31 May 2019

	Note	2019 $000	2019 $000	2018 $000	2018 $000
Investments	*9*		2,348		2,481
Current assets					
Debtors (including $1,484k due after more than one year (2018: $385k))	*10*	61,744		69,330	
Cash at bank		22,643		29,673	
			84,387		99,003
			86,735		101,484
Creditors: amounts falling due within one year	*11*		(63,407)		(79,527)
amounts falling due after one year	*11*		(1,486)		(387)
Net assets			21,842		21,570
Capital and reserves					
Called up share capital	*12*		20,000		20,000
Profit and loss account			1,842		1,570
Shareholder's funds			21,842		21,570

The notes on pages 11 to 22 form part of the financial statements.

These financial statements were approved by the board of directors on 23 September 2019 and were signed on its behalf by:

F Urquidi Negron
Cargill Financial Services Europe Limited
Director

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

Registered number 6263287

Statement of changes in equity
for the year ended 31 May 2019

	Share Capital	Profit and loss account	Total
	$000	$000	$000
At 1 June 2018	20,000	1,570	21,570
Total comprehensive income	-	272	272
At 31 May 2019	**20,000**	**1,842**	**21,842**

	Share Capital	Profit and loss account	Total
	$000	$000	$000
At 1 June 2017	20,000	1,306	21,306
Total comprehensive income	-	264	264
At 31 May 2018	**20,000**	**1,570**	**21,570**

Notes *(forming part of the financial statements)*

1 Accounting policies

Statement of compliance

Cargill Financial Services Europe Limited is a private, limited liability company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 6263287 and the registered office is Velocity 1, Brooklands Drive, Weybridge, Surrey KT13 0SL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is US Dollars. All amounts in the financial statements have been rounded to the nearest $1,000.

The company's ultimate parent undertaking, Cargill, Incorporated includes the company in its consolidated financial statements. The consolidated financial statements of Cargill, Incorporated are prepared in accordance with US GAAP and are available to the public. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Cargill, Incorporated include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation

The directors acknowledge that there are uncertainties around the UK's planned departure from the EU on 31 October 2019. However, the directors believe that in any scenario CFSEL will continue operating as a going concern for a period greater than 12 months from the date of these financial statements and that the company has adequate resources to continue operating for the foreseeable future. Therefore, annual financial statements are prepared on a going concern basis and in accordance with applicable accounting standards and under the historical cost convention, modified for derivatives which are held at fair value.

Other operating income

Other operating income is earned from services provided to the immediate parent company and calculated in accordance with service level agreements. This is recognised on an accruals basis.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the profit and loss account.

Derivatives

Derivatives, including options and swaps, are entered into as part of the Company's trading activity. Trades entered into with third parties where the Company acts as a principal are matched by corresponding trades with either Cargill, Incorporated or Cargill France SA. In addition, the Company may enter into forward FX contracts in order to economically hedge monetary assets and liabilities.

Derivative contracts are recognised on the balance sheet date at fair value. Changes in fair value are recognised through profit and loss and included within the Net trading income.

Fair values are determined using model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

Investments are held at cost less any accumulated impairment.

Loans

Where the Company extends commercial loans to third parties these are transferred to another party under a funded participation agreement. The associated financial asset is derecognised when the Company (a) transfers the contractual rights to receive the cash flows of the financial asset; or (b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, the Company treats the transaction as a transfer of a financial asset if all of the following three conditions are met:

(a) The Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the Company with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(b) The Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows: and

(c) The Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

Notes *(continued)*

2 Segmental analysis

No segmental analysis is provided as the company has only one distinguishable class of business and operates in a market that is not limited by geographical bounds.
The Capital Requirements Regulations 2013 came into effect on 1 January 2014, and have been transposed into UK law to impose certain reporting obligations on institutions, defined as credit institutions and investment firms, within the United Kingdom and within the scope of EU Capital Requirements Directive IV (CRD IV).

Disclosure requirements under article 89 in the Capital Requirements Directive comprise details on the registered office, nature of activities, turnover, profit or loss before tax, tax paid, public subsidies received and the average number of employees of the firm on a country by country basis. This is known as Country-by-Country Reporting ("CBCR"). The information contained in this disclosure is based on the scope of consolidation in the financial statements and reflects the data as at the reporting date 31 May 2019, alongside a brief explanation of the business undertaken.

Nature of activities: Cargill Financial Services Europe Limited ('CFSEL') develops risk management products for a client base of mainly third party corporate and industrial organisations.

All amounts are reported in US Dollars.

Country	Turnover $	Profit before tax $	Corporation tax credited $	Public Subsidies Received $	Average Number of Employees
UK	4,336,818	263,808	9,326	0	0

3 Directors' remuneration and staff costs

The company has no employees. The directors are under contract of employment with fellow Cargill, Incorporated subsidiaries. Remuneration was paid by the company for the services as a director of J A Edwards, a member of a defined contribution pension scheme. Cargill PLC paid the directors' emoluments of R G Ward , C N Wade and F Urquidi . There is no cost to the company for making the services of these individuals available as directors of the company. Cargill Services Switzerland (CSS) pays the director's emoluments of K Milne. CSS recharges the company for the provision of various services. Although, this recharge includes a proportion of K Milne's emoluments, there was no charge to the company for making his services available as a director of the company. None of the directors benefited from qualifying third party indemnity provisions during the financial year and at the date of the report.

	2019 $000	2018 $000
Directors' emoluments	62	225
Total directors' remuneration	62	225

The aggregate of emoluments of the highest paid director was $62,279 *(2018: $225,182)*.

The aggregate payroll costs of these persons and other group employees recharged by Cargill, Incorporated subsidiaries were as follows:

	2019 $000	2018 $000
Wages and salaries	62	225
Social security costs	16	29
Other pension costs	8	25
	86	279

Notes *(continued)*

4 Auditor's remuneration

The following amounts were payable to the company's auditors and were charged to the profit and loss account of this company.

	2019	2018
	$000	$000
Auditor's remuneration:		
Audit of these financial statements	21	40
Current year services pursuant to legislation	25	19
	46	59

5 Net trading income

Net trading income comprises of all fair value movements of derivatives entered into with third parties and matched with trades entered into with either Cargill, Incorporated or Cargill France SA.

6 Interest receivable and similar income

	2019	2018
	$000	$000
Other interest receivable	159	787
Amounts owed by group companies	42	18
	201	805

7 Other interest payable and similar charges

	2019	2018
	$000	$000
Amounts payable to group companies	70	732
Other interest payable	-	153
	70	885

Notes *(continued)*

8 Taxation

	2019 $000	2018 $000
(a) Analysis of charge in the year		
Current tax		
UK corporation tax at 19.00% *(2018: 19.00%)*	51	61
Adjustment in respect of prior years	(60)	(1)
Tax on profit on ordinary activities (note 7b)	(9)	60
(b) Factors affecting current tax charge in the year		
Profit on ordinary activities before taxation	263	324
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% *(2018: 19.00%)*	51	62
Effects of:		
Adjustment in respect of prior years	(60)	(1)
Other tax adjustments	-	(1)
Current tax charge for the year	(9)	60

Factors that may affect future current and total tax charges
Recent budgets have announced changes to the main rate of UK corporation tax. The current rate of 19.00% was enacted on 26 October 2015 and applied from 1 April 2017. A further reduction to the main rate of corporation tax to 17% will apply from 1 April 2020 and was substantively enacted on 15 September 2016. This reduces the company's future current tax rate accordingly.

9 Investments

	2019 $000	2018 $000
SWIFT Holding	76	81
LME Holding	2,272	2,400
	2,348	2,481

10 Debtors

	2019 $000	2018 $000
Due within one year		
Prepayments and accrued income	478	90
Intercompany receivables relating to derivatives carried at fair value	-	24,878
Third party receivables relating to derivatives carried at fair value	57,488	42,425
Amounts owed by group undertakings - other	2,294	1,552
	60,260	68,945
Due after one year		
Intercompany receivables relating to derivatives carried at fair value	-	(245)
Third party receivables relating to derivatives carried at fair value	1,484	630
	1,484	385
Total debtors	61,744	69,330
Amounts owed by group undertakings - other comprise:		
Trade debtors	971	716
Short term deposits	1,323	836
	2,294	1,552

Notes *(continued)*

11 Creditors

	2019 $000	2018 $000
Due within one year		
Amounts owed to group undertakings - other	7,045	5,387
Other creditors - corporation taxation	51	60
Accruals and deferred income	3,880	175
Intercompany payables relating to derivatives	41,772	30,247
Third party payables relating to derivatives	10,659	43,658
	63,407	79,527
Due after one year		
Intercompany payables relating to derivatives	2	2
Third party payables relating to derivatives	1,484	385
	1,486	387
Total creditors	64,893	79,914
Amounts owed to group undertakings - other comprise:		
Trade creditors	753	690
Short term loans	6,292	4,697
	7,045	5,387

12 Called up share capital

	2019 $000	2018 $000
Allotted, called up and fully paid		
Ordinary shares of $1 each	20,000	20,000

Notes *(continued)*

13 Financial instruments

Exposure to credit, interest rate and currency risks arise in the normal course of the company's business. Derivative financial instruments are used to hedge exposure risk.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers in order to establish credit and collateral terms by exposure and tenor. Collateral is requested where a customer's mark to market exposure exceeds their agreed credit limit. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. All credit risk relating to trading activities with external counterparties is indemnified by Cargill, Incorporated (the Company's parent) or Cargill France SA. The concentration of credit risk is substantially unchanged compared to the prior year.

The assets bearing credit risk are summarized below:

	2019 $000	2018 $000
Derivative financial instruments	58,972	67,688
Loans and receivables	2,772	1,642
Cash at bank and in hand	22,643	29,673
Total assets bearing credit risk	84,387	99,003

Notes *(continued)*

13 Financial instruments *(continued)*

(b) Foreign currency risk

The company is exposed to foreign currency risks on expenses and borrowings that are denominated in a currency other than the US Dollar. The currencies giving rise to this risk are primarily Sterling, Euro and Swiss francs. The company hedges its estimated foreign currency exposure using forward contracts at the beginning of each financial year. As at 31 May 2019 no hedging instruments were in place to hedge projected expenses (*2018: none*).

In respect of other monetary assets and liabilities held in currencies other than the US Dollar, the company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the profit and loss account. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to monetary items are recognised as part of trading income.

Foreign currency risk exposure	EUR $000	GBP $000	CHF $000	TOTAL $000
As at 31 May 2019				
Trade and other receivables	**3,881**	**2,303**	**6**	**6,190**
Trade and other payables	**(4,727)**	**(5)**	**(78)**	**(4,810)**
Gross balance sheet exposure	**(846)**	**2,298**	**(72)**	**1,380**
Net exposure	**(846)**	**2,298**	**(72)**	**1,380**
As at 31 May 2018				
Trade and other receivables	1,478	410	139	2,027
Trade and other payables	(1,926)	(2,486)	(112)	(4,524)
Gross balance sheet exposure	(448)	(2,076)	27	(2,497)
Net exposure	(448)	(2,076)	27	(2,497)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	**2019**	2018
US Dollar				
1 Great British Pound	**0.7781**	0.7444	**0.7923**	0.7499
1 Euro	**0.8939**	0.8403	**0.8973**	0.8536
1 Swiss Franc	**1.0111**	0.9686	**1.0049**	0.9871

Notes *(continued)*

13 Financial instruments *(continued)*

(c) Interest rate risk

The company monitors and hedges its exposure to interest rate risk, where necessary. As at 31 May 2019 no hedging instruments were in place. The company has no sensitivity to interest rate changes.

(d) Liquidity risk

The following are the undiscounted contractual maturities of financial assets, liabilities, including interest payments:

	On demand	Up to six months	Between six and 12 months	After 12 months	Total
	$000	$000	$000	$000	$000
As at 31 May 2019					
Financial instruments					
Trade and other receivables	(54,856)	39,791	75,325	1,484	61,744
Trade and other payables	51,376	(39,458)	(75,325)	(1,486)	(64,893)
Total	(3,480)	333	-	(2)	(3,149)
As at 31 May 2018					
Financial instruments					
Trade and other receivables	57,919	8,471	2,555	385	69,330
Trade and other payables	(68,501)	(8,471)	(2,555)	(387)	(79,914)
Total	(10,582)	-	-	(2)	(10,584)

Notes *(continued)*

13 Financial instruments *(continued)*

(e) Fair values

Categories of financial assets and liabilities

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Basis for determining fair values

Derivatives

Derivative instruments are carried at fair value. Fair values are determined using model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The inputs used in these valuation techniques to measure fair value are typically Level 1 inputs (quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date), or Level 2 inputs (inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly).

Other loans and receivables

The carrying value in the financial statements is the most appropriate approximate of the fair value due to the short-term nature of these assets and liabilities.

Cash at bank

The carrying value of cash approximates the fair value.

Other financial liabilities measured at amortised cost

The carrying value of other creditors is the most appropriate approximate of the fair value.

	Loans & Receivables	2019 Fair value through P&L	Total	Loans & Receivables	2018 Fair value through P&L	Total
	$000	$000	$000	$000	$000	$000
Derivatives	-	58,972	58,972	-	67,688	67,688
Other assets	2,772	-	2,772	1,642	-	1,642
Total assets	2,772	58,972	61,744	1,642	67,688	69,330

	Other financial liabilities	2019 Fair value through P&L	Total	Other financial liabilities	2018 Fair value through P&L	Total
	$000	$000	$000	$000	$000	$000
Derivatives	-	53,926	53,926	-	74,292	74,292
Other liabilities	10,967	-	10,967	5,622	-	5,622
Total liabilities	10,967	53,926	64,893	5,622	74,292	79,914

Notes *(continued)*

14 Capital management

The company's source of funding is through the issue of share capital and group short term borrowings. In the future it may fund its operations through other sources. The company is authorised and regulated by the UK Financial Conduct Authority and had capital resources of $21,842, 000 at 31 May 2019 (2018: $21,570,000) after the inclusion of the current year profit.

15 Pensions

The company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The contribution for the year ended 31 May 2019 was $7,975 (2018: $25,166). There were no outstanding contributions to the pension scheme at the year-end (2018:$ nil).

16 Related party transactions

The company is exempt from disclosing transactions with other wholly owned group companies under Section 33.1A of FRS 102.

17 Ultimate holding company and parent undertaking

The immediate and ultimate parent undertaking of Cargill Financial Services Europe Limited is Cargill Incorporated, a company incorporated in the USA.

THE FOLLOWING INFORMATION DOES NOT FORM PART OF THE FINANCIAL STATEMENTS AND IS UNAUDITED

Introduction

This document has been written to comply with the disclosure requirements as set out in the Capital Requirements Regulation, which requires Cargill Financial Services Europe Limited (CFSEL or the company) to publicly disclose certain information about its capital, risk exposures and risk assessment processes. Disclosures have only been made where the requirement is applicable and material to the company.

Risk management objectives and policies

CFSEL places the highest degree of emphasis and focus on managing the risks faced by its business (business risks). CFSEL defines business risks as actions or inaction that could adversely affect the company's ability to achieve process objectives and thus hinder the implementation of business strategies. An effective system of controls and monitoring measures helps to manage business risks so that business objectives are achieved.

CFSEL maintains a Risk Matrix which identifies the inherent business risks, the probability of their occurrence, the impact if they did occur, and an assessment of the degree of residual risk in the light of the company's risk management controls. The Risk Matrix identifies the individual persons responsible for managing the company's risk controls, and the effectiveness of these controls is reviewed at regular intervals.

The Risk Matrix provides a framework for senior management to recognise risks and their consequences as they apply to the various business processes in different parts of the company.

CFSEL's approach to risk management can be summarised as:

- Recognition of risk;
- Application of controls;
- Allocation of responsibility for the management of controls;
- Reporting responsibilities; and
- Assessment of effectiveness of controls.

The result of the application of risk management procedures by way of documented processes, regular meetings of the relevant senior management and regular oversight at board level is to embed a risk management culture within the company, provide a robust reporting process and ensure that management information is provided in an accurate and timely fashion to the relevant persons within the senior management of the company. The risk management function is concentrated within the board. A review of the risk management controls is undertaken at least annually or more frequently if circumstances warrant it.

CFSEL's risk management policy considers the following risks:

- *Liquidity risk:* The risk that CRM is not able to meet its liabilities when they fall due or may only be able to do so at excessive cost.
- *Operational Risk:* The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events, including Legal Risk.
- *Regulatory Risk:* The risk arising from failure to comply with relevant regulations governing the conduct of specific activities in specific countries, including those with extra-territorial scope.
- *Cyber/IT Risk:* The risk of loss or harm related to technical infrastructure or the use of technology within an organization, which may be either unintentional errors or deliberate
- *Settlement Risk:* The risk that CRM (or its counterparties) fails to satisfy obligations related to the settlement of a transaction.
- *FX Risk:* The risk of loss related to fluctuations in foreign currency values

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Risk management objectives and policies*(continued)*

- *Business Risk:* the risk that CFSEL will not be able to continue to meet its obligations to its client and counterparties due to a significant interruption in its ability to function caused by extraneous events

Risk Appetite

Risk appetite is the amount and type of risk that CFSEL regards as appropriate to accept in achieving its business objectives. CFSEL's appetite for risk forms part of the basis against which business and financial decisions are taken.

CFSEL has a limited risk appetite. This is reflected in the business structure where Cargill Incorporated assumes all credit and market risk from CFSEL. The level of the company's share capital is driven by the company's desire to meet and maintain a comfortable 'buffer' in respect of regulatory capital.

CFSEL's approach to assessing the adequacy of internal capital

CFSEL undertakes an Internal Capital Adequacy Assessment Process (ICAAP). The company's ICAAP is based on financial projections for the next four years. These projections are based on the expectations of the board of directors and other senior individuals and are stress tested to take account of extreme circumstances. The ICAAP is reviewed at least annually and more often if appropriate.

Capital Resources

The company's capital resources as reported to the FCA at 31 May 2019 are set out in the table below. Core tier one capital is made up of permanent share capital and audited reserves.

	2019 $000	2018 $000
Tier one capital		
Core tier one capital	**21,842**	21,570
Deductions from tier one capital	**-**	-
	21,842	21,570
Tier two capital	**-**	-
Total capital resources	**21,842**	21,570

The company's capital resources requirement is the higher of:

- €125,000 (the initial capital requirement);
- Sum of credit risk capital requirement plus market risk capital requirement; and
- Own funds based on fixed overheads.

The company is exposed to credit risk in relation to cash balances and non-trading book exposures. Accordingly, it is required to have capital of 1.6% (8% x 20%) of cash balances held and 8% of non-trading book exposures.

In addition, the company is required to have capital to cover the exposure arising from the mark to market value and potential future credit risk of trading positions.

Since the company is a limited licence firm, it can only enter trades as principal on a matched basis. Therefore, the company's exposure to market risk is limited to foreign exchange risk on currency balances held.

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Remuneration Code Disclosures

CFSEL is classified as a proportionality level three firm for the purposes of the IFPRU Remuneration Code. No external consultants were used in the process of developing our remuneration policy. Relevant stakeholders are Cargill, Incorporated, Cargill GmbH, Cargill France SA and Cargill Services Switzerland SARL (CSS). These entities input into the decision-making process since they have employees who also act as CFSEL Approved Persons.

Given the size of the Company, the Board feel that it is unnecessary to establish a separate remuneration committee. This is consistent with the FCA's IFPRU Remuneration Code.

CFSEL has no employees. Cargill PLC recharged CFSEL for the full cost of 1 UK director until September 2018. There is no recharge for the services of other directors as directors. Total emoluments recharged to CFSEL for the UK director was US$62,279. Only one UK director was eligible for the bonus payments until 31 May 2018 with respect to their involvement in CFSEL. Payments are linked to the individual's performance against certain objectives. These objectives are set at the start of each financial year, and are aligned with business objectives (which are long-term in nature), and are adjusted in accordance with the overall business performance.

CFSEL has three individuals based overseas who acts as CFSEL Approved Persons. These individuals are employed by another group company incorporated overseas and they only spend a limited amount of their time working on issues related to CFSEL. Accordingly, these individuals have not been classified as Code Staff members.

In accordance with its regulatory permissions, CFSEL operates on a riskless principle basis. This means that it is not possible for CFSEL to take market risk on trading activities. In addition, all credit risk is underwritten by Cargill, Incorporated. Consequently, CFSEL has very limited risk with respect to its trading activities. Given these restrictions, it is not possible for any individual to materially impact the risk profile of the firm.