

Registered number: 09268110

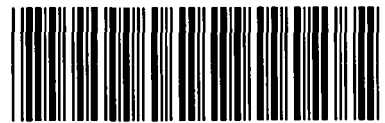
Registered office:
The Broadgate Tower, Third Floor
20 Primrose Street
London EC2A 2RS
United Kingdom

CASTLETON COMMODITIES UK LIMITED

Annual report and financial statements

December 31, 2019

TUESDAY



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CASTLETON COMMODITIES UK LIMITED

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CASTLETON COMMODITIES UK LIMITED

STRATEGIC REPORT

The Directors present their Strategic report for Castleton Commodities UK Limited (the “Company”) for the year ended December 31, 2019.

The Company was incorporated in the United Kingdom and registered in England and Wales on October 16, 2014 as a private company limited by shares under the Companies Act 2006. The Company’s accounting reference date is December 31.

The Company’s immediate parent is Castleton Commodities Luxembourg Holdings Sàrl (“CC Lux”), incorporated in Luxembourg. The ultimate parent undertaking and controlling entity is Castleton Commodities International LLC (“CCI”), incorporated in the United States under the laws of State of Delaware, which, together with the Company and CCI’s other subsidiary undertakings, form the “CCI Group”, which prepares group accounts.

Principal Activity

The principal activity of the Company is the provision of commercial services in commodities markets. During the year, the Company exited from the base metals space resulting in significant reduction in revenue and cost of sales. No other significant change in the Company’s principal activity is expected.

Business Review

The statement of comprehensive income/(loss) for the year is set out on page 11. The Company recorded income after tax of \$0.4 million, versus a prior year loss of \$29.9 million. The balance sheet is set out on page 13. The Company’s net liabilities at December 31, 2019 and 2018 were \$22.1 million and \$22.5 million, respectively. There were no cash or non-cash contributions during 2019 and 2018. During the year, the Company exited from the base metals space resulting in significant reduction in revenue and cost of sales.

Going Concern

As at December 31, 2019, the Company had a net liabilities position of \$22.1 million (2018: net liabilities position of \$22.5 million) and current year profit of \$0.4 million (2018: loss of \$29.9 million).

CCI has committed to provide financial support, either directly or indirectly, through intermediary holding companies, through at least December 20, 2021 to ensure the Company has sufficient funds to support its operations and meet its ordinary course financial obligations as and when they become due.

The recent global outbreak of the coronavirus (“COVID-19”) has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. The Company has performed specific assessment of the impact of COVID-19 and in response enacted its global and regional Business Continuity Plans (BCP) and had employees work remotely. The plan, connectivity and potential contingency plans were all tested in the periods leading up to the BCP being enacted. CCI has not seen a significant impact to its overall operations and effectiveness during these times and has begun returning employees back to the office. As of the date these financial statements were available to be issued, the Company has not been materially impacted by COVID-19.

However, management have taken preventative measures to minimize the impact on the Company’s operations, financial position, and risk exposure. The majority of the CCI Group’s offices have been closed for several months, with affected employees working from home or remotely. There has been no reported disruption to operations because

CASTLETON COMMODITIES UK LIMITED

of the Company enacting its Business Continuity Plan in this manner, and the Company believes they can continue to operate this way for the foreseeable future.

The directors have performed an assessment of the Company's future operational activity and have concluded that it is appropriate to prepare the financial statements on a going concern basis. The directors have no intention to liquidate the Company in the near future.

Risk Management

The Company is exposed to various financial risks such as market, credit, liquidity and funding, and operational risk in the normal course of business. The risk management policies are established by CCI Group and risk management practices are made in close collaboration and consultation with CCI Group on its overall business strategies.

The management of these risks are outlined below. More detailed qualitative and quantitative disclosures about the Company's management of and exposure to financial risks are included in note 17 to the financial statements.

Market Risk

The Company is not significantly exposed to market price fluctuations on assets and liability positions given the associated risks and rewards of such positions were, in 2019, substantially borne by booking entities elsewhere within the Group. Hedging activity, however, through forward FX positions held with other group Companies, is required to neutralize market risk exposure due to FX movements. The Company is potentially exposed to basis risk associated with its aforementioned FX hedge positions. Market risk is directly affected by the volatility and liquidity in the markets in which the related underlying commodities, derivatives and securities are traded. The Company's risk management policies and procedures are consistent with those of its ultimate parent undertaking and include escalation to appropriate senior management personnel.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The credit risk management policies and procedures of the Company establish the framework for ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company enters into the majority of its financial asset transactions with other CCI Group undertakings, and both the Company and the other CCI Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, CCI. As a result of the implicit support that would be provided by CCI, the Company is considered exposed to the credit risk of CCI.

Liquidity Risk

Liquidity risk refers to the risk of difficulties in meeting payment obligations. The Company's operations are financed mainly through borrowings from the CCI Group.

The Company's liquidity and funding risk management policies and procedures are consistent with those of the CCI Group. The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the Company's operating cash flows would not cover its financial obligations as and when they become due, the Company can obtain financial support directly or indirectly from its ultimate parent. Such financial support can take the form of debt or capital contributions.

As noted in note 24, the capital contributions of \$26.5 million and loan from an affiliate of \$3.0 million are strictly cash management exercises whereby excess cash from another Group Company is moved to the Company. This does not constitute a cash infusion reflective of liquidity issues.

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Operational Risk

Operational risk refers to the risk of loss, or of damage to the Company's reputation, resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal, regulatory and compliance risks. Operational risk relates to the following risk event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management.

The Company is exposed to legal, regulatory and compliance risks, which include the risk of legal or regulatory sanctions, material financial loss; such as fines, penalties, judgements, damages and/ or settlements or loss to reputation the Company may suffer as a result of a failure to comply with laws, regulations, rules, self-regulatory organisation standards and codes of conduct applicable to business activities. Legal risk also includes contractual and commercial risks in the event that a counterparty's performance obligations will be unenforceable.

The Company has established procedures designed to foster compliance with applicable statutory and regulatory requirements. The Company, principally through the CCI Group's Legal and Compliance Division, has established procedures relating to business conduct, ethics and practices that are followed globally. Further, the Company continuously develops various procedures addressing issues such as, trading practices, new products, information barriers, potential conflicts of interest, structured transactions, anti-money laundering, privacy and recordkeeping. In addition, the Company has established procedures to mitigate the risk that a counterparty's performance obligations will be unenforceable, including consideration of counterparty legal authority and capacity, adequacy of legal documentation, the permissibility of a transaction under applicable law and whether applicable bankruptcy or insolvency laws limit or alter contractual remedies.

As noted in the previous paragraphs, the recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility. The Company has performed specific assessment of the impact of COVID-19 and in response enacted its global and regional Business Continuity Plans (BCP), wherein employees were required to work remotely. The plan, connectivity and potential contingency plans were all tested in the periods leading up to the BCP being enacted. CCI has not seen a significant impact to its overall operations and effectiveness during these times and has begun to return employees back to the office.

Culture, Values and Conduct of Employees

All of the CCI Group's employees have accountability for risk management. The CCI Group strives to establish a culture of effective risk management through its defined core values, governance framework, management oversight, training and development programs, policies, procedures, and defined roles and responsibilities within the CCI Group. The actions and conduct of each employee are essential to risk management. The CCI Group's Code of Conduct (the "Code") has been established to provide a framework and standards for employee conduct that further reinforces the CCI Group's commitment to integrity and high ethical standards. Every new hire and every employee annually must certify to their understanding of and adherence to the Code. The employee annual review process includes evaluation of adherence to the Code. The Incentive Compensation Policy sets forth standards that specifically outline that managers must consider whether the employee effectively managed and supervised the risk control practices of his/her employee reports during the performance year. The CCI Group has several mutually reinforcing processes to identify incidents of employee conduct that may have an impact on the employment status, current year compensation or prior year compensation.

Section 172 Statement

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006:

The directors of CCUK consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended December 31, 2019.

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When making decisions, the directors ensure that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its shareholder as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the energy transition. Based on the Company's purpose, the strategy set by the CCI Group is intended to strengthen our position as a leading energy company, while keeping safety and social responsibility fundamental to our business approach.

S172(1) (B) "The interests of the Company's employees"

The directors recognize that employees are fundamental and core to our business and delivery of our strategic ambitions. Being a relatively small company operating in various locations, there is a high level of visibility and cross functional collaboration. The success of our business depends on attracting, retaining, and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible. Refer to section Culture, Values and Conduct of Employees above for more details.

S172(1) (C) "The need to foster the Company's business relationships with suppliers, customers and others."

Our customer base is confined to other subsidiaries under the same parent company. Delivering our strategy requires strong, mutually-beneficial relationships with internal customers and regulators. The Company seeks the promotion and application of certain basic principles in such relationships. The directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These include information provided by the businesses related to business strategies, projects and investment or divestment proposals. Refer to section Operational risk for more details.

S172(1) (D) "The impact of the Company's operations on the community and the environment"

This aspect is inherent in our strategic ambitions, most notably on our ambitions to thrive through the energy transition and to sustain a strong societal license to operate. As such, the directors receive information on these topics to both provide relevant information for specific decisions (e.g. those related to specific strategic initiatives, investment or divestment proposals and business strategy reviews)

S172(1) (E) "The desirability of the Company maintaining a reputation for high standards of business conduct."

The Board of the CCI Group periodically reviews and approves clear frameworks such as Code of Conduct, whistleblower policies and Ethics & Compliance manuals to ensure that its high standards are maintained both within businesses and the business relationships we maintain. This complemented by the ways the directors are informed and monitors compliance with relevant governance standards help assure its decisions are taken and that Company act in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the Company."

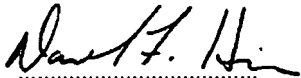
After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the Company's members and try to balance the Company's interest with those of other stakeholders.

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Key Performance Indicators

The directors of CCI manage the CCI Group's operations on a regional basis. For this reason, the Company's directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key performance indicators of CCI, which includes the Company, are detailed in the CCI Group's Annual Report, which does not form part of this report.

Approved by the Board and signed on its behalf by:



D F Hines, Director

December 21, 2020

CASTLETON COMMODITIES UK LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements, which comprise the statement of comprehensive income, the statement of changes in equity, the balance sheet and the related notes, 1 to 24 for the Company for the year ended December 31, 2019.

Results and Dividends

The profit for the year, after tax, was \$0.4 million (year ended December 31, 2018: loss of \$29.9 million).

During the year ended December 31, 2019, and subsequent to year end, no dividends were paid or proposed. During the year ended December 31, 2018, no dividends were paid or proposed.

Risk Management and Future Developments

Information regarding risk management has been included in the Strategic report. No significant change in the Company's principal activity is expected.

Directors

The following Directors held office throughout the year and to the date of approval of this report (except where otherwise shown):

D F Hines	
M Nair	(Resigned May 23, 2019)
D P Tregar	(Resigned October 15, 2019)
S F Zichichi	(Resigned April 30, 2020)
Z Masani	

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance is taken out by CCI, the Company's ultimate parent undertaking, for the benefit of the Directors and Officers of the Company.

Directors' Indemnity

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the period and up to and including the date of the Directors' Report for the benefit of the Directors of the Company.

Subsequent Events

There have been no material subsequent events which require separate disclosure between the year end and the date of this report with the exception of the below.

The Company anticipates minimal impact to the Company's business operations regardless of the outcome of negotiations between the United Kingdom and the European Union. The Company does not hold any licenses, following the closure of the base metals business.

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. As of the date these financial statements were available to be issued, the Company has not been materially impacted by COVID-19.

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In May 2020, the Company's immediate parent CC Lux, made a contribution of \$26.5 million to the Company. In October 2020, the Company received a loan of \$3.0 million from an affiliate.

Auditor

Deloitte LLP have expressed their willingness to serve as auditor of the Company and have been deemed re-appointed under section 487 of the 2006 Act.

Statement as to Disclosure of Information to the Auditor

Each of the persons who are Directors of the Company at the date when this report is approved confirms that:

- so far as each of the Directors is aware, there is no relevant audit information (being information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' Responsibilities Statement

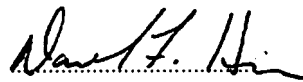
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:



D F Hines, Director

December 21, 2020

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CASTLETON COMMODITIES
UK LIMITED**

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements of Castleton Commodities UK Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at December 31, 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

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

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

Conclusions Relating to Going Concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other Information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Opinions 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.

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 any material misstatements in the Strategic report or the Directors' report.

Matters on Which we are Required to Report by Exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of Our Report

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.



Rizwan Majid (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 December 2020

CASTLETON COMMODITIES UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

(In thousands)

	Note	2019 \$'000	2018 (Restated)* \$'000
Revenues	2	72,429	415,027
Cost of sales	4	<u>-</u>	<u>(366,948)</u>
Gross profit		72,429	48,079
Other operating income		278	231
Interest income		56	-
Interest payable and similar expenses	3	(2,146)	(4,051)
Other operating expense	5	<u>(70,173)</u>	<u>(74,152)</u>
INCOME/(LOSS) BEFORE TAXATION		444	(29,893)
Tax expense	8	<u>(42)</u>	<u>-</u>
INCOME/(LOSS) FOR THE FINANCIAL YEAR		<u><u>402</u></u>	<u><u>(29,893)</u></u>

*Refer to note 23 for further details.

All operations were continuing in the current and prior year.

The notes on pages 14 to 31 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

(In thousands)

	Note	Called Up Share Capital \$'000	Additional Paid-In Capital \$'000	Profit and Loss Account \$'000	Total \$'000
At January 1, 2018		-	76,193	(68,809)	7,384
Loss and total comprehensive loss for the period		-	-	(29,893)	(29,893)
Balance as at December 31, 2018 (Restated)*	15, 16	-	76,193	(98,702)	(22,509)
At January 1, 2019		-	76,193	(98,702)	(22,509)
Income and total comprehensive income for the period		-	-	402	402
Balance as at December 31, 2019	15, 16	-	76,193	(98,300)	(22,107)

*Refer to note 23 for further details.

The notes on pages 14 to 31 form an integral part of these financial statements.

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Registered Number: 09268110

BALANCE SHEET

As at December 31, 2019

(In thousands)

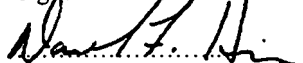
	Note	2019 \$'000	2018 (Restated)* \$'000
NON-CURRENT ASSETS			
Intangible assets	9	841	1,125
Tangible assets	10	7,285	8,019
Investment in subsidiaries	13	2,274	-
Other noncurrent assets	11	21	485
		<u>10,421</u>	<u>9,629</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	90,228	64,482
Derivative financial asset	18	2,172	-
Cash at bank		1,974	4,909
Other assets	11	2,587	1,891
		<u>96,961</u>	<u>71,282</u>
CURRENT LIABILITIES			
Derivative financial liability	18	-	(1,006)
Creditors: amounts falling due within one year	14	(128,568)	(101,502)
		<u>(128,568)</u>	<u>(102,508)</u>
NET CURRENT LIABILITIES			
		<u>(31,607)</u>	<u>(31,226)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(21,186)</u>	<u>(21,597)</u>
Creditors: amounts falling due after more than one year	14	(921)	(912)
NET LIABILITIES			
		<u>(22,107)</u>	<u>(22,509)</u>
CAPITAL AND RESERVES			
Called up share capital	15	-	-
Additional paid-in capital	16	76,193	76,193
Profit and loss account		<u>(98,300)</u>	<u>(98,702)</u>
SHAREHOLDER'S DEFICIT			
		<u>(22,107)</u>	<u>(22,509)</u>

*Refer to note 23 for further details.

The notes on pages 14 to 31 form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on December 21, 2020

Signed on behalf of the Board



D F Hines, Director

December 21, 2020

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

1. ACCOUNTING POLICIES

The Company's principal accounting policies are summarised below and have been applied consistently throughout the current and prior year.

a. Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

The Company was incorporated in the United Kingdom and registered in England and Wales on October 16, 2014 as a private company limited by shares under the Companies Act 2006. The address of the registered office is given on the cover page. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 1 to 5.

b. The Going Concern Assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Strategic report on pages 1 to 5. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

As at December 31, 2019, the Company had a net liabilities position of \$22.1 million (2018: net liabilities position of \$22.5 million) and current year income of \$0.4 million (2018: loss of \$29.9 million).

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. As of the date these financial statements were available to be issued, the Company has not been materially impacted by COVID-19.

The directors have performed an assessment of the Company's future operational activity and have concluded that it is appropriate to prepare the financial statements on a going concern basis. Accordingly, CCI has committed to provide financial support, either directly or indirectly, through intermediary holding companies, through at least December 20, 2021, to ensure the Company has sufficient funds to support its operations and meet its ordinary course financial obligations as and when they become due. The directors have no intention to liquidate the Company in the near future.

c. Reporting Currency

The functional and presentational currency of the Company is US dollars.

d. Foreign Currencies

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Transactions and non-monetary assets and liabilities

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

denominated in currencies other than US dollars are recorded at the rates prevailing at the dates of the transactions. All translation differences are taken through the profit and loss account. Exchange differences recognised in the profit and loss account are presented in 'Other operating income' or 'Other operating expense'.

e. Tangible Fixed Assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, over its expected useful life, using the straight-line method.

The rates applicable are:

Equipment and furniture	3 to 25 years
Leasehold improvements	3 to 15 years

Depreciation is not charged on assets under construction whilst in the development stage. When the project is finalised and becomes a live asset, depreciation is charged in line with the applicable rate.

The Company reviews the carrying values of its tangible fixed assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Such impairment losses are recognised in the profit and loss account within 'Other operating expense' and are recognised against the carrying amount of the impaired asset on the balance sheet.

f. Intangible Assets

Intangible assets are initially recognised at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended including any relevant, non-refundable taxes and duties. Intangible assets are recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company; and the cost or value of the asset can be measured reliability, using reasonable assumptions that represent the best estimate of the economic conditions that will prevail over the course of the useful life of the asset.

Amortisation is provided on all intangible assets, at rates calculated to write off the cost, less estimated residual value, over its expected useful life, using the straight-line method.

The rates applicable are:

Software	3 to 5 years
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Amortization is not provided on software development whilst in the development stage. When the project is finalised, amortization is provided in the line with the applicable rate. The Company reviews the carrying values of its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Such impairment losses are recognised in the profit and loss account within 'Other operating expense' and are recognised against the carrying amount of the impaired asset on the balance sheet.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

g. Derivative Financial Instruments

Financial assets and financial liabilities classified as derivative financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and do not have a value at the date a derivative contract is entered into. They are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

h. Loans and Receivables (Financial Assets)

Financial assets classified as loans and receivables are recognised when the Company becomes a party to the contractual provisions of the instrument. They are initially measured at fair value and subsequently measured at amortised cost less allowance for impairment. Interest is recognised in the profit and loss account in 'Interest income', using the effective interest rate method as described below. Transaction costs that are directly attributable to the acquisition of the financial asset are added to or deducted from the fair value on initial recognition. Impairment losses and reversals of impairment losses on financial assets classified as loans and receivables are recognised in the profit and loss account in 'Other operating expense'.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument (or a group of financial instruments) and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, where appropriate a shorter period) to the carrying amount of the financial instrument. The effective interest rate is established on initial recognition of the financial instrument. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument.

Debtors are measured at transaction price, less any impairment.

i. Fair Value of Financial Instruments

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*—Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.
- *Level 2*—Inputs include directly or indirectly observable inputs.
- *Level 3*—Inputs include unobservable inputs used in the measurement of assets and liabilities that are not based on observable market data.

The Company uses closing exchange prices to value derivatives and marketable securities included in Level 1. Derivative assets, derivative liabilities, and inventories included in Level 2 are valued using multiple price quotes by market participants other than exchanges, industry polling, and other inputs that are derived principally from, or corroborated by, observable market data. Derivative assets and liabilities included in Level 3 are valued using valuation models, which include management's assumptions and other observable and unobservable inputs to determine fair value.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

j. Creditors

Creditors are measured at the transaction price. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and where the invoice is unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted.

k. Derecognition of Financial Assets and Liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset.

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

l. Impairment of Assets

At each balance sheet date, an assessment is made as to whether there is any objective evidence of impairment in the value of assets classified as either tangibles assets or loans and receivables. Impairment losses are recognised if an event has occurred which will have an adverse impact on the expected future cash flows of an asset and the expected impact can be reliably estimated.

When the Company determines that the carrying value of tangible fixed assets may not be recoverable based upon the existence of one or more indicators of impairment, the Company evaluates the projected undiscounted cash flows related to the assets. If these cash flows are less than the carrying value of the assets, the Company measures the impairment as the difference between fair value determined, using discounted cash flows or other methods, and carrying value. Such impairment losses are recognised in the profit and loss account within 'Other operating expense' and are recognised against the carrying amount of the impaired asset on the balance sheet.

Impairment losses on loans and receivables were measured as the difference between the carrying amount of the loans and receivables and the present value of estimated cash flows discounted at the asset's original effective interest rate. Such impairment losses are recognised in the profit and loss account within 'Other operating expense' and are recognised against the carrying amount of the impaired asset on the balance sheet. Interest on the impaired asset continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

m. Revenue Recognition

Revenues are primarily from the supply of commercial services to CCI Group undertakings. The amount of consideration represents the value of services provided in the generating of income and is recorded at the fair value of the consideration received or receivable.

n. Income Tax

UK corporation tax is provided at amounts expected to be paid/recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognised if, based on the weight of available evidence including historical tax losses, it is more likely than not that some or all of deferred tax assets will not be realised. Conversely, the recognition of a previously established valuation allowance will be reversed in the future if it is more likely than not that some or all of deferred tax assets will be realised. At December 31, 2019, no deferred tax assets are included in the accompanying balance sheet.

o. Basis of Consolidation

The financial statements of Castleton Commodities Japan (“CC Japan”) are not consolidated with the Company’s financial statements, as the Company is a wholly owned subsidiary, and its owner has been informed about, and does not object to the Company not presenting consolidated financial statements. The Company has not received any dividends in 2019 from CC Japan. The Company’s equity instrument is not traded in a public market and the Company did not file, nor is in the process of filing, its financial statements with a securities commission or other regulatory organization, for the purpose of issuing any class of instruments in a public market. The registered address of the ultimate holding company, Castleton Commodities International LLC, is 2200 Atlantic Street, Suite # 800 Stamford, CT 06902-6834.

Effective May 4, 2019 the Company acquired a 12.3% equity ownership interest in VA&E Trading LLP (“VA&E”), for a consideration of \$2.0 million, which it accounts for under equity method of accounting as the Company has significant influence as a result of its equity interest and the board seats that it holds, but not control. The carrying amount of this investment is \$2.0 million at December 31, 2019. VA&E owns a sugar trading and oil distribution business in Brazil.

p. Significant Judgements and Critical Accounting Estimates

The preparation of the financial statements requires management to make judgments (other than involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumption that affect reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Intangibles—The Company evaluates its intangible assets with finite useful lives for indicators of impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss will be recognised when estimated undiscounted future cash flows expected to result from the use of these assets and their eventual disposition are less than their carrying amounts. If these cash flows are less than the carrying value of the assets, the Company measures the impairment as the difference between fair value determined, using discounted cash flows or other methods, and carrying value. As of December 31, 2019, and 2018, there were no impairment indicators present.

Fair Value Measurements and Valuation Process—The Company’s physical commodities and derivative commodities contracts are measured at fair value for financial reporting purposes. In estimating the fair value of inventories and derivatives commodities contracts, the Company uses market-observable data to the extent it is available. Where market-observable data is not available, the Company uses valuation models to determine the fair value based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period. Inventories are generally recorded at fair value, which is determined using adjusted quoted market prices for location and quality.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands)**

Impairment of Amounts Due from Related Companies—The Company reviews its amounts due from related companies individually at each reporting period to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining an impairment loss. In estimating these cash flows, the Company makes judgements about the related Company's financial situation and the net realizable value of collateral, if any.

q. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank balances, which are subject to insignificant risk of changes in value.

2. REVENUES

	2019	2018 (Restated)*
	\$'000	\$'000
Commodity sales	-	367,137
Income from the supply of commercial services	70,729	47,890
Management fees income	1,700	-
	<u>72,429</u>	<u>415,027</u>

*The 2018 income from the supply of commercial services is restated from \$45,879 to \$47,890. Refer to note 23 for further details.

All commercial services are provided within the UK. The revenues earned from commodity sales relate to the purchase of physical commodities (metal) from a third-party and sale on to another entity within the CCI Group.

3. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	\$'000	\$'000
Interest expense on intercompany loan	2,145	4,051
Other Interest	1	-
	<u>2,146</u>	<u>4,051</u>

4. COST OF SALES

	2019	2018 (Restated)*
	\$'000	\$'000
Commodities (metal)	<u>-</u>	<u>366,948</u>

*The 2018 commodities (metal) is restated from \$366,926 to \$366,948. Refer to note 23 for further details.

These costs related to the purchase of physical commodities (metal) from a third-party which were then sold to another entity within the CCI Group. During the year, the Company exited from the base metals space resulting in significant reduction in revenue and cost of sales.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(In thousands)**

5. OTHER OPERATING EXPENSE

	2019	2018 (Restated)*
	\$'000	\$'000
Staff costs (note 6)	53,323	37,626
Net foreign exchange (gains)/losses	(4,041)	2,987
Auditor's remuneration—fees payable to the Company's auditor for the audit of the Company's financial statements	124	103
Recharges from shared services	-	4,479
Depreciation and amortisation	1,192	1,131
Legal and other professional fees	1,023	1,611
Office rent	2,475	2,535
Other expenses	<u>16,077</u>	<u>23,680</u>
	<u><u>70,173</u></u>	<u><u>74,152</u></u>

*The 2018 Staff costs is restated from \$28,946 to \$37,626. Refer to note 23 for further details.

Net foreign exchange (gains)/losses include a gain of \$2.9 million relating to forward foreign currency contracts (2018: loss \$1.6 million).

6. STAFF COSTS

The average monthly number of employees of the Company, including the Directors being employees under contracts of service, is analysed below:

	2019	2018
Business units and other	<u>84</u>	<u>99</u>

The costs of the staff, including the Directors being employees under contracts of service, are analyzed below:

	2019	2018 (Restated)*
	\$'000	\$'000
Wages and salaries	16,103	18,412
Social security costs	6,629	6,658
Pension costs	806	858
Incentive compensation	29,330	11,281
Group insurance and other benefits	455	417
	<u>53,323</u>	<u>37,626</u>

*The 2018 Wages and salaries is restated from \$18,295 to \$18,412, Social security costs is restated from \$4,501 to \$6,658 and Incentive compensation is restated from \$4,875 to \$11,281. Refer to note 23 for further details.

Incentive compensation represents the costs of incentive and bonus amounts accrued during the year.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

The total value of the incentive and bonus award was \$37.2 million (2018: \$13.7 million), and the Company has recorded \$29.0 million (2018: \$11.2 million) in liability-based compensation expense for the year ended December 31, 2019.

Under the Phantom Equity Plan, the award gives the entitlement of the holder to receive a cash payment on the third anniversary of the date of grant, in a settlement amount that could appreciate or depreciate depending on certain performance hurdles. The Phantom Equity awards vest 33% on each of the first three anniversaries of the date of grant of November 1, 2015. The total value of the initial award was \$8.9 million, and the Company has recorded \$nil (2018: \$4.3 million) in liability-based compensation expense for the year ended December 31, 2019.

7. DIRECTORS' BENEFITS

The Company paid remuneration of \$0.2 million (2018: \$0.2 million) to its Directors during the year. The remaining charges in respect of Directors' qualifying services to the Company have been borne by another CCI Group undertaking.

The amount of remuneration received by Directors in respect of their qualifying services to the Company is disclosed below:

	2019 \$'000	2018 \$'000
Total remuneration of all Directors		
Aggregate remuneration	151	250
Long term incentive schemes	<u>5</u>	<u>6</u>
	<u>156</u>	<u>256</u>
Disclosures in respect of the highest paid Director		
Aggregate remuneration	<u>63</u>	<u>144</u>

Directors' remuneration has been calculated as the sum of cash compensation and benefits in kind.

The Company's Directors participate in CCI's Equity Incentive Program (the "Equity Plan") and the CCI's Executive Unit Program (the "Executive Plan") and are eligible for award units under these plans which are awarded under the CCI Group's equity-based long term incentive schemes. During the year, under these incentive schemes, four Directors exercised shares (2018: two Directors) and one Director received unit awards in respect of qualifying services (2018: three Directors). The Company has not provided any loans or other credit advances to its Directors during the year.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(In thousands)**

8. TAX EXPENSE

Analysis of expense in the year

	2019	2018
	\$'000	\$'000
UK corporation tax at 19% (2018: 19%):		
Current year	<u>42</u>	<u>-</u>
Tax on income	<u><u>42</u></u>	<u><u>-</u></u>

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting April 1, 2017, 2018 and 2019 and at 18% for the year starting April 1, 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting April 1, 2020, setting the rate 17%. A change to the main UK corporation tax rate, announced in the Budget on March 11, 2020, was substantively enacted for IFRS and UK GAAP purposes on March 17, 2020. The rate applicable from April 1, 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Tax Expense for the Period:

	2019	2018 (Restated)*
	\$'000	\$'000
Income (Loss) before tax	<u>444</u>	<u>(29,893)</u>
Income (Loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018:19%)	84	(5,680)
Effects of:		
Expenses not deductible for tax purposes	63	93
Other deferred tax movements	1,149	(317)
Effect of tax losses not recognised	<u>(1,254)</u>	<u>5,904</u>
Current tax expense for the year	<u><u>42</u></u>	<u><u>-</u></u>

*The 2018 Loss before tax is restated from \$23,203 to \$29,893. Refer to note 23 for further details.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is recognised if, based on the weight of available evidence including historical tax losses, it is more likely than not that some or all of deferred tax assets will not be realised. Conversely, the recognition of a previously established valuation allowance will be reversed in the future if it is more likely than not that some of all of deferred tax assets will be realised. As at December 31, 2019 and 2018, no deferred tax assets are included in the accompanying balance sheet.

A potential deferred tax asset of \$15.2 million (using a 17% rate) is not recognised on the balance sheet as at December 31, 2019 (2018 restated: \$15.3 million). There is no expiry date on timing differences, unused tax losses or tax credits.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(In thousands)**

9. INTANGIBLE ASSETS

Intangible assets as of December 31, 2019 consist of the following:

	Software \$'000	Software Development \$'000	Total \$'000
Cost:			
At January 1, 2019	1,711	80	1,791
Additions	<u>46</u>	<u>23</u>	<u>69</u>
At December 31, 2019	<u>1,757</u>	<u>103</u>	<u>1,860</u>
Amortisation:			
At January 1, 2019	666	-	666
Charge in the year	<u>353</u>	<u>-</u>	<u>353</u>
At December 31, 2019	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Carrying amount at December 31, 2019	<u>738</u>	<u>103</u>	<u>841</u>
Carrying amount at December 31, 2018	<u>1,045</u>	<u>80</u>	<u>1,125</u>

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(In thousands)**

10. TANGIBLE ASSETS

Tangible fixed assets as of December 31, 2019 consist of the following:

	Equipment and Furniture \$'000	Leasehold Improvements \$'000	Total \$'000
Cost:			
At January 1, 2019	1,441	8,779	10,220
Additions	<u>15</u>	<u>90</u>	<u>105</u>
At December 31, 2019	<u>1,456</u>	<u>8,869</u>	<u>10,325</u>
Depreciation:			
At January 1, 2019	817	1,384	2,201
Provided during the year	<u>292</u>	<u>547</u>	<u>839</u>
At December 31, 2019	<u>1,109</u>	<u>1,931</u>	<u>3,040</u>
Carrying amount at December 31, 2019	<u>347</u>	<u>6,938</u>	<u>7,285</u>
Carrying amount at December 31, 2018	<u>624</u>	<u>7,395</u>	<u>8,019</u>

11. OTHER ASSETS

	2019 \$'000	2018 \$'000
Other current assets—prepayments and accrued income	<u>2,587</u>	<u>1,891</u>
Other non current assets:		
Prepayments and accrued income	-	465
Security deposits	<u>21</u>	<u>20</u>
	<u>21</u>	<u>485</u>

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands)**

12. DEBTORS

	2019	2018 (Restated)*
	\$'000	\$'000
Amounts due from CCI Group undertakings	90,034	64,185
Value-added tax recoverable	194	297
	<u>90,228</u>	<u>64,482</u>

*The 2018 Amounts due from CCI Group undertakings is restated from \$62,174 to \$64,185. Refer to note 23 for further details.

The outstanding balances with CCI Group undertakings which are denominated in USD are unsecured and repayable on demand. No guarantees have been given or received. No expense has been recognised in the year 2019 and 2018 for bad or doubtful debts in respect of the amounts due from related companies.

13. INVESTMENT IN SUBSIDIARIES

	2019	2018
	\$'000	\$'000
Investment in subsidiaries	<u>2,274</u>	<u>-</u>

Effective May 4, 2019 the Company acquired a 12.3% equity ownership interest in VA&E, for a consideration of \$2.0 million, which it accounts for under equity method of accounting as the Company has significant influence as a result of its equity interest and the board seats that it holds, but not control. VA&E owns a sugar trading and oil distribution business in Brazil. The carrying amount of this investment is \$2.0 million at December 31, 2019.

In December 2019, the Company contributed capital of \$0.3 million to its wholly owned subsidiary, CC Japan which was incorporated on June 14, 2019 in Tokyo Japan. The address of the registered office for CC Japan is c/o ARK OUTSOURCING KK, 4-3-5-704 Ebisu, Shibuya-ku, Tokyo 150-0013, Japan. The registered capital for CC Japan is 30,000,000 Yen. For CC Japan, the aggregate amount of capital and reserves as on December 31, 2019 was \$0.3 million and loss for the year is \$0.02 million.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. CREDITORS

	2019	2018 (Restated)*
	\$'000	\$'000
Amounts falling due within one year:		
Accrued expenses	9,639	21,944
Accrued compensation	31,778	15,845
Other amounts due to CCI Group undertakings	<u>87,151</u>	<u>63,713</u>
	<u><u>128,568</u></u>	<u><u>101,502</u></u>
Amounts falling due after more than one year:		
Accrued expenses	111	114
Accrued compensation	<u>810</u>	<u>798</u>
	<u><u>921</u></u>	<u><u>912</u></u>

*The 2018 Accrued expenses (within one year) is restated from \$19,902 to \$21,944, Accrued compensation (within one year) is restated from \$10,120 to \$15,845, Accrued expenses (after more than one year) is restated from \$nil to \$114 and Accrued compensation (after more than one year) is restated from \$nil to \$798. Refer to note 23 for further details.

The outstanding balances with CCI Group undertakings which are denominated in USD are unsecured and repayable on demand. The outstanding intercompany loan balances with CCI Group undertakings carried the nominal interest rates from 3.2% to 4.0% per annum (2018: 1.5% to 3.9%).

15. CALLED UP SHARE CAPITAL

	2019	2018
	\$	\$
Allotted and fully paid—100 ordinary voting shares of \$1 each	<u>100</u>	<u>100</u>

The Company has one class of ordinary shares which carry one vote per share and carry a right to dividend as and when declared by the Company.

16. ADDITIONAL PAID-IN CAPITAL

	2019	2018
	\$'000	\$'000
Additional paid-in capital	<u>76,193</u>	<u>76,193</u>

There were no cash or non-cash capital contributions from its immediate parent during 2019 or 2018.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

17. FINANCIAL RISK MANAGEMENT

Risk Management Procedures—The Company is exposed to various financial risks such as credit, liquidity and funding, and market risk in the normal course of business. The risk management policies are established by CCI Group and management practices are made in close collaboration and consultation with CCI Group on its overall business strategies. The management of these risks are outlined below.

Credit Risk—Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The credit risk management policies and procedures of the Company establish the framework for ensuring transparency of material credit risks, ensuring compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company enters into the majority of its financial asset transactions with other CCI Group undertakings, and both the Company and the other CCI Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, CCI. As a result of the implicit support that would be provided by CCI, the Company is considered exposed to the credit risk of CCI.

The maximum exposure to credit risk of the Company at the reporting date is the carrying amount of the financial assets held in the balance sheet.

At December 31, 2019 and 2018 there were no financial assets past due but not impaired or individually impaired. As detailed in Note 12, financial assets are with the unrated CCI Group.

Liquidity and Funding Risk—Liquidity risk refers to the risk of difficulties in meeting payment obligations. The Company's operations are financed mainly through borrowings from the CCI Group.

The Company's liquidity and funding risk management policies and procedures are consistent with those of the CCI Group. The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the Company's operating cash flows would not cover its financial obligations as and when they become due, the Company can obtain financial support directly or indirectly from its ultimate parent. Such financial support can take the form of debt or capital contributions.

Market Risk—Market risk is defined by FRS 102 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. At December 31, 2019 and during the year ending December 31, 2018, financial instruments in the form of loans and receivables were generally with the CCI Group.

Additionally, the Company executes transactions in currencies other than its reporting currency, exposing the Company to currency risk. A 10 % movement in December 31, 2019, currency rates with the reporting currency, US dollar, would result in \$10.1 million (2018: \$5.0 million) and \$3.2 million (2018: \$2.5 million) of variability in the loss for the period from the British Pound Sterling and the Euro, respectively.

Capital Management—For the purposes of the Company's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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(In thousands)**

18. FAIR VALUE MEASUREMENTS

a. Fair Value Hierarchy Disclosure

The following tables present the carrying value of the Company's financial assets and liabilities recognised at fair value, classified according to the fair value hierarchy at December 31, 2019 and 2018.

	Prices in Active Market (Level 1) \$'000	Using Observable Inputs (Level 2) \$'000	Significant Unobservable Inputs (Level 3) \$'000	Total \$'000
Forward foreign currency contracts (intercompany)	-	2,172	-	-
Total financial assets measured at fair value	-	2,172	-	-

	Quoted Prices in Active Market (Level 1) \$'000	Valuation Techniques Using Observable Inputs (Level 2) \$'000	Valuation Techniques With Significant Unobservable Inputs (Level 3) \$'000	Total \$'000
Forward foreign currency contracts (intercompany)	-	-	-	-
Total financial liabilities measured at fair value	-	-	-	-

2018 (Restated)*

	Quoted Prices in Active Market (Level 1) \$'000	Valuation Techniques Using Observable Inputs (Level 2) \$'000	Valuation Techniques With Significant Unobservable Inputs (Level 3) \$'000	Total \$'000
Forward foreign currency contracts (intercompany)	-	84	-	84
Forward physical commodity contracts (intercompany)	-	-	-	-
Total financial assets measured at fair value	-	84	-	84

	Quoted Prices in Active Market (Level 1) \$'000	Valuation Techniques Using Observable Inputs (Level 2) \$'000	Valuation Techniques With Significant Unobservable Inputs (Level 3) \$'000	Total \$'000
Forward foreign currency contracts (intercompany)	-	1,090	-	1,090
Total financial liabilities measured at fair value	-	1,090	-	1,090

*The 2018 Forward physical commodity contracts (intercompany) assets is restated from \$22 to \$nil. Refer to note 23 for further details.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

The Company's valuation approach and fair value hierarchy categorisation for balances recognised at fair value is as follows:

Forward Foreign Currency Contracts—The Company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The value of the assets and liabilities held at fair value through profit and loss are determined using quoted prices.

b. Significant Transfers Between Level 1 and Level 2 of the Fair Value Hierarchy for Financial Assets Recognised at Fair Value

There were no transfers between Level 1 and level 2 of the fair value hierarchy for financial assets recognised at fair value in 2019 or 2018.

c. Changes in Level 3 Financial Assets Recognised at Fair Value

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the current year or prior year.

d. Sensitivity of Fair Values to Changing Significant Assumptions to Reasonably Possible Alternatives

All financial instruments are valued in accordance with the techniques outlined in the fair value hierarchy. Some of these techniques, including those used to value instruments categorised in Level 3 of the fair value hierarchy, are dependent on unobservable parameters and the fair value for these financial instruments has been determined using parameters appropriate for the valuation methodology based on prevailing market evidence.

It is recognised that the unobservable parameters could have a range of reasonably possible alternative values.

In estimating the change in fair value, to provide information about the variability of the fair value measurement, the unobservable parameters were varied to the extremes of the ranges of reasonably possible alternatives using statistical techniques, such as dispersion in comparable observable external inputs for similar asset classes, historic data or judgement if a statistical technique is not appropriate. Where a financial instrument has more than one unobservable parameter, the sensitivity analysis reflects the greatest reasonably possible increase or decrease to fair value by varying the assumptions individually.

The effect of reasonably possible alternative assumptions on the fair value of level 3 financial assets and liabilities is not material.

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short-term nature of these assets and liabilities.

19. RETIREMENT BENEFITS

The Company sponsors a defined contribution pension plan. Substantially all of the Company's employees who meet certain service and age requirements are eligible to participate in the plan. The Company's plan document provides that the Company makes a discretionary matching contribution of an employee's contribution, up to a maximum of 9% of an employee's base salary (if \$150,000 or less) or 6% of an employee's base salary (if greater than \$150,000) subject to a maximum matching contribution of \$10,000 per year. The Company made matching contributions to the defined contribution plan of \$806,000 (2018: \$858,000) during the year ended December 31, 2019.

CASTLETON COMMODITIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands)

20. RELATED PARTY TRANSACTIONS

As of December 31, 2019, the Company has an aggregate receivable from CCI Group undertakings of \$90.0 million (2018: \$64.2 million), a demand loan payable and accrued interest to Castleton Commodities Merchant Trading L.P. of \$73.8 million (2018: \$21.3 million), and aggregate non-interest bearing payable to other CCI Group undertakings of \$13.3 million (2018: \$42.4 million).

In addition to the above, the Company received \$0.2 million (2018: \$0.2 million) in rental income and paid \$0.02 million (2018: \$0.03 million) relating to subscription fees and \$1.1 million (2018: nil) relating to legal fees to related parties.

21. COMMITMENTS AND CONTINGENCIES

The Company leases office space under non-cancellable operating leases. Future minimum lease payments under non-cancellable operating leases are as follows:

	2019 \$'000	2018 \$'000
Within one year	2,518	2,424
In one to five years	10,073	9,695
In over five years	<u>20,565</u>	<u>22,218</u>
	<u>33,156</u>	<u>34,337</u>

The Company recognised \$2.5 million in rent expense during 2019 related to the office space lease (2018: \$2.5 million).

22. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent is CC Lux, incorporated in Luxembourg. CC Lux is a Luxembourg company established on April 19, 2016 as a "Société à responsabilité limitée" for an unlimited period and subject to the general company law of Luxembourg. The registered office of CC Lux is established at 39, Avenue John F. Kennedy, L-1855 Luxembourg. CC Lux is registered with the Register of Commerce and Companies of Luxembourg under the section B number 205.724.

The ultimate parent undertaking and controlling entity is CCI, incorporated in the United States under the laws of State of Delaware, which, together with the Company and CCI's other subsidiary undertakings, form the CCI Group, which prepares the largest and smallest group accounts. The registered office of CCI is c/o Corporate Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808.

23. RESTATEMENT OF 2018 AMOUNTS PREVIOUSLY REPORTED

Subsequent to the issuance of the Company's financial statements for the year ended December 31, 2018, the Company identified an under-accrual of 2018 bonus expense within the financial statements. Management evaluated the materiality of the under accrual from a quantitative and qualitative perspective and concluded that this adjustment was material to the Company's previously issued financial statements. The Company has revised the historical financial information presented herein in the balance sheet and statement of comprehensive income to reflect the change for the prior period presented. The revisions had the following effects:

CASTLETON COMMODITIES UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands)**

	Note	2018 Previously Reported \$'000	Adjustment [1] \$'000	Adjustment [2] \$'000	Adjustment [3] \$'000	Adjustment [4] \$'000	Adjustment [5] \$'000	2018 restated \$'000
Statement of Comprehensive Income								
Revenues	2	413,016	-	-	2,011	-	-	415,027
Cost of sales	4	(366,926)	-	-	-	(22)	-	(366,948)
Other operating expenses	5	(65,473)	(116)	(8,563)	-	-	-	(74,152)
Net impact to profit and loss			(116)	(8,563)	2,011	(22)		
Balance Sheet								
Debtors	12	62,471	-	-	2,011	-	-	64,482
Derivative financial asset	18	22	-	-	-	(22)	-	-
Creditors: Amounts falling due within one year	14	(93,735)	(116)	(7,651)	-	-	-	(101,502)
Creditors: Amounts falling due after more than one year	14	-	-	(912)	-	-	-	(912)
			(116)	(8,563)	2,011	(22)		
Profit & Loss Account		92,012					6,690	98,702

Adjustment [1] - Additional accrual of relocation expenses
 Adjustment [2] - Additional accrual of bonus and associated payroll taxes
 Adjustment [3] - Transfer pricing adjustment resulting from additional bonus accrual
 Adjustment [4] - Mark-to-market adjustment
 Adjustment [5] - Cumulative impact on profit & loss account for 2018

24. SUBSEQUENT EVENTS

In May 2020, CC Lux made a capital contribution of \$26.5 million to the Company, as part of a group-determined cash management exercise. The funds were used by the company to repay a portion of a loan outstanding with another group entity.

In October 2020, the Company received a loan of \$3.0 million from an affiliate. This loan, repayable on demand, was strictly a reallocation of excess cash held by the affiliate and does not constitute a liquidity infusion.

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. As of the date these financial statements were available to be issued, the Company has not been materially impacted by COVID-19 though such impact may affect the future results of the Company. Please see the Strategic report for further consideration.

There have been no other subsequent events which are considered material to the financial statements and which require separate disclosure between the year-end and the date of this report.
