

Cargill PLC

Directors' report, strategic report and financial statements

31 May 2018

Registered number 1387437



Contents

Directors' report	1
Strategic report	2
Statement of directors' responsibilities	4
Independent auditor's report to the members of Cargill PLC	5
Profit and loss account	7
Statement of total comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Directors' report

Introduction

The directors present their annual report and the audited financial statements for the year ended 31 May 2018.

Principal activities

The principal activities of the company are commodity trading and the processing and distribution of foodstuffs.

Employees

During the year the company has maintained its arrangements for providing information to employees on matters of concern to them, involving employees in the decision-making process and developing a common awareness of the factors affecting the performance of the company.

The company does all that is practical to meet its responsibility towards the employment, training, career development and promotion of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Directors

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

P de Braal

P J Kingston

R I Nield

M A Pollard

M J Timewell

Charitable contributions

Charitable contributions, amounting to £175,236 (2017: £145,202) were made during the year.

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 2018.

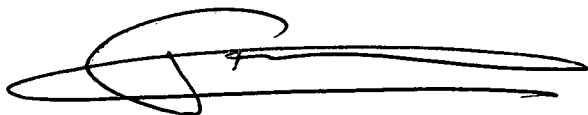
Disclosure of information to auditor

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



P de Braal

Director

27 November 2018

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

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:

	2018 £m	2017 £m
Turnover	1,104.0	1,052.2
Profit after taxation	45.5	37.6

The company also uses a modified Return on Capital Employed calculation to measure business performance. This is calculated at business unit level across various legal entities and geographies.

The company is exposed to movements in the levels of interest rates but controls this through a centrally managed treasury function within a fellow subsidiary.

The twelve month period ended 31 May 2018 has seen the company increase turnover by 4.9% compared to prior year. Trading conditions have improved in a number of business units. The company continues to focus on cost management and working capital utilisation.

The outlook for the next financial year remains challenging. The principal uncertainties facing the company include the unpredictable nature of the general business, financial and economic environment in which the company operates and changes in the funding requirements of Cargill entities to support their business activities. The principal financial risks facing the company are liquidity or funding risk, foreign exchange risk, interest rate risk and credit or counterparty risk. The majority of the liquidity risk relates to group undertakings. The company is well positioned to cope with the volatility within the economic environment and has a balanced business portfolio to control adverse risk.

Financial risks

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

Commodity price and position risk – the normal trading activities of the business require forward positions to be taken in order to meet supply requirements. Positions are taken within duly authorised limits relative to each commodity. Senior management reviews these positions compared to the limits. Exposure to commodity price fluctuations is controlled by the use of limits and the use of approved futures markets.

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.

Foreign exchange risk – trading activities include the import and export of bulk commodities which create exposures to movements in foreign exchange rates principally the Euro and US Dollar. This exposure is managed through matching foreign exchange contracts. Authorisation levels are in place for both the value and period of the forward cover and are subject to regular review by management.

Liquidity risk – the company's strategy to managing liquidity risk is to ensure that the company has sufficient funds to meet all its potential liabilities as they fall due. Funding is managed through a centrally managed treasury function within a fellow subsidiary.

Strategic report (continued)

Dividends

During the year the company paid a final dividend of £nil (2017: £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.

The company had 33 days (2017: 33 days) of purchases in creditors outstanding at 31 May 2018, based on the average daily amount invoiced by suppliers. The average numbers of days outstanding due to third party suppliers at 31 May 2018 was 14 days (2017: 12 days).

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 and 3. As noted above, the company has adequate policies and processes for managing exposures to different types of risk. The company has considerable financial resources together with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the board



P de Braal
Director

27 November 2018

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

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

The directors are responsible for preparing the directors' report, the 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Cargill PLC

Opinion

We have audited the financial statements of Cargill PLC ("the company") for the year ended 31 May 2018 which comprise the Profit and Loss Account, Statement of Total Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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



Independent auditor's report to the members of Cargill PLC (continued)

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Anthony Hambleton', followed by a long horizontal flourish.

Anthony Hambleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

29 November 2018

Profit and loss account
for the year ended 31 May 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	1,103,961	1,052,157
Cost of sales		(1,037,574)	(957,259)
Gross profit		66,387	94,898
Distribution costs		(34,576)	(37,200)
Administrative expenses		(70,684)	(94,148)
Other operating income		54,945	64,591
Net operating expenses		(50,315)	(66,757)
Operating profit		16,072	28,141
(Loss) / gain on disposal of tangible fixed assets		(12)	7
Other pension income	3	30,020	-
Dividends received from subsidiaries		-	13,679
Dividends received from participating interests		11,143	10,400
Profit before interest		57,223	52,227
Other interest receivable and similar income	5	1,637	4,404
Interest payable and similar charges	6	(8,579)	(9,696)
Profit before taxation	7	50,281	46,935
Tax on profit	8	(4,770)	(9,374)
Profit for the financial year		45,511	37,561

All of the results are derived from continuing operations.

Statement of total comprehensive income
for the year ended 31 May 2018

	<i>Note</i>	2018 £000	2017 £000
Profit for the financial year		45,511	37,561
Other comprehensive income			
Remeasurement of the net defined benefit liability	18	187,753	(183,163)
Net change in fair value of cash flow hedges recycled to profit or loss		(684)	398
Income tax on other comprehensive income	8	(31,802)	31,070
Other comprehensive income for the year, net of income tax		155,267	(151,695)
Total comprehensive income		200,778	(114,134)

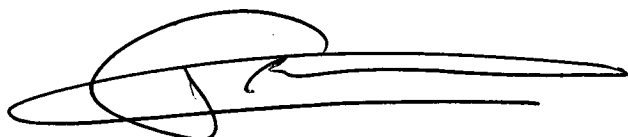
The notes on pages 10 to 31 form part of the financial statements.

Balance sheet
at 31 May 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	145,872	131,238
Investments	10	203,747	111,659
		<u>349,619</u>	<u>242,897</u>
Current assets			
Stocks	11	90,133	92,026
Debtors	12	235,906	393,166
Cash at bank		729	1,103
		<u>326,768</u>	<u>486,295</u>
Creditors: amounts falling due within one year	13	<u>(220,769)</u>	<u>(243,936)</u>
Net current assets			
Due within one year	12	87,578	184,559
Debtors due after more than one year	16	18,421	57,800
Net current assets		<u>105,999</u>	<u>242,359</u>
Total assets less current liabilities		<u>455,618</u>	<u>485,256</u>
Creditors: amounts falling due after one year	14	(5,510)	(5,656)
Provisions for liabilities and charges	15	(63)	(523)
		<u>450,045</u>	<u>479,077</u>
Net assets excluding pension liabilities		<u>450,045</u>	<u>479,077</u>
Pension liabilities	18	(93,601)	(323,572)
Net assets including pension liabilities		<u>356,444</u>	<u>155,505</u>
Capital and reserves			
Called up share capital	17	32,500	32,500
Share premium account		150,944	150,944
Profit and loss account		173,000	(27,939)
Shareholders' funds		<u>356,444</u>	<u>155,505</u>

The notes on pages 10 to 31 form part of the financial statements.

These financial statements were approved by the board of directors on 27 November 2018 and were signed on its behalf by:



P de Braal
Director

Registered number 1387437

Statement of changes in equity
for the year ended 31 May 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
At 1 June 2017	32,500	150,944	(27,939)	155,505
<i>Total comprehensive income for the year</i>				
Profit for the financial year	-	-	45,511	45,511
Other comprehensive income	-	-	155,267	155,267
Total comprehensive income for the year	-	-	200,778	200,778
<i>Transactions with owners, recorded directly in equity</i>				
Equity settled share based payment transactions	-	-	161	161
Total contributions by and distributions to owners	-	-	161	161
At 31 May 2018	32,500	150,944	173,000	356,444

Statement of changes in equity
for the year ended 31 May 2017

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
At 1 June 2016	25,000	115,235	85,794	226,029
<i>Total comprehensive income for the year</i>				
Profit for the financial year	-	-	37,561	37,561
Other comprehensive income	-	-	(151,695)	(151,695)
Total comprehensive income for the year	-	-	(114,134)	(114,134)
<i>Transactions with owners, recorded directly in equity</i>				
Equity settled share based payment transactions	-	-	401	401
Shares issued	7,500	35,709	-	43,209
Total contributions by and distributions to owners	7,500	35,709	401	43,610
At 31 May 2017	32,500	150,944	(27,939)	155,505

Notes

(forming part of the financial statements)

1 Accounting policies

Statement of compliance

Cargill PLC is a publicly limited liability company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 1387437 and the registered office is Velocity 1, Brooklands Drive, Weybridge, Surrey KT13 0SL.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

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 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company's ultimate parent undertaking, Cargill, Incorporated includes the company in its consolidated financial statements. The consolidated financial statements of Cargill, Incorporated are prepared in accordance with US GAAP and are available to the public and may be obtained from the address stated in note 26. 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 in accordance with applicable accounting standards and under the historical cost convention as modified by fair value accounting for certain commodities and by the revaluation of investments in subsidiaries, as permitted by the Companies Act. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents the amounts, excluding Value Added Tax, derived from trading physical commodities and the provision of goods and services to customers during the year net of rebates and discounts. Revenue is only recognised when the goods are delivered and when the risks and rewards of ownership pass to the buyer. Revenue is not recognised if the company acts as an agent rather than the principal to a transaction.

Other operating income

Other operating income represents costs recharged to other Cargill, Inc. subsidiaries and tolling income.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

Fixed asset investments

Investments in subsidiary undertakings and participating interests are recorded cost less any accumulated provision for impairment.

Notes (continued)

1 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Commodity contracts, which include forward futures and option contracts, where the value of the underlying commodity is determined by a quoted terminal market are revalued to the market price prevailing at the balance sheet date.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the profit and loss account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Cash flow hedges

The company uses cash flow hedges to reduce its foreign exchange exposure. These derivative instruments are stated initially at fair value. For the effective portion of the hedge any gain or loss on subsequent remeasurement is recognised within equity and is reclassified to the profit and loss once the contract has been closed out. Any ineffective portion is recognised directly in the profit and loss.

Dividends on shares presented within shareholders' 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.

Notes (continued)

1 Accounting policies (continued)

Stocks

Except as described below, stocks and work in progress are valued at the lower of cost and net realisable value. Cost represents materials and an appropriate proportion of production costs.

Commodity stocks are measured at fair value less costs to sell through profit and loss, as this is considered by the directors to be a more relevant measure of the company's performance as the value of the underlying commodity is determined by a quoted terminal market

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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;

Short leasehold buildings	-	Over the life of the lease
Freehold buildings	-	8 to 50 years
Plant and machinery	-	3 to 15 years
Fixtures and fittings	-	4 to 10 years
Computer software	-	8 years

No depreciation is provided on freehold land nor construction in progress. Cost includes directly attributable finance costs.

Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company offers at its discretion, an arrangement whereby employees who retire from company service under the Cargill Pension Plan and who were participating in the Cargill Group Medical Scheme on retirement date, may continue their membership of the Cargill Group Medical Scheme by paying the appropriate annual premium to the company which is at a subsidised rate. This arrangement is also made available to the spouse of an employee who dies in service and was participating in the Cargill Group Medical Scheme up to the date of the death.

Cash

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Deferred compensation and share based payments

The company participates in two deferred compensation schemes for the benefit of senior employees:

Share option scheme

The share option scheme allows employees to acquire shares in Cargill, Incorporated, the ultimate parent undertaking. Individuals receive options to buy shares in Cargill, Incorporated which are exercisable between three and ten years from the date of granting. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Cash option scheme

Under the cash option scheme individuals receive units whose value is linked to the notional value of shares in Cargill, Incorporated, the ultimate parent undertaking. Individuals can exercise their options between three and five years after date of issue. Upon exercise the individual receives in cash the difference between the value of their units (linked to the notional value of Cargill, Incorporated) and the grant price. At five years after issue the options are automatically encashed. The fair value of the amount payable is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at the grant date and spread over the period during which individuals become unconditionally entitled to payment. The fair value is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The liability is remeasured at each balance sheet date and settlement date with any changes in fair value being recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research is charged to the profit and loss account in the year in which it is incurred.

Development expenditure is expensed to the profit and loss account in the year which it is incurred unless the directors are satisfied that the technical, commercial and financial viability of a project meets the criteria in which case the cost is capitalised and amortised over the period during which the company is expected to obtain economic benefit.

Basic financial instruments

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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Classification of financial instruments issued by the company

Under FRS102.22 financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' 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 shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes (continued)

2 Segmental analysis

(i) Analysis by geographical segment

All of the company's net operating assets are located in the United Kingdom.

An analysis of turnover by geographical destination is shown below:

	2018 £000	2017 £000
UK	937,437	898,045
Rest of Europe	164,908	152,789
Other	1,616	1,323
Turnover	1,103,961	1,052,157

Other destinations included the Americas, Australasia, Africa and the Middle East.

(ii) analysis by class of business

	Commodity trading		Processing and distribution of food stuffs		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Total sales	212,413	219,487	1,011,364	954,680	1,223,777	1,174,167
Inter segment sales	(119,816)	(121,869)	-	(141)	(119,816)	(122,010)
Turnover	92,597	97,618	1,011,364	954,539	1,103,961	1,052,157
Profit before interest, tax, income from shares in group undertakings and gain on disposal of tangible fixed assets	2,790	5,260	13,282	22,881	16,072	28,141
Net interest	(1,205)	(989)	(5,737)	(4,303)	(6,942)	(5,292)
	1,585	4,271	7,545	18,578	9,130	22,849
Gain on disposal of tangible fixed assets					(12)	7
Other pension income					30,020	-
Income from shares in group undertakings					11,143	24,079
Profit before taxation					50,281	46,935
Net operating assets	76,017	45,050	361,942	195,950	437,959	241,000

Net operating assets are calculated as net assets excluding pension liabilities, less investments held in group companies, short term loans and current and deferred taxation balances.

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Commodity trading	33	33
Processing and distribution of foodstuffs	400	411
Other	166	163
	<u>599</u>	<u>607</u>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	35,911	39,766
Share based payments	5,008	2,337
Social security costs	4,396	3,693
Pension gain	(38,730)	(4,776)
Other pension costs	4,573	10,266
	<u>11,158</u>	<u>56,062</u>

Other pension costs includes £30,020,000 contribution gains relating to payments made to the Cargill Pension Scheme from participating employer entities as required under section 75 of the Pensions Act 1995.

4 Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	1,252	1,376
Benefits under long term incentive schemes	216	99
Total directors' remuneration	<u>1,468</u>	<u>1,475</u>

The aggregate of emoluments and amounts receivable under the long term incentive scheme of the highest paid director was £525,920 (2017: £460,715). The director is a member of a defined benefit scheme, under which the accrued annual pension benefit to which he was entitled to from his normal retirement date was £121,185 (2017: £66,943). The highest paid director exercised 13,021 share options (2017: 470) and was granted 24,380 options (2017: 6,357) during the period.

	Number	
	2018	2017
Retirement benefits are accruing to the following number of directors under defined benefit schemes	<u>4</u>	<u>4</u>
Number of directors exercising share options during the period	<u>2</u>	<u>3</u>
Number of directors for which shares are receivable under long term incentive schemes	<u>4</u>	<u>4</u>

Amounts receivable under the long term incentive scheme are disclosed on the basis of encashment.

Notes (continued)

5 Other interest receivable and similar income

	2018 £000	2017 £000
Amounts derived from group companies	1,637	4,404
	<u>1,637</u>	<u>4,404</u>

6 Interest payable and similar charges

	2018 £000	2017 £000
Amounts derived from group companies	1,643	5,020
Other interest charges	14	260
Net interest expense on net defined benefit liabilities	6,922	4,416
	<u>8,579</u>	<u>9,696</u>

7 Expenses and auditors' remuneration

The following amounts in respect of auditors' remuneration were charged to the profit and loss account of this company: audit of these financial statements £249,411 (2017: £230,912)

	2018 £000	2017 £000
<i>Auditors' remuneration</i>		
Audit of these financial statements	249	231
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries, pursuant to legislation	432	434
Audit of associated pension scheme	47	45
Other non-audit fee services	11	11
	<u>11</u>	<u>11</u>

Notes (continued)

8 Taxation

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

	2018 £000	2017 £000
<i>Current tax</i>		
UK corporation tax at 19.00% (2017: 19.83%)	(2,312)	1,475
Adjustment in respect of prior years	(496)	380
Total current tax	(2,808)	1,855
<i>Withholding tax expense</i>	-	2,052
<i>Deferred tax</i>		
Deferred taxation arising from the origination and reversal of timing differences	1,272	360
Deferred tax movement related to pension scheme liability	8,855	2,847
Adjustment in respect of prior years	(1,738)	(788)
Impact of rate change on deferred tax	(811)	3,048
Total deferred tax	7,578	5,467
Tax on profit	4,770	9,374
Reconciliation of effective tax rate		
Profit for the financial year	45,511	37,561
Total tax expense	4,770	9,374
	50,281	46,935
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.83%)	9,553	9,307
Effects of:		
Expenses not deductible for tax	379	150
Income not taxable	(2,117)	(4,775)
Withholding tax expensed	-	2,052
Change in tax rate	(811)	3,048
Adjustments in respect of prior years	(2,234)	(408)
Total tax charge for the year	4,770	9,374

	2018				2017			
	Current tax	Withholding tax	Deferred tax	Total tax	Current tax	Withholding tax	Deferred tax	Total tax
	£000	£000	£000	£000	£000	£000	£000	£000
Recognised in the profit and loss account	(2,808)	-	7,578	4,770	1,855	2,052	5,467	9,374
Recognised in other comprehensive income	-	-	31,802	31,802	-	-	(31,070)	(31,070)
Total tax	(2,808)	-	39,380	36,572	1,855	2,052	(25,603)	(21,696)

Notes (continued)

8 Taxation (continued)

Factors that may affect future current and total tax charges

Recent budgets have announced changes to the main rate of UK corporation tax. The current rate of 19.00% was enacted on 26 October 2015 and applied from 1 April 2017.

The deferred tax balance at 31 May 2018 has been calculated based on the rate of 17%, which is effective from 1 April 2020 and was substantively enacted at the balance sheet date.

This reduces the company's future current tax rate accordingly.

9 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold buildings £000	Plant and machinery £000	Fixtures and fittings £000	Construction in progress £000	Total £000
<i>Cost</i>						
At 1 June 2017	60,160	-	320,492	4,886	18,856	404,394
Reclassification	1,586	26	9,744	3,297	(14,653)	-
Additions	-	-	-	-	34,740	34,740
Disposals	(571)	-	(4,277)	-	-	(4,848)
At 31 May 2018	61,175	26	325,959	8,183	38,943	434,286
<i>Accumulated depreciation</i>						
At 1 June 2017	26,781	-	244,295	2,080	-	273,156
Charge for year	2,115	-	13,346	4,511	-	19,972
On disposals	(566)	-	(4,148)	-	-	(4,714)
At 31 May 2018	28,330	-	253,493	6,591	-	288,414
<i>Net book value</i>						
At 31 May 2018	32,845	26	72,466	1,592	38,943	145,872
At 31 May 2017	33,379	-	76,197	2,806	18,856	131,238

The gross book value of freehold land and buildings includes £47,482,914 (2017: £46,226,229) of depreciable assets.

The cumulative amount of capitalised interest within the cost of plant and machinery is £4,801,000 (2017: £4,801,000).

Notes (continued)

10 Fixed asset investments

	Shares in group companies £000	Participating interests £000	Total £000
<i>Cost</i>			
At 1 June 2017	120,907	18,000	138,907
Additions	93,217	-	93,217
Transfers	(100,057)	100,057	-
At 31 May 2018	114,067	118,057	232,124
<i>Provision for permanent diminution in value</i>			
At 1 June 2017	(27,248)	-	(27,248)
Released to the profit and loss account	(1,129)	-	(1,129)
At 31 May 2018	(28,377)	-	(28,377)
<i>Net book value</i>			
At 1 June 2017	93,659	18,000	111,659
At 31 May 2018	85,690	118,057	203,747

Shares in group companies

The company owned the following investments during the year (*indicates indirect ownership).

Company name	Registered office	Place of incorporation	Class of shares	Percentage ownership 2018	Percentage ownership 2017
Banks Cargill Agriculture Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
British Cotton Growing Association Ltd	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Chocolate UK Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Cotton Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Foods Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Integra UK Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%
Cargill Pension Trustees Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Poultry Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill Schokinag UK Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Cargill West Africa S.A.	Boulevard de Vridi, Face Socopao, Freichville, Abidjan	Ivory Coast	Ordinary	90%	90%
Chickens R Us Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%
Format Global Solutions Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Format Solutions Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Freemans of Newent (Holdings) Ltd	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
* Freemans of Newent Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	0%	100%
Lowesmoor Foods Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%
Meadowfields Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%
Nutec Holdings Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	0%
* Provimi Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	0%
Seara UK Limited	Velocity V1, Brooklands Drive, Weybridge, Surrey	UK	Ordinary	100%	100%
Sun Valley Foods Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%
Sun Valley Poultry Limited	Grandstand Road, Hereford, Herefordshire	UK	Ordinary	100%	100%

During the year the company acquired the entire shareholding in Freemans of Newent Limited from the former parent Freemans of Newent (Holdings) Limited. The company increased its investment in Freemans of Newent Limited by the subscription of shares. The entire shareholding was then transferred to Avara Foods Limited in exchange for 50% of the share capital of Avara Foods Holdings Limited.

Notes (continued)

10 Fixed asset investments (continued)

Participating interests

The company owned 50% of the issued ordinary share capital of the entity below for the current and preceding year.

<i>Company name</i>	<i>Registered office</i>	<i>Place of incorporation</i>	<i>Class of shares</i>
Frontier Agriculture Limited	50/51 Russell Square, London WC1B 4JA	UK	Ordinary

During the year the company acquired 50% of the issued ordinary share capital of the entity below.
(*indicates indirect ownership)

<i>Company name</i>	<i>Registered office</i>	<i>Place of incorporation</i>	<i>Class of shares</i>
Avara Foods Holdings Limited	1 Willow Road, Brackley, Northants NN13 7EX	UK	Ordinary
*Avara Foods Limited	1 Willow Road, Brackley, Northants NN13 7EX	UK	Ordinary
*Cranberry Foods Limited	1 Willow Road, Brackley, Northants NN13 7EX	UK	Ordinary
*Faccenda Foods (Lincs) Limited	1 Willow Road, Brackley, Northants NN13 7EX	UK	Ordinary
*Faccenda Foods Limited	1 Willow Road, Brackley, Northants NN13 7EX	UK	Ordinary
*Freemans of Newent Limited	Grandstand Road, Hereford, HR4 9PB	UK	Ordinary

11 Stocks

	2018	2017
	£000	£000
Raw materials and consumables	35,947	35,705
Work in progress and finished goods	29,235	28,044
Commodities traded	24,951	28,277
	<u>90,133</u>	<u>92,026</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £878,555,000 (2017: £872,868,000).

Notes (continued)

12 Debtors

	2018 £000	2017 £000
<i>Due within one year</i>		
Trade debtors	73,267	79,234
Amounts owed by group undertakings	113,414	212,524
Amounts owed by participating interests	942	140
Other debtors	9,407	8,159
Unrealised gains on derivatives	2,989	18,926
Corporation tax receivable	8,414	7,239
Prepayments and accrued income	9,052	9,144
	<u>217,485</u>	<u>335,366</u>
<i>Due after more than one year</i>		
Deferred tax (see note 16)	<u>18,421</u>	<u>57,800</u>
Total debtors	<u>235,906</u>	<u>393,166</u>
<i>Amounts owed by group undertakings comprise:</i>		
Trade debtors	7,576	17,474
Short term deposits	97,148	191,070
Unrealised gains on derivatives	8,690	3,980
	<u>113,414</u>	<u>212,524</u>
<i>Amounts owed by participating interests comprise:</i>		
Trade debtors	190	140
Unrealised gains on derivatives	752	-
	<u>942</u>	<u>140</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Payments received on account	3,018	3,719
Trade creditors	32,964	28,840
Amounts owed to group undertakings	139,189	184,799
Amounts owed to participating interests	15,924	7,277
Other creditors including taxation and social security	1,751	745
Accruals and deferred income	17,422	18,007
Unrealised losses on derivatives	10,501	549
Total creditors	220,769	243,936

Amounts owed to group undertakings comprise:

Trade creditors	35,360	50,141
Short term loans	100,438	129,483
Unrealised losses on derivatives	3,391	5,175
	139,189	184,799

Amounts owed to participating interests comprise:

Trade creditors	11,993	7,241
Unrealised losses on derivatives	3,931	36
	15,924	7,277

Other creditors including taxation and social security comprise:

Other taxes	1,751	380
Other creditors	-	365
	1,751	745

14 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Deferred income	5,510	5,656
	5,510	5,656

Deferred income relates to transfer of ownership a long term lease. The income is being recognised over the remaining 40 year lease term.

Notes (continued)

15 Provisions for liabilities and charges

	Deferred compensation £000
At 1 June 2017	523
Charged to the profit and loss account	4,785
Cash payments	(5,066)
Reversal of charge in relation to share based payments	(161)
Foreign currency translation	(18)
At 31 May 2018	63

16 Deferred tax assets and liabilities

	Assets		Liabilities		Total	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	357	-	-	386	357	(386)
Deferred compensation	1,660	2,058	-	-	1,660	2,058
Pension scheme	16,658	56,499	-	-	16,658	56,499
Other timing difference	-	-	254	371	(254)	(371)
Total tax asset	18,675	58,557	254	757	18,421	57,800
Net of tax liabilities	(254)	(757)	(254)	(757)	-	-
Net tax assets	18,421	57,800	-	-	18,421	57,800

17 Called up share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
32,500,000 Ordinary shares of £1 each	32,500,000	32,500,000
Shares classified as shareholders' funds	32,500,000	32,500,000

Notes (continued)

18 Employee benefits

Share Based Payments

As explained in the accounting policy note 1 there are two share based payment schemes available to senior employees.

The company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

The terms and conditions of the grants are as follows:

Grant date / employees entitled	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
1 September 2017 / Senior employees	Equity	11,045	Company employee	10 years

For cash-settled share-based payment arrangements the liability was measured using a fair value stock price of \$55.65.

Pensions

A summary of the fair value of the net retirement benefit deficit is shown below:

	2018 £000	2017 £000
Pension scheme deficit	<u>93,601</u>	<u>323,572</u>

The company operates a funded defined benefit pension scheme in the UK for the benefit of employees within the UK called the Cargill Pension Plan. The assets of the scheme are held in separate trustee administered funds. The scheme was closed to new entrants on 5 April 2006. The company also operates an unfunded defined benefit scheme in the UK.

A full actuarial valuation was carried out at 5 April 2016 and has been updated to 31 May 2018 by a qualified independent actuary to take account of the requirements of FRS 102.28 in order to assess the assets and liabilities of the scheme at the report date.

	2018 £000	2017 £000
Present value of scheme liabilities	(1,075,905)	(1,253,543)
Fair value of scheme assets	<u>982,304</u>	<u>929,971</u>
Net pension liability	<u>(93,601)</u>	<u>(323,572)</u>

Notes (continued)

18 Employee benefits (continued)

Pensions (continued)

The information disclosed below is in respect of both plans for which the company is the sponsoring employer throughout the periods shown. The fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and thus inherently uncertain were:

	2018 £000	2017 £000
Present value of funded defined benefit obligations	(1,043,677)	(1,215,623)
Fair value of plan assets	982,304	929,971
	<u>(61,373)</u>	<u>(285,652)</u>
Present value of unfunded defined benefit obligations	(32,228)	(37,920)
Net liability	<u><u>(93,601)</u></u>	<u><u>(323,572)</u></u>

Movements in present value of defined benefit obligations

	2018 £000	2017 £000
As at 1 June 2017	1,253,543	946,878
Movement during the year:		
Current service costs	1,221	7,120
Interest cost	28,473	29,137
Contributions by members	143	196
Benefits paid	(36,463)	(30,025)
Actuarial (gain) / loss	(171,012)	300,237
As at 31 May 2018	<u><u>1,075,905</u></u>	<u><u>1,253,543</u></u>

Movements in fair value of plan assets

	2018 £000	2017 £000
As at 1 June 2017	929,971	796,499
Movement during the year:		
Expected return on assets	21,551	24,721
Contributions by employer	51,561	22,706
Contributions by members	143	196
Benefits paid	(36,463)	(30,025)
Expenses	(1,200)	(1,200)
Actuarial gain	16,741	117,074
As at 31 May 2018	<u><u>982,304</u></u>	<u><u>929,971</u></u>

Notes (continued)

18 Employee benefits (continued)

Pensions (continued)

Expense recognised in the profit and loss account

	2018 £000	2017 £000
Current service cost	1,221	7,120
Interest on defined benefit pension plan obligation	28,473	29,137
Interest income on pension plan assets	(21,551)	(24,721)
Administrative expenses	1,200	1,200
Total	9,343	12,736

The expense is recognised in the following line items in the profit and loss account:

	2018 £000	2017 £000
Cost of sales	726	2,579
Administrative expenses	1,695	5,741
Interest expense	6,922	4,416
Total	9,343	12,736

The total amount recognised in the statement of total comprehensive income in respect of actuarial gains and losses is £187,753,000 gain (2017: £183,163,000 loss).

Cumulative actuarial gains and losses reported in the statement of total comprehensive are £200,549,000 loss (2017: £388,302,000 loss).

The fair value of the plan assets and the return on those assets were as follows:

	2018 £000	2017 £000
Equities	246,610	280,908
Corporate bonds	442,284	386,580
Cash	22,931	5,950
Other	270,479	256,533
Total	982,304	929,971
Actual gain on plan assets	38,292	141,795

The pension scheme assets include no items owned by the company (2017: £nil) and do not include any property occupied by the company (2017: £nil).

Where assets are held in bonds and cash the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is anticipated from equities which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

Notes (continued)

18 Employee benefits (continued)

Pensions (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018 %	2017 %
Discount rate	2.87%	2.50%
Inflation	3.00%	3.10%
Future salary increases	3.00%	3.10%

The assumptions used are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. In valuing the liabilities of the pension scheme at 31 May 2018, mortality assumptions have been made as indicated below. If the life expectancy had been made to assume that all members of the scheme had lived one year longer the value of the reported liabilities at 31 May 2018 would have increased by £37,146,000 before deferred tax.

- Current pensioner aged 65: 22.0 years (male)
- Future retiree upon reaching 65: 23.4 years (male)

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Present value of scheme liabilities	(1,075,905)	(1,253,543)	(946,878)	(893,103)	(739,516)
Fair value of scheme assets	982,304	929,971	796,499	689,697	592,145
Deficit	(93,601)	(323,572)	(150,379)	(203,406)	(147,371)
<i>Difference between the expected and actual return on scheme assets</i>					
Amount	16,741	117,074	(35,914)	54,251	5,887
As a percentage of scheme assets	2%	13%	(5%)	8%	1%
<i>Experience adjustments on scheme liabilities</i>					
Amount	-	-	(36,416)	(266)	477
As a percentage of scheme liabilities	-	-	4%	0%	(0%)
<i>Total amount recognised in statement of other comprehensive income</i>					
Amount	187,753	(183,163)	52,756	(56,963)	1,180
As a percentage of scheme liabilities	(17%)	15%	(6%)	6%	(0%)

The company expects to contribute approximately £24,703,000 to its defined benefit plans in the next financial year.

The value of outstanding contributions owed to the defined benefit schemes at 31 May 2018 was £nil (2017: £nil).

The company also operates a defined contribution scheme. The expense recognised in the profit and loss account for the year ended 31 May 2018 was £2,152,000 (2017: £1,946,000). The value of outstanding contributions at 31 May 2018 was £nil (2017: £nil).

Notes (continued)

19 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2018 £000	2017 £000
Contracted	16,576	4,575
Authorised, but not contracted	19,249	18,360
	<u>35,825</u>	<u>22,935</u>

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Within one year	7,002	4,775
Within two and five years inclusive	18,021	18,744
After five years	62,126	61,561
	<u>87,149</u>	<u>85,080</u>

The expense recognised in the year was £7,206,000 (2017: £6,727,000).

21 Financial instruments

Fair values of financial instruments

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price.

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	2018		2017	
	Carrying values £000	Fair values £000	Carrying values £000	Fair values £000
Derivative financial instruments	12,431	12,431	22,906	22,906
Total financial assets	<u>12,431</u>	<u>12,431</u>	<u>22,906</u>	<u>22,906</u>
Derivative financial instruments	(17,823)	(17,823)	(5,760)	(5,760)
Total financial liabilities	<u>(17,823)</u>	<u>(17,823)</u>	<u>(5,760)</u>	<u>(5,760)</u>
Total financial instruments	<u>(5,392)</u>	<u>(5,392)</u>	<u>17,146</u>	<u>17,146</u>

22 Contingencies

The company has contingencies in respect of forward commodity contracts entered into in the normal course of business. As described in note 1, contracts are recorded at market value, which is dependent on market conditions. Given the inherent uncertainty of future market values, it is not possible to quantify the amount of contingent assets or liabilities.

Notes (continued)

23 Related party transactions

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

Other related party transactions – entities over which the company has joint control

	Sales to 31 May 2018 £000	Sales to 31 May 2017 £000	Purchases from 31 May 2018 £000	Purchases from 31 May 2017 £000
Freemans of Newent Limited	13,561	-	-	-
Faccenda Foods Limited	2,731	-	-	-
Frontier Agriculture Limited	689	757	204,870	188,960
Total	16,981	757	204,870	188,960
	Receivables outstanding 31 May 2018 £000	Receivables outstanding 31 May 2017 £000	Payables outstanding 31 May 2018 £000	Payables outstanding 31 May 2017 £000
Freemans of Newent Limited	51	-	4,282	-
Faccenda Foods Limited	404	-	2,181	-
Frontier Agriculture Limited	487	140	9,461	7,276
Total	942	140	15,924	7,276

24 Accounting estimates and judgements

The preparation of the financial statements requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

Fair value of derivatives

Certain business operations hold forward and future contracts at fair value. Fair value is determined using observable markets and internal data.

25 Post balance sheet event

On 26 October 2018 the High Court handed down its ruling on guaranteed minimum pension equalisation. This will have an impact on the Defined Pension Scheme deficit but the directors are unable to quantify the change.

26 Ultimate holding company and parent undertaking

The immediate parent undertaking of Cargill PLC is Cargill UK Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Cargill, Incorporated is the ultimate parent undertaking of Cargill PLC 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.