

# **ECOM Agrotrade Limited**

## **Annual report and Financial Statements for the year ended 31 December 2019**



**Company Registration No. 03576004**



# **ECOM Agrotrade Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2019**

### **Contents**

	<b>Page(s)</b>
<b>Strategic report</b>	<b>3-7</b>
<b>Directors' report</b>	<b>8-11</b>
<b>Statement of directors' responsibilities</b>	<b>12</b>
<b>Independent Auditors' Report</b>	<b>13-15</b>
<b>Profit and loss account</b>	<b>16</b>
<b>Statement of comprehensive income</b>	<b>16</b>
<b>Balance sheet</b>	<b>17</b>
<b>Statement of changes in equity</b>	<b>18</b>
<b>Notes to the financial statements</b>	<b>19-33</b>

# ECOM Agrotrade Limited

## Strategic report

The directors present the strategic report of ECOM Agrotrade Limited (“the Company”) for the year ended 31 December 2019.

### Principal activities

The principal activity of the Company is the procurement and trading of physical commodities, primarily cocoa beans but also other agricultural commodities including cashew, coffee, sesame and ginger. The Company further offers tailored risk management solutions to producers and users of agricultural commodities and provides financing and stock management services to selected customers and trading partners.

### Business activities

#### Cocoa market

Cocoa exchanges are used for a wide range of purposes including by cocoa traders across the globe who trade physical cocoa on the basis of differential and therefore use exchange traded derivative products (amongst others) to hedge their price risk. However, third party speculative activity has increased in recent years and has now reached a point where the activities and the positions of these user groups far outweighs traditional physical cocoa hedging activity. As a result, market moves are much less linked to fundamental supply and demand and are increasingly driven by speculative activity.

2019 was an interesting year for cocoa as market prices trended upwards for the first eleven months of the year and we saw gains of 7% to the nearby contract on the ICE Europe exchange. However, December witnessed a minor sell off so annual gains were limited to just 3%.

The ECOM group, of which the Company forms part, operates a strict policy of hedging all physical cocoa contracts by trading exchange traded derivatives on a portfolio basis in order to mitigate, amongst others, market and price risk.

#### Supply and demand

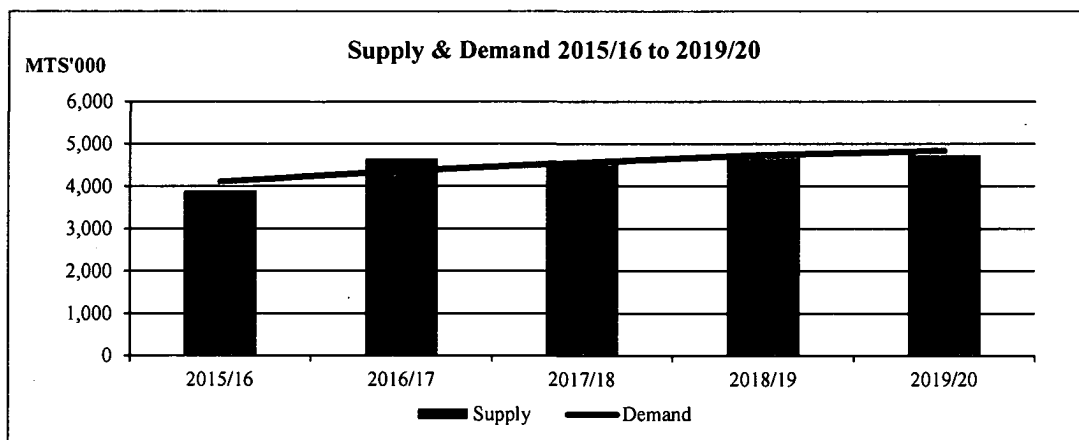
During the past four seasons we have witnessed annual increases in global production (with the exception of 2017/18 when a strong Harmattan affected West African crops, particularly in Ghana which led to a fairly stagnant year on year change). Global production since 2015/16 has increased by 20% from 3.9 million metric tonnes to over 4.7 million metric tonnes. The main reason for such an increase can be attributed to a 45% increase in production in Cote d’Ivoire where tree planting a few years ago has now started to generate strong yields. Additionally, there has been a 37.5% increase in production in Ecuador where farmers have adopted an efficient plantation style farming concept. Ecuador has now become the world’s third largest producer of cocoa beans (after Cote d’Ivoire and Ghana) overtaking Indonesia where the crop has been in decline over recent years. Yields have also fallen in Ghana where trees are becoming older and less productive, although, it remains the world’s second largest producer of cocoa beans.

Chocolate consumption can be measured in one way by the amount of cocoa which is processed by industry as ultimately, demand for cocoa products (such as liquor and butter) is driven by consumer consumption of chocolate products. Grindings over the last four years have increased in line with increases in global production and both supply and demand remain well matched, in fact, the 2018/19 season ended with a rather inconsequential deficit of approximately 20,000 metric tonnes.

The following chart illustrates the evolution of supply and demand from the 2015/16 to 2018/19 seasons along with a forecast for the 2019/20 crop.

# ECOM Agrotrade Limited

## Strategic report (continued)



*Source data from Armajaro Research Limited*

### Living Income Differential (LID)

An important development this year has been the progress made by the Ivorian and Ghanaian governments whose countries collectively produce 65% of global production. In collaboration the governments of these two countries have introduced an additional premium of \$400 per metric tonne to be paid by buyers of these origins' beans, termed a Living Income Differential (or LID). LID is payable in addition to market price plus any origin quality differential and the concept of LID is to generate additional income for farmers and their families and to help them to achieve a better quality of life. The LID is applicable to all Ghana and Cote d'Ivoire bean purchases with effect from the start of the 2020/21 crop season.

The Company fully supports the LID and the concept of ensuring a minimum standard of living for farmers. We have committed to paying LID for all of our forward purchases from Cote d'Ivoire/ Ghana for 2020/21 and we will continue to do so. Furthermore, our customers have also accepted the concept of LID and remain committed to paying this additional premium too.

Despite the increased costs that LID generates for those involved throughout the supply chain, country differentials have also risen during this year making it more costly to buy and sell cocoa. Inventory management is now key in order that the cost of carrying cocoa is kept at reasonably low levels.

### Sustainability

The directors recognise that they have a responsibility to develop and grow their business sustainably and they remain conscious of how the Company's activities across the globe can impact on local environments.

The Company is committed to improving its environmental performance wherever possible. A minimum is compliance with all local regulatory guidelines and requirements, but in most cases, it is expected that the Company's practices will exceed such requirements. Operations are to maintain emergency response plans suited to the business, and in new projects, incorporate all local environmental impact issues in planning.

The Company is committed to protecting the environment, enhancing traceability and expanding the development of sustainable production programs. Suppliers are expected to commit to doing business in a responsible, sustainable and ethical manner. The ECOM group's Supplier Code of Conduct sets out the standards expected of its suppliers and provides a framework within which to work regardless of local laws, Company policies, cultural norms and business practices around the world. These standards are globally aligned across ECOM group companies and all suppliers to the ECOM group must comply with the Supplier Code of Conduct.

# ECOM Agrotrade Limited

## Strategic report (continued)

The Company is an active member in the cocoa industry with numerous roles on leadership boards and as signatories of cocoa development initiatives. Through these outlets, the Company draws on high level expertise and local experience to ensure monitoring systems and engagement are at the highest level.

The Company participates in programmes undertaken by sustainable bodies such as Fair Trade, Rainforest Alliance and UTZ and supports these programmes by promoting their certifications to its customers. Additionally, the Company undertakes projects in origins with a number of its clients with the sole aim of enriching the lives of farmers and local communities and thus attempting to ensure that there is a minimum standard of living for farmers who traditionally come from poorer backgrounds and live in less developed areas.

These projects typically involve activities such as training farmers on efficient and effective farming practices, pruning farms, assisting farmers to obtain sustainable body accreditations (and thus earn additional premiums), drilling village boreholes and installing village resource centres, amongst others.

The International Cocoa Initiative (ICI) promotes child protection in cocoa growing communities and works to ensure a better future for children and their families. By engaging with all parties involved, directly or indirectly, in the cocoa supply chain, they believe that the complex Child Labour problems can be effectively tackled through collective, coordinated and consistent efforts. The Company is extremely supportive of this goal and is a board member of ICI.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. We acknowledge that we operate worldwide in a number of high risk countries for modern slavery and we work continuously with our business partners and clients around the world to eliminate modern slavery or human trafficking from our supply chains. Our approach reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

### Other activities

Our activities in other commodities form a minor part of the overall operation of the Company. This year, our involvement in cashew and sesame was extremely limited as our focus was directed towards ensuring that our core cocoa business continued to develop.

### Performance review

The Company has achieved an excellent result this year by increasing operating profit more than fivefold to \$83.5m from \$15.7m (2018). This achievement is the result of a number of factors including:

1. Leveraging extensive knowledge and experience in the cocoa market has enabled the Company to manage its basis positions well during a period of rising differentials.
2. Strong relationships with suppliers and customers have meant that the Company has entered into long standing and high quality contracts with quality partners throughout the entire supply chain.
3. Inventory management performance has been more effective and we have been able to ensure that the cost of carrying cocoa has been kept under control.
4. A strict hedging policy has ensured that exposures have been mitigated at all times.

# ECOM Agrotrade Limited

## Strategic report (continued)

The Board monitors performance of the Company's underlying operations on an ongoing basis and uses key performance indicators (KPIs), such as profit before tax, to measure its performance against set benchmarks, including budget and prior year data.

### Key performance indicators

	2019	2018
Growth / (reduction) in gross profit	137.7%	0.0%
Growth / (reduction) in operating profit	438.9%	9.2%
Return on equity	29.5%	5.8%
Return on capital employed	38.5%	9.0%

### Results and dividends

The Company's result for the year to 31 December 2019, after taxation, was a profit of US\$61,333,000 (2018: US\$9,792,000). The directors recommended the payment of a preference dividend of US\$1,490,575 (2018: US\$ nil). Total equity of the Company as at 31 December 2019 amounts to US\$208,526,000 (2018: US\$168,684,000).

### Future prospects

The Company plans to continue with its current operations. The Company's main focus going forward will be the trading of cocoa beans and other agricultural commodities such as cashew and ginger. The Company is a wholly owned subsidiary of ECOM Agroindustrial Corp. Limited ("ECOM") and the directors are confident, based on recent and expected future financial performance that the Company will continue to operate for the foreseeable future as a going concern.

The principal risks and uncertainties are market risks arising from changes in international and local commodity prices, liquidity risk, counterparty risk, capital risk and foreign exchange risk.

Following are the main risks faced by the Company, listed in no particular order:

#### *Financial risk management policies and objectives*

The Company's subsidiaries operate in a highly competitive market and are exposed to a variety of operational and financial risks. The Company's subsidiaries operate under a comprehensive risk management framework, established by the ultimate parent ECOM, to ensure that risks arising from the business are identified, measured, monitored and managed. Risk management guidelines and policies are set by the Board of ECOM and its Group Risk Committee. All subsidiaries are required to adhere to these policies and procedures. Segregation of duties between trading desks and centralised risk management, a strong professional set up and strict trading and counterparty position monitoring are key pillars of the group's set up.

#### *Market risk – commodity price risk*

As a commodity trading business, the Company is inherently exposed to market price movements, in particular from commodity price movements, and their impact on the performance of the business. The Company manages its exposure by matching physical purchase and sales contracts and by hedging exposures on the commodity futures and foreign exchange markets.

The Company hedges its physical commodity positions and as such management does not deem an analysis of the sensitivity to concentration of price risk to be material to the users of the accounts.

#### *Market risk - Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR, GBP and Ghanaian Cedis. Management has a policy that requires the Company to hedge material foreign exchange risk back to the US dollar.

# ECOM Agrotrade Limited

## Strategic report (continued)

### *Interest rate risk*

The majority of the Company's borrowings are to finance working capital and inventory requirements for which the rates can be variable. The Company is therefore exposed to the risk of movements in interest rates. The majority of the Company's financing requirements are of a short-term nature. The Company deems this method of borrowing to be the most suited to its business model and financing needs as the forward price of commodities generally reflects underlying interest rates.

### *Liquidity risk*

Liquidity risk is the risk that the Company may not be able to meet its obligations when they fall due. The Company endeavours to maintain sufficient cash and adequate credit facilities to meet its obligations at all times. The Company's liquidity position is monitored by a centralised group treasury function and short-term cash requirements and long-term funding projections are constantly reviewed to manage the funding requirements and the Company enjoys access to its ultimate parent's (ECOM) funding pool.

### *Counterparty risk*

The Company is exposed to performance risk, where commodities are purchased or sold for forward delivery, and credit risk, where sales are on credit terms or have some form of settlement risk. All of the Company's counterparties must therefore be approved in accordance with the Company's counterparty risk management policy, setting exposure limits for credit terms, quantity and forward duration and sub-limits for price fixed and forward exposures. Monitoring of counterparty exposures is performed and variances and breaches are reported in accordance with policy; trades which would result in limit breaches, may not be entered into without prior authorisation by the appropriate level of authority.

Counterparty exposures are monitored against their limits by reference to the net commodity positions and mark to market valuations by counterparty.

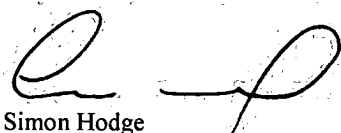
### *Capital risk management*

The Company is a wholly owned subsidiary of ECOM and is funded by a mix of equity capital, shareholder loans and committed and uncommitted bank facilities. As part of the regular business planning process, in conjunction with ECOM, consideration is given to future capital and debt requirements.

### *Use of financial instruments*

The Company uses financial instruments in its operating activities that are appropriate to its strategy and circumstances, such as hedging the physical purchase and sale of commodities. Derivative financial instruments have been reported in the financial statements on a net basis and represent the Company's maximum exposure to credit risk.

The Strategic report was approved by the Board of Directors and signed on its behalf by



Simon Hodge  
Director  
18 June 2020

# **ECOM Agrotrade Limited**

## **Directors' report**

The directors present their report and audited financial statements of the Company for the year to 31 December 2019.

### **Going concern**

The directors continue to adopt the going concern basis in preparing the annual report and financial statements, as set out in Note 3 on page 19.

### **COVID-19**

Subsequent to the year end, the world has been impacted by a new coronavirus which is a pandemic and this strain has been termed COVID-19. The impact has been wide ranging and has changed the way that we as a global population currently live our lives. For example, many countries across the globe have experienced lockdowns which have led to restrictions on movement and access to some goods and services have reduced dramatically. Much of the travel and hospitality industry have suffered temporary shutdowns and social distancing has been imposed amongst many populations.

Our suppliers, who are mainly based within the cocoa origins, have equally suffered from the effects of coronavirus. However, despite this, all of our origin partners have executed all their contractual commitments in a timely and efficient manner and we have no material overdue shipments.

Our customers are diverse and include traders, processors, biscuit manufacturers, chocolate makers and high end bean to bar artisans. Offtake during the lockdown period has been very good and our customers appear to be seeing good demand for their products.

The directors recognise the importance of safeguarding the physical and mental wellbeing of its employees. The Company has robust information technology platforms which have enabled the organisation to ensure that all employees of the Company are able to maintain social distancing and thus carry out their day to day activities remotely and with minimal disruption. During the lockdown in the UK, the Company has performed effectively and we have seen little disruption to the way that our business performs.

The directors believe that given the successful continuation of global business within our industry during the worst period of the COVID-19 pandemic, the Company's performance will not be materially impacted especially given that conditions are now starting to improve.

### **s172 statement**

The directors promote positive and regular dialogue with all of their stakeholders. They have had regard to the need to foster business relationships with the different stakeholder groups and that the success of the Company can be measured by how well these relationships are maintained.

### **Regard to the likely consequences of any decision in the long term**

The ECOM group has been merchants of agricultural commodities for the past 170 years. The members have striven to conduct business under a strong, diversified and yet balanced management team and business is undertaken in a prudent manner such that risks are limited as far as possible. The directors are aligned to this business principle and are committed to ensuring the long term success of the Company. Although, from time to time, the directors will take decisions which will affect the Company in the short term, the main focus will always be adding shareholder value for the long term. Regular meetings occur during which performance is measured and key performance indicators are reviewed.

### **Regard to the interests of the Company's employees**

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company's directors give full and fair consideration to applications for employment of disabled persons, having regard to their particular aptitudes and abilities.

# **ECOM Agrotrade Limited**

## **Directors' report (continued)**

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company aims to continue employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

### **Regard to the need to foster the Company's business relationships with suppliers, customers and others**

Our suppliers often operate in less developed regions and the Company offers support in a number of ways including providing fair contract terms, prompt financing and assistance with certification accreditation.

The Company's customers tend to be end user facing which often means the general public rather than other industrial partners. As such, the Company is aware of how its actions can affect its customers directly and so has regular dialogue with its customers and works collaboratively to achieve joint goals such as undertaking and executing projects which aim to help cocoa farmers throughout the world to live outside of poverty. The directors recognise that the success of the Company's customers is a key factor to the success of the Company itself.

### **Regard to the impact of the Company's operations on the community and the environment**

The Company seeks to meet the expectations of its customers and in turn their customers by operating ethically and promoting sustainable projects which enhance the lives of cocoa farmers and the communities in which they live. Additionally, the Company seeks to leave minimal ecologic impact where it conducts its business. The directors recognise that they have a responsibility to develop and grow their business sustainably and they remain conscious of how the Company's activities across the globe can impact on local environments.

### **Regard to the desirability of the Company maintaining a reputation for high standards of business conduct**

The Company seeks to ensure that high standards are maintained at all times. The Company has sought to devise and utilise a number of policies to assist with this aim including the supplier code of conduct, which the directors have reviewed and approved. The Company has memberships with 3<sup>rd</sup> party sustainability programs such as Fair Trade and UTZ and its positions on boards such as the International Cocoa Initiative help to maintain focus on ensuring high standards for the long term.

### **Regard to the need to act fairly as between members of the Company**

The Company is a wholly owned subsidiary of ECOM Agroindustrial Corp. Limited. Our shareholder shares in the strategic vision of the Company and engages in the annual budget setting and business planning process.

# ECOM Agrotrade Limited

## Directors' report (continued)

The following table summarises how the directors communicate with their major stakeholders and the expectations that such stakeholders have:

STAKEHOLDER GROUP	COMMUNICATION METHODS	STAKEHOLDER NEEDS
<b>CUSTOMERS</b> - Cocoa processors. - Industrial chocolate manufacturers. - International commodity traders & agents. - Smaller independent bean to bar manufacturers.	- Close working relationships with trade and procurement teams. - Trade exhibitions. - Creation of a dedicated communications and development manager.	- Supply chain management. - Cost optimisation. - Flexible delivery options. - Access to specialty cocoa beans.
<b>SUPPLIERS</b> - Origin farmers. - Independent origin exporters. - Government controlled origin exporters. - International commodity traders & agents.	- Farmer training events. - Close working relationships with trade and procurement teams.	- Quality partnering solutions to ensure best price and offtake of local supply - Commitment to ethical and sustainable practices - Long term relationships - Fair terms and prompt payments
<b>LOGISTICS PARTNERS</b> - Global shipping lines. - European warehouses.	- Daily interaction via numerous methods including phone, email and social media applications.	- High quality communication to ensure accuracy of goods intake and delivery. - Collaboration to promote best practice.
<b>EMPLOYEES</b>	- Regular Town Halls and breakfast briefings. - Updated intranet. - Quarterly staff newsletter covering updates across all of ECOM's product lines and global locations. - Annual appraisals.	- Training & development. - Investment in company systems. - Opportunities for career progression - The ability to fully understand our business.
<b>SUSTAINABILITY PARTNERS</b> - Farmers - Certification bodies - Customers - Independent Bodies	- Specialised local farmer events. - Farmer training and awareness programmes. - Electronic farmer payment platform. - Certification audits. - Customer project updates. - Board meetings of independent bodies.	- Training & awareness. - Prompt settlement of premiums and services. - Integrity of the certification process and mass balancing. - Access to ethical and sustainable supply chains.

### Directors

The directors who served throughout the year and to the date of this report, except as noted, were as follows:

Andrew Falconer  
Alain Poncelet  
Simon Hodge  
Nicolas de Wasseige

### Financial risk management policies and objectives

Please refer to the Strategic report for discussion of the principal risks faced by the Company and its risk management policies and objectives.

# ECOM Agrotrade Limited

## Directors' report (continued)

### Statement of disclosure of information to auditors

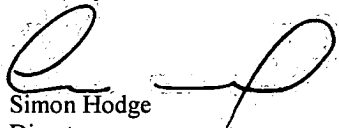
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditors, Nexia Smith and Williamson, expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Board Meeting.

The financial statements on pages 16 to 32 were approved by the Board of Directors and signed on its behalf by



Simon Hodge

Director

18 June 2020

10<sup>th</sup> Floor, 55 Old Broad Street  
London EC2M 1RX

# **ECOM Agrotrade Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 accounting 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;
- 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 ECOM AGROTRADE LTD**

**Opinion**

We have audited the financial statements of ECOM Agrotrade Limited (the 'Company') for the year ended 31 December 2019 which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity 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 United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

**Emphasis of matter – impact of COVID-19**

We draw attention to note 3 of the financial statements, which describes the impact of COVID-19 on the company. Our opinion is not modified in respect of this matter.

**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 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.

**Other information**

The other information comprises the information included in the Annual report and 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.

## **ECOM Agrottrade Limited**

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 Company and its 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, 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.

### **Responsibilities of Directors**

As explained more fully in the Statement of directors' responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

## **ECOM Agrotrade Limited**

### **Use of our report**

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.

*Nexia Smith & Williamson*

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

25 Moorgate  
London  
EC2R 6AY

Date: 23 June 2020

# ECOM Agrotrade Limited

## Profit and loss account For the year ended 31 December 2019

	Note	Year ended 31 Dec 2019 US\$'000	Year ended 31 Dec 2018 US\$'000
<b>Turnover</b>		1,336,664	1,253,278
Cost of sales		(1,225,176)	(1,206,386)
<b>Gross profit</b>		<b>111,488</b>	<b>46,892</b>
Administrative expenses		(27,819)	(30,367)
Other operating losses		(207)	(808)
<b>Operating profit</b>	5	<b>83,462</b>	<b>15,717</b>
Income from shares in group undertakings		-	-
Loss from participating interests		(234)	(283)
<b>Profit before interest and taxation</b>		<b>83,228</b>	<b>15,434</b>
Interest receivable and similar income	7	718	740
Interest payable and similar charges	7	(8,649)	(7,266)
<b>Profit before taxation</b>		<b>75,297</b>	<b>8,908</b>
Tax on profit	8	(13,964)	884
<b>Profit for the financial year</b>		<b>61,333</b>	<b>9,792</b>

## Statement of comprehensive income For the year ended 31 December 2019

	Note	Year ended 31 Dec 2019 US\$'000	Year ended 31 Dec 2018 US\$'000
<b>Profit for the financial year</b>	5	<b>61,333</b>	<b>9,792</b>
<b>Total comprehensive income</b>		<b>61,333</b>	<b>9,792</b>

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

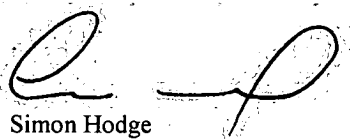
# ECOM Agrotrade Limited

## Balance sheet As at 31 December 2019

	Note	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<b>Non-current assets</b>			
Tangible assets	9	44	166
Investments	10	9,788	13,354
		<u>9,832</u>	<u>13,520</u>
<b>Current assets</b>			
Inventories	11	157,352	130,077
Debtors	12	408,570	398,189
Cash at bank and in hand		4,868	3,440
		<u>570,791</u>	<u>531,706</u>
<b>Creditors: amounts falling due within one year</b>	13	(365,783)	(374,358)
<b>Net current assets</b>		<u>205,008</u>	<u>157,348</u>
<b>Total assets less current liabilities</b>		<u>214,840</u>	<u>170,868</u>
Creditors: amounts falling due after more than one year	14	(2,208)	(753)
Provisions for liabilities	15	(4,105)	(1,431)
<b>Net assets</b>		<u>208,526</u>	<u>168,684</u>
<b>Capital and reserves</b>			
Called up share capital	16	154,300	174,300
Profit and loss account		54,226	(5,616)
<b>Total equity</b>		<u>208,526</u>	<u>168,684</u>

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

These financial statements of ECOM Agrotrade Limited, registration number 03576004, were approved and authorised for issue by the Board of Directors.



Simon Hodge  
Director

18 June 2020

## ECOM Agrotrade Limited

### Statement of changes in equity For the year ended 31 December 2019

	<b>Called up share capital US\$'000</b>	<b>Retained earnings US\$'000</b>	<b>Total US\$'000</b>
Balance as at 1 January 2018	174,300	(15,408)	158,892
Profit for the year	-	9,792	9,792
Total comprehensive income for the year	-	9,792	9,792
<b>Balance as at 31 December 2018</b>	<b>174,300</b>	<b>(5,616)</b>	<b>168,684</b>
<b>Balance as at 1 January 2019</b>	<b>174,300</b>	<b>(5,616)</b>	<b>168,684</b>
Profit for the year	-	61,333	61,333
Cancellation of shares	(20,000)	-	(20,000)
Dividends paid	-	(1,491)	(1,491)
<b>Total comprehensive income for the year</b>	<b>(20,000)</b>	<b>59,842</b>	<b>39,842</b>
<b>Balance as at 31 December 2019</b>	<b>154,300</b>	<b>54,226</b>	<b>208,526</b>

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

# **ECOM Agrotrade Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

### **1. General information**

The principal activity of the Company is the procurement and trading of physical commodities, primarily cocoa beans but also other agricultural commodities including cashew, coffee, sesame and ginger. The Company further offers tailored risk management solutions to producers and users of agricultural commodities and provides financing and stock management services to selected customers and trading partners.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 10<sup>th</sup> Floor, 55 Old Broad Street, London, EC2M 1RX.

### **2. Statement of compliance**

The financial statements of ECOM Agrotrade Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and in the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the current year and preceding period.

#### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historic cost convention, as modified by the revaluation of stock and derivative financial instruments and investments in associates measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company has taken advantage of the exemption under FRS 102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity, and its immediate parent company, ECOM Agrotrade Holdings Limited, include the Company's cash flows in its own consolidated financial statements.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Directors' Reports on pages 3 to 11. The financial position of the Company, its cash flows, liquidity and risk position are set out in the financial statements. In addition, these reports include the Company's objectives, policies and processes for managing its capital; details of its financial instruments and hedging activities; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Company's ultimate parent is ECOM Agroindustrial Corp. Limited ("ECOM") and the Directors are confident, based on recent and expected financial performance as well as on the support received from ECOM, that the Company will continue to operate for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the annual report and financial statements.

# **ECOM Agrotrade Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

### **3. Summary of significant accounting policies (continued)**

#### **Going concern (continued)**

##### **COVID-19**

Subsequent to the year end, the world has been impacted by a new coronavirus which is a pandemic and this strain has been termed COVID-19. The impact has been wide ranging and has changed the way that we as a global population currently live our lives. For example, many countries across the globe have experienced lockdowns which have led to restrictions on movement and access to some goods and services have reduced dramatically. Much of the travel and hospitality industry have suffered temporary shutdowns and social distancing has been imposed amongst many populations.

Our suppliers, who are mainly based within the cocoa origins, have equally suffered from the effects of coronavirus. However, despite this, all of our origin partners have executed all their contractual commitments in a timely and efficient manner and we have no material overdue shipments.

Our customers are diverse and include traders, processors, biscuit manufacturers, chocolate makers and high end bean to bar artisans. Offtake during the lockdown period has been very good and our customers appear to be seeing good demand for their products.

The directors recognise the importance of safeguarding the physical and mental wellbeing of its employees. The Company has robust information technology platforms which have enabled the organisation to ensure that all employees of the Company are able to maintain social distancing and thus carry out their day to day activities remotely and with minimal disruption. During the lockdown in the UK, the Company has performed effectively and we have seen little disruption to the way that our business performs.

The directors believe that given the successful continuation of global business within our industry during the worst period of the COVID-19 pandemic, the Company's performance will not be materially impacted especially given that conditions are now starting to improve.

#### **Foreign currency**

The Company measures items in its financial statements using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's financial statements are presented in US dollars which is the Company's presentation currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable from the sales of physical commodities.

Where the consideration receivable in cash or cash equivalents is deferred and the arrangement constitutes a financing transaction, the fair value of the consideration is measured at the present value of all future receipts using the imputed rate of interest.

The Company recognises revenue when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# **ECOM Agrotrade Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

### **3. Summary of significant accounting policies (continued)**

#### **Revenue (continued)**

An analysis of revenue by geographical area has not been presented as the directors believe the disclosure of such information would be seriously prejudicial to the interests of the Company. The Company has no other material business activities beyond those set out in the Strategic report.

#### **Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when these timing differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Tangible assets**

Tangible assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a straight-line basis over its expected useful life as follows:

Freehold land	Nil
Freehold buildings	25 - 30 years
Fixtures and fittings	3 – 5 years
Computer and office equipment	2 - 3 years

Residual value is calculated on prices prevailing at the date of acquisition.

#### **Operating leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### **Investments**

Investments in subsidiary companies and investments in associates are held at cost less provision for impairment. Investments in associates are accounted for using the equity method.

#### **Inventories**

Inventories are stated at market value at the balance sheet date. The directors consider that this method of valuation, whilst departing from standard accounting practice of valuation at lower of cost and net realisable value in the UK and from the Companies Act 2006, reflects more fairly the underlying transactions of the Company because the Company hedges its physical commodities with financial instruments, which are fair valued. Therefore to give a fairer view the inventories are also fair valued to match the profit and loss streams. The Company's systems do not facilitate the tracking of the historical cost of inventories, and therefore it is not possible to quantify the difference between the market value and the lower of cost and net realisable value of inventories.

#### **Distributions to equity holders**

Dividends are recognised as a liability in the financial statements in the period in which they are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 3. Summary of significant accounting policies (continued)

#### Financial instruments

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 Financial instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A or 12.25B of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised on the balance sheet when the Company has become a party to the contractual provisions of the instrument. Financial instruments are de-recognised when all the de-recognition criteria of IAS 39 are met and the Company no longer controls the contractual rights that comprise the financial instrument.

This is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party. Long term contracts are included within financial instruments as appropriate and valued accordingly.

#### Financial assets

Financial assets are classified into the following specific categories:

##### *Fair value through profit or loss*

The Company classifies derivative financial instruments as held for trading. These amounts include unrealised gains from exchange traded futures and options and from a mark-to-market valuation on forward physical contracts. The fair value of exchange traded futures and options are the ICE Futures Europe and U.S. and CME Europe and US quoted closing prices on the balance sheet date. The mark-to-market valuation used for forward physical contracts is also derived from these quoted closing prices. Profits and losses arising therefrom are recognised in the profit and loss account.

##### *Debt instruments measured at amortised cost*

Trade and other debtors that have determinable payments that are not quoted in an active market are classified as debt instruments measured at amortised cost. They are measured at amortised cost using the effective interest method, less any impairment, which is recognised within other operating losses.

##### *Cash*

Cash comprises cash on hand and demand deposits, which may be accessed without penalty.

#### Financial liabilities

Financial liabilities are classified into the following specific categories:

##### *Fair value through profit or loss*

The Company classifies its derivative financial instruments as held for trading. These amounts include unrealised losses from exchange traded futures and options and from a mark-to-market valuation on forward physical contracts. The fair value of exchange traded futures and options are the ICE Futures Europe and U.S. and CME Europe and US quoted closing prices on the balance sheet date. The mark-to-market valuation used for forward physical contracts is also derived from these quoted closing prices. Profits and losses arising therefrom are recognised in the profit and loss account.

##### *Financial liabilities measured at amortised cost*

This includes bank loans and overdrafts, and trade and other creditors. Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

# **ECOM Agrotrade Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

### **3. Summary of significant accounting policies (continued)**

#### **Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. Short-term benefits, including holiday pay, are recognised as an expense in the period in which the service is rendered. An expense is recognised for bonuses when the Company has a legal or constructive obligation to make payments under the plan as a result of past events, and a reliable estimate of the obligation can be made.

The Company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a third party. Once these amounts have been paid, the Company has no further payment obligations. The contributions are recognised as an expense when they are due.

### **4. Critical accounting judgement and estimation uncertainty**

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

#### *Critical accounting estimates and assumptions*

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

#### *Impairment of debtors (Note 12)*

The Company makes an estimate of the recoverable value of debtors (including advances to suppliers of commodities, amounts due from brokers and group companies). When assessing the impairment of debtors management considers historical experience, age profile of debtors and, where appropriate, credit rating.

# ECOM Agrottrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 5. Operating profit

Operating profit is stated after charging:

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Auditors' remuneration for the audit of the Company financial statements	84	79
Total amount payable to the Company's auditor and its associates	<u>84</u>	<u>79</u>
Loss on disposal of tangible assets	-	4
Impairments	(8)	852
Inventory recognised as an expense	1,262,095	1,204,141
Operating lease payments	491	1,048
Foreign exchange losses/(gains)	12,618	(12,162)
Loss on financial instruments measured at fair value	33,123	56,261

The impairments related to write-down of a receivable from a counterparty that is winding down, and the impairment of an investment in a subsidiary upon liquidation.

### 6. Employees and directors

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Wages and salaries	10,310	10,352
Social security costs	1,268	1,200
Other pension costs	412	391
<b>Total staff costs charged to profit and loss</b>	<u><b>11,990</b></u>	<u><b>11,943</b></u>

#### Employees

The average monthly number of people (including executive directors) employed by the Company during the year was:-

	2019 No.	2018 No.
<b>By activity</b>		
Industrial employees	2	-
Administrative and operations employees	55	58
	<u>57</u>	<u>58</u>

#### Directors

The remuneration of the directors who received remuneration for their qualifying service to the Company was US\$1,554,614 (2018: US\$1,699,749). The highest paid received \$894,905 (2018: \$863,049). Post-employment benefits are accruing for four directors (2018: four) under a defined contribution scheme.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 7. Net interest expense

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<b>Interest receivable and similar income</b>		
On bank deposits and broker margin accounts	718	740
	<u>718</u>	<u>740</u>
<b>Interest payable and similar charges</b>		
On bank loans and overdrafts	-	157
Other loans	8,649	7,109
	<u>8,649</u>	<u>7,266</u>

### 8. Tax on profit

#### Tax expense included in profit or loss

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<b>Current tax</b>		
UK Corporation tax charge at 19% (2018: 19%)	6,458	-
Foreign tax charge	-	91
<b>Total current tax charge for the period</b>	<u>6,458</u>	<u>91</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	7,940	(891)
Adjustments in respect of prior periods	56	(539)
Impact of change in tax rate	(490)	455
<b>Total deferred tax charge / (credit) for the period</b>	<u>7,506</u>	<u>(975)</u>
<b>Tax charge / (credit) on profit</b>	<u>13,964</u>	<u>(884)</u>

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 8. Tax on profit (continued)

#### Reconciliation of tax charge

The current year tax charge is lower (2018: lower) than that arising from applying the standard rate corporation tax of 19% (2018: 19%). The differences are explained below:

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Profit before taxation	75,297	8,908
Tax charge at 19% (2018: 19%)	14,306	1,693
Non-taxable income / deductible expenses	92	(2,493)
Re-measurement of deferred tax – change in UK tax rate	(490)	455
Adjustments in respect of prior periods	56	(539)
Total tax charge / (credit) for the period	13,964	(884)

#### Factors that may affect the future tax charge

Changes to the UK corporation tax rates were enacted as part of Finance Act 2016. These include reductions to the main rate from 19% to 17% from 1 April 2020. It has subsequently been announced that the main rate will remain at 19%, but this was not substantively enacted at the balance sheet date. Deferred taxes at the balance sheet date are calculated using the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date.

### 9. Tangible assets

	Computer & office equipment US\$'000	Fixtures & fittings US\$'000	Total US\$'000
<b>Cost</b>			
At 1 January 2019	71	640	711
At 31 December 2019	71	640	711
<b>Accumulated depreciation</b>			
At 1 January 2019	59	486	545
Charge for the period	12	110	122
At 31 December 2019	71	596	667
<b>Net book amount</b>			
At 1 January 2019	12	154	166
At 31 December 2019	-	44	44

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 10. Investments

Investments are analysed as follows:-

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Subsidiary undertakings	6,887	6,597
Associated undertakings	2,901	6,757
Total	<u>9,788</u>	<u>13,354</u>

The investments balance is comprised of investments in subsidiaries and associates. The carrying value of the investment in subsidiaries was as follows:

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<b>Investments in subsidiaries</b>		
At beginning of period	6,597	6,201
Additions	290	396
At end of period	<u>6,887</u>	<u>6,597</u>

The carrying value of the investment in associate was as follows:

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<b>Investments in associates</b>		
At beginning of period	6,757	7,040
Disposals	(3,832)	-
Share of losses retained	(24)	(283)
At end of period	<u>2,901</u>	<u>6,757</u>

The investment in associate comprises the 23.81% interest in VA&E Trading LLP (2018: 49.51%).

### 11. Inventories

There is no significant difference between the replacement cost of the inventory and its carrying amount. The Company has total inventories held for trading of US\$157,352,000 (2018: US\$130,077,000).

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 12. Debtors

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Gross trade debtors	35,147	19,619
Provision for doubtful debts	(3,069)	(2,717)
Trade debtors	32,078	16,902
Financial instruments held for trading	69,421	75,844
Amounts owed by related parties	131,316	167,575
Deferred tax asset	7,250	14,755
Amounts due from brokers	144,549	109,872
Other debtors	2,074	3,051
Prepayments and accrued income	21,882	10,190
	<b>408,570</b>	<b>398,189</b>

Amounts owed by related parties includes unsecured loans due to the Company of US\$5,685,000 (2018: US\$4,023,000) at interest rates of 5.0 - 10.3% pa (2018: 9.6% pa) which are repayable by 31 March 2022. The remaining balance relates primarily to trade activities, and are unsecured, interest free, no fixed date of repayment, and repayable on demand.

Financial instruments held for trading includes US\$23,157 (2018: US\$2,727,000) falling due in more than 1 year.

The deferred tax asset consists of the following items:-

	US\$'000
Deferred tax asset on trading losses	5,556
Fixed asset timing differences	764
Other timing differences	930
<b>At 31 December 2019</b>	<b>7,250</b>

The deferred tax asset recoverable beyond one year amounts to US\$3,431,000 (2018: US\$12,141,000).

### 13. Creditors: amounts falling due within one year

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Bank loans and overdrafts	2	2
Trade creditors	4,850	7,543
Financial instruments held for trading	50,875	56,085
Amounts owed to related parties	239,476	251,221
Amounts due to brokers	49,206	43,293
Other creditors	6,125	757
Accruals and deferred income	15,249	15,457
	<b>365,783</b>	<b>374,358</b>

Amounts owed to related parties includes unsecured loans due to the ultimate parent company of \$191,034,000 (2018: \$231,010,000) at interest rates of 1.4 - 3.4% pa (2018: 2.25% - 3.4% pa) which are repayable on demand. The remaining balance relates primarily to trade activities, and is unsecured, interest free, no fixed date of repayment, and repayable on demand.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 14. Creditors: amounts falling due after one year

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Financial instruments held for trading	2,208	753
	<b>2,208</b>	<b>753</b>

All amounts stated above are due within 5 years.

### 15. Provisions

	Employee benefits US\$'000	Total US\$'000
At 31 December 2018	1,431	1,431
Charged to the profit and loss account	2,674	-
At 31 December 2019	<b>4,105</b>	<b>1,431</b>

### 16. Share capital and other reserves

	Number of shares '000	Ordinary shares US\$'000
<b>Called up and fully paid</b>		
As at 31 December 2018 and 2019	154,300	154,300

	Number of shares '000	Preference shares US\$'000
<b>Called up and fully paid</b>		
As at 31 December 2018	100,000	20,000
Cancellation of shares	(100,000)	(20,000)
As at 31 December 2019	-	-

The preference shares rank pari passu with the ordinary shares for voting and capital rights, and carry preferential dividend rights.

Preference share dividends of \$1,491,000 were paid during the year ended 31 December 2019 (2018: \$nil). All preference shares were cancelled during the year ended 31 December 2019.

The profit and loss account represents the accumulated undistributed profit of the Company that has been recognised through profit and loss.

The Company has no externally imposed restrictions on capital.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 17. Financial instruments

The Company has the following financial instruments:

	2019 US\$'000	2018 US\$'000
<b>Financial assets at fair value through profit or loss</b>		
Derivative financial instruments	69,421	75,844
<b>Financial assets measured at amortised cost</b>		
Trade and other debtors	331,899	322,345
<b>Total financial assets</b>	<b>401,320</b>	<b>398,189</b>
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative financial instruments	53,084	56,838
<b>Financial liabilities measured at amortised cost</b>		
Bank loans and overdrafts	2	2
Trade and other creditors	314,905	318,271
<b>Total financial liabilities</b>	<b>367,991</b>	<b>375,111</b>

The carrying value of financial assets recorded in the financial statements represents the maximum credit risk exposure for the Company. None of the financial assets are secured by collateral or other credit enhancements. The directors consider that the carrying amount of financial assets approximate to their fair value.

The derivative financial instruments consist of forward contracts for the purchase and sale of physical commodities, and forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. All derivative financial instruments are measured at fair value in line with the Company accounting policy as mentioned in Note 3.

- (a) Trade and other creditors principally comprise amounts due to counterparties in respect of amounts due under physical commodity contracts.
- (b) Bank loans and overdrafts principally represent borrowings provided under uncommitted credit facilities.
- (c) Derivative financial instruments represent fair value gains and losses on forward physical commodity contracts, and on foreign exchange contracts.

The directors consider the carrying amount of all financial instruments approximates to their fair value.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 18. Commitments and contingencies

The Company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	31 Dec 2019	31 Dec 2018
Land and buildings	Land and buildings	
US\$'000	US\$'000	
Within one year	225	471
Later than one year and not later than five years	1,420	393
	<b>1,645</b>	<b>864</b>

The Company enters into forward and futures contracts for the purchase and sale of cocoa, coffee and foreign currencies in the normal course of business.

As at 31 December 2019, the Company has given un-secured guarantees in respect of the obligations and liabilities of ECOM up to a maximum of US\$2,459,000,000 (2018: US\$2,459,000,000).

### 19. Related parties

Balances at 31 December 2019 and 31 December 2018 with fellow Company subsidiaries and related parties are disclosed in Note 12 and Note 14. Transactions during the period are summarized below:

Related party (nature of transactions)	Transactions during the period	
	31 Dec 2019	31 Dec 2018
	US\$'000	US\$'000
<b>Turnover</b>		
Related parties & parent company	555,571	472,902
<b>Cost of sales</b>		
Related parties & parent company	333,182	457,969
<b>Related party (nature of transactions)</b>	<b>Transactions during the period</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financing</b>		
Company and related parties – interest income	591	619
Company and related parties – interest expense	8,093	6,787

The Directors are considered to be the key management personnel. Their remuneration is disclosed in Note 6.

### 20. Controlling party

The immediate parent undertaking is ECOM Agrotrade Holdings Limited and ultimate controlling party is ECOM Agroindustrial Corp. Limited ("ECOM"), a company incorporated in Switzerland. The consolidated financial statements of ECOM are not publicly available. ECOM Agrotrade Holdings Limited is the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019. These consolidated financial statements can be obtained from 10<sup>th</sup> Floor, 55 Old Broad Street, London EC2M 1RX.

# ECOM Agrotrade Limited

## Notes to the financial statements For the year ended 31 December 2019

### 21. Subsidiaries and related undertakings

The Company's primary investments are in the following subsidiary undertakings and associates:

Subsidiary undertakings	Principal activity	Country of incorporation	Holding	Class of Share
Agro ECOM Ghana Limited	Commodity procurement	Ghana	85%	Ordinary
Sustainability Management Services Ghana Limited	Sustainability solutions	Ghana	100%	Shares
Kiteko Ghana Limited	Logistics	Ghana	100%	Ordinary
Associates	Principal activity	Country of incorporation	Holding	Class of Share
VA&E Trading LLP	Commodity procurement and trading	UK	23.81%	Member

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation and the effective percentage of equity owned, as at 31 December 2019 are stated below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are directly held by ECOM Agrotrade Limited.

#### *Fully owned subsidiaries*

Armajaro Coffee Limited<sup>(i)</sup> (England and Wales)  
 Armajaro Overseas Limited<sup>(i)</sup> (England and Wales)  
 Armajaro Nigeria Limited<sup>(vi)</sup> (Nigeria)  
 ARL Commodities Limited<sup>(i)</sup> (England and Wales)  
 Armajaro Trading (India) Private Limited<sup>(i)</sup> (India, Equity Shares)  
 Armajaro Uganda Limited<sup>(i)</sup> (Uganda)  
 Armajaro Vietnam Limited<sup>(vii)</sup> (Vietnam)  
 IGROW GHANA FNGO LIMITED<sup>(i)</sup> (Ghana)  
 JNF Properties Limited<sup>(viii)</sup> (Ghana)  
 Kiteko Ghana Limited<sup>(i)</sup> (Ghana)  
 Kiteko SA<sup>(i)</sup> (Ivory Coast)  
 Sustainability Management Services Ghana Limited<sup>(i)</sup> (Ghana, Shares)  
 Unicom Commodities Burkina SARL<sup>(xi)</sup> (Burkina Faso)  
 Unicom Holding B.V.<sup>(i)</sup> (Netherlands, Common Shares and Cumulative Preference Shares)  
 Unicom Speciality Commodities Limited<sup>(viii)</sup> (Ghana)  
 Armajaro Cotton Ghana Limited<sup>(ii)</sup> (Ghana, Shares)  
 West Africa Warehouse Co. Ltd (Cayman Islands, Shares)  
 Cofco Ghana Limited (Ghana, Shares)

#### *Subsidiaries where the effective interest is less than 100%*

Armajaro Cote D'Ivoire S.A.<sup>(i)</sup> (Cote d'Ivoire, 99.13%)  
 Agro ECOM Ghana Limited<sup>(i)</sup> (Ghana, 85.00%)  
 Armajaro Peru SAC (Sociedad Anonima Cerrada)<sup>(i)</sup> (Peru 0.10%)  
 Armajaro Rwanda Limited<sup>(i)</sup> (Rwanda, 99.00%)  
 Armajaro Tanzania Limited<sup>(i)</sup> (Tanzania, United Republic of, 99.99%)  
 Unicom Commodities Ghana Limited<sup>(v)</sup> (Ghana, 90.00%)

# **ECOM Agrotrade Limited**

## **Notes to the financial statements For the year ended 31 December 2019**

### **21. Subsidiaries and related undertakings (continued)**

#### *Joint ventures and associates*

Cocobod Armajaro Traceable Foundation<sup>(iv)</sup> (Ghana, 23.81%)  
Compania Andina de Azucar SpA<sup>(iii)</sup> (Chile, 23.81%)  
VA&E Trading LLP<sup>(ii)</sup> (England and Wales, 23.81%, Member)  
V&A Commodity Traders Sàrl<sup>(iii)</sup> (Switzerland, 23.81%)  
VA&E Trading do Brasil Ltda<sup>(iii)</sup> (Brazil, 23.81%, Ordinary quotas)

- (i) Direct subsidiary of ECOM Agrotrade Ltd
- (ii) 50% owned by ECOM Agrotrade Ltd
- (iii) Direct stake held by VA&E Trading LLP
- (iv) Direct stake held by Agro ECOM Ghana Limited
- (v) Direct subsidiary of Unicom Holding B.V.
- (vi) Direct subsidiary of Armajaro Overseas Limited
- (vii) Direct subsidiary of Armajaro Coffee Limited
- (viii) Direct subsidiary of Kiteko Ghana Limited
- (ix) Direct subsidiary of Unicom Speciality Commodities Limited