Freemans of Newent Limited

Directors' report, strategic report and financial statements

31 May 2016

Registered number 745426

Contents

Directors' report

Introduction

The directors present their annual report and the audited financial statements for the year ended 31 May 2016.

Principal activity

The principal activity of the company is the supply of poultry meat.

Directors

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

M D P Cruz Diaz	(resigned 4 August 2015)
KB Graham	(appointed 1 March 2016)
X Hyenne	(resigned 1 March 2016)
M Thompson	(appointed 4 August 2015)

Market value of land and buildings

In the opinion of the directors the market value of the land and buildings of the company exceeds the book value of the assets at 31 May 2016.

Disclosure of information to auditor

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

Auditor

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

By order of the board

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

KB Graham
Director

7 April 2017

Strategic report

Business review and summary results

The directors consider the key performance indicators for the business to be turnover and profit.

Summarised results are given below:

	2016	2015
	£m	£m
Turnover	**53.2**	52.0
Profit on ordinary activities after taxation for the financial year	**3.3**	2.0

Extended business commentary

The twelve months to the 31 May 2016 has seen turnover increase 2% due to a continued growth among our key customer base and more favourable trading conditions. This along with a decrease in the raw materials which go in to the cost of our live birds has seen gross profit increase by 33% and gross profit margin increase from 9% to 12%. This in line with savings on head office corporate charges have seen our profit after tax increase again from 4% to 6%.

The outlook for 2017 remains positive with continued growth within our key customers.

Financial risks

The company's activities expose it to a range of financial risks that include credit risk and interest rate risk. Cargill's management, operating at the pan-European and worldwide platforms, regularly review the financial risk against established policies.

Credit risk – credit checks are performed on potential customers using a recognised industry expert before sales are transacted. The amount of exposure to any individual customer is controlled by means of credit limits, which are monitored regularly by management. Due to its large geographic base and number of customers the company is not exposed to material concentrations of credit risk on its trade receivables.

Interest rate risk – the company is exposed to movements in the level of interest rates. Debt is maintained on a floating rate basis through a centrally managed treasury function within a fellow subsidiary.

Dividends

During the period the company neither declared nor paid a dividend *(2015: £nil).*

Policy and practice on payment of creditors

The company aims to pay all its creditors promptly. It is the company's policy to agree the terms of payment with its suppliers, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other obligations.

By order of the board

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

KB Graham
Director

7 April 2017

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

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

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

KPMG

Independent auditor's report to the members of Freemans of Newent Limited

We have audited the financial statements of Freemans of Newent Limited for the year ended 31 May 2016 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and the strategic report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Neil Calder

Neil Calder *(Senior Statutory Auditor)*
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
7 April 2017

Profit and loss account
for the year ended 31 May 2016

	Note	**2016**	2015
		£	£
Turnover	*2*	**53,211,040**	52,061,338
Cost of sales		**(46,906,780)**	(47,307,938)
Gross profit		**6,304,260**	4,753,400
Distribution costs		**(1,274,015)**	(1,258,476)
Administrative expenses		**(918,923)**	(1,003,682)
Net operating expenses		**(2,192,938)**	(2,262,158)
Operating profit		**4,111,322**	2,491,242
Other interest receivable and similar income	*4*	**42,104**	34,128
Profit before taxation		**4,153,426**	2,525,370
Tax on profit	*6*	**(832,169)**	(530,745)
Profit for the financial period		**3,321,257**	1,994,625

The profit and loss account has been prepared on the basis that all operations are continuing operations. In both the current period and preceding year the company made no material acquisitions.

Statement of total comprehensive income
for the year ended 31 May 2016

	2016	2015
	£	£
Profit for the year	**3,321,257**	1,994,625
Total comprehensive income	**3,321,257**	1,994,625

The notes on pages 8 to 17 form part of these financial statements.

Balance sheet
at 31 May 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	*7*		**4,055,774**		3,589,741
Current assets					
Stock	*8*	**1,099,213**		711,693	
Debtors	*9*	**16,966,433**		13,739,579	
		18,065,646		14,451,272	
Creditors: amounts falling due within one year	*10*	**(5,329,894)**		(4,548,114)	
Net current assets			**12,735,752**		9,903,158
Total assets less current liabilities			**16,791,526**		13,492,899
Provisions for liabilities and charges	*11*		**(65,066)**		(87,696)
Net assets			**16,726,460**		13,405,203
Capital and reserves					
Called up share capital	*12*		**53,940**		53,940
Profit and loss account			**16,672,520**		13,351,263
Shareholder's funds			**16,726,460**		13,405,203

The notes on pages 8 to 17 form part of these financial statements.

These financial statements were approved by the board of directors on 7 April 2017 and were signed on its behalf by:

KB Graham
Director

Registered number 745426

Statement of changes in equity
for the year ended 31 May 2015

	Share Capital	Profit and loss account	Total
	£	£	£
At 1 June 2014	**53,940**	**11,356,638**	**11,410,578**
Total comprehensive income	-	**1,994,625**	**1,994,625**
At 31 May 2015	**53,940**	**13,351,263**	**13,405,203**

Statement of changes in equity
for the year ended 31 May 2016

	Share Capital	Profit and loss account	Total
	£	£	£
At 1 June 2015	**53,940**	**13,351,263**	**13,405,203**
Total comprehensive income	-	**3,321,257**	**3,321,257**
At 31 May 2016	**53,940**	**16,672,520**	**16,726,460**

Notes
(forming part of the financial statements)

1 Accounting policies

Statement of compliance

Freemans of Newent Limited is a limited liability company incorporated in England. The registered office is Velocity 1, Brooklands Drive, Weybridge, Surrey KT13 0SL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP the company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Designation of previously recognised financial instruments – certain financial assets and liabilities were at 1 June 2014 designated at fair value through profit or loss.

The company's ultimate parent undertaking, Cargill, Incorporated includes the company in its consolidated financial statements. The consolidated financial statements of Cargill, Incorporated are prepared in accordance with US GAAP and are available to the public and may be obtained from the address stated in note 14. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The directors believe that the company will be able to maintain current trading volume without significant increase in the cost of doing so in the coming years. In consequence, and in conjunction with the company's existing financial resources, the directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continues to prepare annual financial statements on the going concern basis.

Turnover

Turnover represents the amounts, excluding Value Added Tax, derived from the provision of goods and services to customers during the period. Revenue is only recognised when the goods are delivered and when the risks and rewards of ownership passes to the customer.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold land	Nil
Freehold buildings	4% of cost
Plant and machinery	Between 7% and 25% of cost
Fixtures, fittings and equipment	25% of cost
Computer software	12.5% of cost

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Stocks

Stock is valued at the lower of cost and net realisable value. Cost represents materials and an appropriate proportion of production costs.

Post-retirement benefits

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Trade and other debtors / creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

In accordance with FRS102.22 financial instruments issued by the company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Notes *(continued)*

2 Segmental analysis

Analysis by geographical segment

In both the current and preceding year all of the company's sales and operating profits originated in the United Kingdom and Europe. An analysis of turnover by geographical destination is shown below:

	2016	2015
	£	£
UK	**51,425,272**	51,319,960
Rest of Europe	**1,785,768**	741,378
Turnover	**53,211,040**	52,061,338

3 Staff numbers and costs

Number of employees	2016	2015
	Number	Number
Production	**199**	195
Distribution	**6**	6
Administration	**19**	15
	224	216

The aggregate payroll costs of these persons were as follows:	2016	2015
	£	£
Wages and salaries	**4,438,306**	4,195,919
Pension costs	**124,910**	119,501
Social security costs	**363,611**	334,960
	4,926,827	4,650,380

The directors' emoluments were borne by other group undertakings. The qualifying services that they provide to the company are incidental and it is not practicable to allocate any of their remuneration to the company.

Notes *(continued)*

4 Other interest receivable and similar income

	2016 £	2015 £
Amounts derived from group companies	**42,104**	34,128
	42,104	34,128

5 Expenses and auditor's remuneration

	2016 £	2015 £
Auditor's remuneration:		
Audit of these financial statements	**15,840**	15,300

Notes *(continued)*

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016	2015
	£	£
Current tax		
UK corporation tax at 20.00% *(2015: 20.83%)*	**850,170**	543,092
Adjustment in respect of prior years	**4,629**	(9)
Total current tax	**854,799**	543,083
Deferred tax		
Deferred taxation credit	**(13,761)**	(12,338)
Impact of change in tax rate	**(4,149)**	-
Adjustment in respect of prior years	**(4,720)**	-
Total deferred tax	**(22,630)**	(12,338)
Tax charge on profit on ordinary activities	**832,169**	530,745

Reconciliation of effective tax rate

	2016	2015
	£	£
Profit for the year	**3,321,257**	1,994,625
Total tax expense	**832,169**	530,745
	4,153,426	2,525,370
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% *(2015: 20.83%)*	**830,685**	526,034
Effects of:		
Permanent adjustments	**5,724**	4,720
Change in tax rate	**(4,149)**	-
Adjustments in respect of prior periods	**(91)**	(9)
Total tax charge for the year	**832,169**	530,745

Factors that may affect future current and total tax charges

The 2015 Budget announced that the UK corporation tax rate will reduce to 19% from 1 April 2017. This reduction was substantively enacted on 26 October 2015 and reduces the company's current tax charge accordingly.

A subsequent reduction in rate to 17%, effective from 1 April 2020, was announced in the 2016 Budget and was substantively enacted on 15 September 2016. This reduces the company's future current tax rate accordingly.

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Freehold land and buildings	Construction in progress	Total
	£	£	£	£	£
Cost					
At 31 May 2015	5,183,110	541,256	885,095	434,395	7,043,856
Additions	-	5,055	-	1,121,620	1,126,675
Reclassification	1,185,359	6,062	317,985	(1,509,406)	-
Disposals	(72,988)	(23,000)	-	-	(95,988)
At 31 May 2016	**6,295,481**	**529,373**	**1,203,080**	**46,609**	**8,074,543**
Accumulated depreciation					
At 31 May 2015	2,867,395	410,131	176,589	-	3,454,115
Charge for the period	513,710	102,851	38,871	-	655,432
Disposals	(67,778)	(23,000)	-	-	(90,778)
At 31 May 2016	**3,313,327**	**489,982**	**215,460**	-	**4,018,769**
Net book value					
At 31 May 2016	**2,982,154**	**39,391**	**987,620**	**46,609**	**4,055,774**
At 31 May 2015	2,315,715	131,125	708,506	434,395	3,589,741

The gross book value of freehold land and buildings include £50,510 *(2015: £50,510)* of non-depreciable land.

Included within tangible fixed assets are assets that were purchased under finance lease arrangements at cost of £463,261 *(2015: £463,261)* and accumulated depreciation of £391,276 *(2015: £346,134)*. The depreciation charge thereon for the year amounted to £45,141 *(2015: £45,141)*. The obligation related to these assets has been fully repaid.

Notes *(continued)*

8 Stock

	2016	2015
	£	£
Work in progress and finished goods	**1,099,213**	711,693

9 Debtors

	2016	2015
	£	£
Due within one year		
Trade debtors	**6,580,357**	5,224,583
Amounts owed by group undertakings	**10,233,484**	8,361,803
Other debtors	**87,961**	111,606
Prepayments and accrued income	**64,631**	41,587
	16,966,433	13,739,579
Amounts owed by group undertakings comprise:		
Trade debtors	**83,854**	777,557
Short term loans	**10,149,630**	7,584,246
	10,233,484	8,361,803

10 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**806,082**	1,208,209
Amounts owed to group undertakings	**3,210,171**	2,297,346
Other creditors including taxation and social security	**850,155**	543,153
Accruals and deferred income	**463,486**	499,406
	5,329,894	4,548,114
Amounts owed to group undertakings comprise:		
Trade creditors	**3,210,171**	2,297,346
	3,210,171	2,297,346
Other creditors including taxation and social security comprise:		
Corporation tax	**850,155**	543,153
	850,155	543,153

Notes *(continued)*

11 Deferred tax assets and liabilities

	Assets		Liabilites		Total	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**65,066**	87,696	**65,066**	87,696
Net tax liability	**-**	-	**65,066**	87,696	**65,066**	87,696

12 Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**53,940**	53,940

13 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£	£
Vehicles and machinery		
Within one year	**111,735**	45,123
Within one to two years	**100,975**	172,424
Within two and five years inclusive	**-**	-
	212,710	217,547

14 Ultimate holding company and parent undertaking

The immediate parent undertaking of Freemans of Newent Limited is Freemans of Newent (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales. Cargill, Incorporated is the ultimate parent undertaking of Freemans of Newent Limited and is regarded by the directors as being the company's ultimate controlling party.

The parent undertaking of the smallest and largest group into which the accounts of the company are consolidated is Cargill, Incorporated, a company incorporated in the USA. The consolidated financial statements of this group are lodged at Companies House, Crown Way, Cardiff, CF4 3UZ.