

Cargill Global Funding PLC

Annual report and financial statements

31 May 2018

Registered number 2857033



Annual report and financial statements

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Strategic report

Introduction

The directors present their strategic report for the year ended 31 May 2018.

Business review

The company's principal activities are the funding of Cargill entities, the trading and management of interest rate and foreign exchange risk and the provision of cash management, foreign exchange and funding services to Cargill business units. There has been no significant change in the company's principal activities compared to previous years and no changes are expected in the coming year.

Future developments

The precise timing and terms of the UK's exit from the European Union are unclear. The full impact of Brexit will only be known over the next couple of years as the negotiations progress with the European Union and other major trading partners. We continue to proactively assess and where appropriate, manage the impact to the company of Brexit related risks.

Risks and uncertainties

The principal uncertainties facing the company in the coming year 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. Details of these and the company's control policies are detailed in notes 15 to 17 on pages 21 to 23.

Current period performance

The results of the Company for the year, as set out on page 6, show a profit on ordinary activities after taxation of \$27,855,618 (2017: \$31,264,404). The shareholders' funds of the Company total \$255,710,651 (2017: \$227,845,417).

The financial year ended 31 May 2018 saw changes to the composition of funding to Cargill entities resulting in the company issuing commercial paper in the external market to cover funding requirements. The increased interest expense of doing so was one of a number of factors contributing to a decrease in profits in the year. In addition to this FY18 saw a reduction in fee income from affiliates in line with reduced costs of providing services as a result of increased automation.

Key performance indicators

Given that the principal objective of the Company is to fund entities within the Cargill Group, key performance indicators are used at the Group level and not specific to the Company.

By order of the board



R I Nield
Director

Velocity V1
Brooklands Drive
Weybridge, Surrey
KT13 0SL

28 September 2018
Cargill Global Funding PLC
Registered number: 2857033

Directors' report

Introduction

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

	2018	2017
	\$000	\$000
Profit on ordinary activities after taxation	27,856	31,264

Dividend

The directors do not recommend the payment of a dividend (2017: \$ nil).

Directors

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

J H Mawhood

J D Olson

R I Nield

None of the directors benefited from qualifying third party indemnity provisions during the financial year and at the date of the report.

Political and charitable contributions

The company made no political contributions during the year (2017: \$ nil). The company made charitable contributions during the year of \$19,492 (2017: \$21,481).

Financial Instruments

Information on the use of financial instruments by the company and its management of financial risk is disclosed in Note 14 to the financial statements. In particular, the company's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk', 'Market risk'.

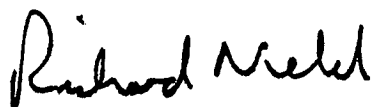
Disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



R I Nield
Director

Velocity V1
Brooklands Drive
Weybridge, Surrey
KT13 0SL

28 September 2018
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Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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.

Independent auditor's report to the members of Cargill Global Funding PLC

Opinion

We have audited the financial statements of Cargill Global Funding 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 3, 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 Global Funding 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.



Michael McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square London, E14

5GL

28 September 2018

Profit and loss account
for the year ended 31 May 2018

	<i>Note</i>	2018	2017
		\$000	\$000
Net trading income	2	46,610	48,331
Other operating income		1,730	6,873
Administrative expenses		(15,844)	(16,046)
Profit on ordinary activities before taxation	3	32,496	39,158
Tax on profit on ordinary activities	7	(4,640)	(7,894)
Profit for the financial year		27,856	31,264

The above income and expenditure has been derived from continuing activities.

There are no material differences between the results as reported and the results that would have been reported on a historical cost basis. Accordingly, no note of historical cost profits and losses has been prepared.

The notes on pages 10 to 23 form an integral part of these financial statements.

**Statement of other comprehensive income
for the year ended 31 May 2018**

	<i>Note</i>	2018	2017
		\$000	\$000
Profit for the financial year		27,856	31,264
Reversal of charge in relation to share based payments		9	14
Total comprehensive gains / (losses) for the financial year		<u>27,865</u>	<u>31,278</u>

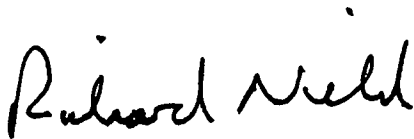
Balance sheet
at 31 May 2018

	<i>Note</i>	2018		2017	
		\$000	\$000	\$000	\$000
Current Assets					
Debtors:					
Amounts falling due within one year	8	5,417,912		4,601,612	
Amounts falling due after one year	8	<u>126,190</u>		<u>114,944</u>	
		5,544,102		4,716,556	
Cash & Cash Equivalents		26,509		811,585	
Creditors:					
Amounts falling due within one year	10	<u>(4,689,843)</u>		<u>(4,673,467)</u>	
Net Current Assets			880,768		854,674
Creditors:					
Amounts falling due after one year	10		(625,057)		(626,828)
Net Assets			<u><u>255,711</u></u>		<u><u>227,846</u></u>
Capital and reserves					
Called up share capital	11		5,000		5,000
Profit and loss account			250,711		222,846
Shareholders' funds			<u><u>255,711</u></u>		<u><u>227,846</u></u>

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

	Share Capital \$000	Profit and loss \$000	Total \$000
At 1 June 2016	5,000	191,568	196,568
Profit for the year		31,264	31,264
Reversal of charge in relation to share based payments		14	14
At 31 May 2017	5,000	222,846	227,846
Profit for the year		27,856	27,856
Reversal of charge in relation to share based payments		9	9
At 31 May 2018	<u>5,000</u>	<u>250,711</u>	<u>255,711</u>

These financial statements were approved by the board of directors on 28 September 2018 and were signed on its behalf by:



R I Nield
Director

Cargill Global Funding PLC
Registered number: 2857033

Notes

(forming part of the financial statements)

1 Accounting policies

Cargill Global Funding PLC 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 US Dollars. All amounts in the financial statements have been rounded to the nearest \$1,000.

The company's ultimate parent undertaking, Cargill, Incorporated includes the company in its consolidated financial statements. The consolidated financial statements of Cargill, Incorporated are prepared in accordance with US GAAP and are available to the public and may be obtained from the address stated in note 19. 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

Basis of preparation:

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost convention, modified for derivatives which are held at fair value.

Turnover, cost of sales and gross profit (as prescribed in the Companies Act 2006) do not have any meaningful equivalents in this financial business and are therefore not presented in the profit and loss.

Trading income includes the net profits arising from positions in foreign exchange, money market assets and liabilities, net interest earned by those investments and fees charged to group undertakings.

Commercial paper and sterling acceptances:

Commercial paper and sterling acceptances are recorded on the balance sheet at the issue proceeds and are amortised at a constant yield over the period to maturity.

Interest income and expense:

Interest income and expense are recognised on an effective interest rate basis.

Foreign exchange:

The directors consider that the functional currency of the company is US dollar. The financial statements have therefore been prepared in that currency.

Transactions in foreign currencies are translated to the Company's functional currency 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 retranslated to the functional currency at the foreign exchange rate ruling at that date. 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. Forward foreign exchange contracts are valued at market rates applicable to their respective maturities at the balance sheet date. Foreign exchange differences arising on translation are recognised in the profit and loss account

Employee Benefits:

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

Some of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by Cargill PLC which is legally responsible for the plan. The Company then recognises a cost equal to its contribution payable for the period.

Share based payments

Eligible employees of the Company can participate in the Share Option Plan operated by Cargill. Cargill has adopted the fair value method for valuing share options. Share options cost is measured at grant date based on the fair value of the share options. The fair value of share options is calculated using the Black Scholes options pricing model.

Compensation expense for share options is amortised and recognised in profit or loss on a straight line basis over the requisite service period, with a corresponding increase to equity. The requisite service period is generally the vesting period, except for option participants who are retiree eligible. Retiree eligible participants are deemed to have no substantive service period. For options issued to retiree eligible participants, the expense is recognised in profit or loss immediately on the grant date. For participants who become retiree eligible during the vesting period, the expense is recognised over the shorter period to the retiree eligible date.

The amount recharged by Cargill upon exercise of these share options is recognised directly in equity.

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. 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.

Financial Instruments:

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Derivatives

Derivative contracts are recognised on balance sheet at fair value. Changes in fair value are recognised through profit and loss. Fair values are determined using quoted prices in active markets.

Notes (continued)

2 Net trading income

	2018	2017
	\$000	\$000
Interest income on loans and receivables	100,872	76,379
Interest income on bank deposits	-	1,758
Total interest income	100,872	78,137
Interest expense on financial liabilities at amortised cost	(69,994)	(31,673)
Total interest expense	(69,994)	(31,673)
Net interest income	30,878	46,464
Service fees	763	1,729
Foreign exchange revaluation - fair value through profit and loss	14,969	138
Net trading income	46,610	48,331

Interest income includes interest receivable from group undertakings in thousands of \$100,872 (2017: \$76,379).

Interest expense includes interest payable to group undertakings in thousands of \$69,994 (2017: \$31,673).

Service fees income includes management fee income generated from the provision of foreign exchange services to other group companies.

3 Profit on ordinary activities before taxation

	2018	2017
	\$000	\$000
The profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration: statutory audit services	<u>104</u>	<u>83</u>

4 Directors' remuneration

	2018	2017
	\$000	\$000
Directors' emoluments	<u>572</u>	<u>547</u>

The aggregate of the highest paid director's emoluments is \$572,409 (2017: \$546,599). The director is a member of the defined benefit pension scheme. The accrued pension payable if the director were to retire at normal retirement age was \$88,098 (2017: \$79,317).

Notes (continued)

5 Directors' remuneration continued

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Defined benefit scheme only	-	-
Defined benefit schemes and defined contribution schemes	1	1

6 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
Traders	8	14
Administration staff	43	40
	<u>51</u>	<u>54</u>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	\$000	\$000
Wages and salaries	6,290	6,093
Social security costs	802	895
Other pension costs	1,097	807
	<u>8,189</u>	<u>7,795</u>

6 Segmental analysis

No segmental analysis is provided as the company only has one distinguishable class of business and operates in a market that is not limited by geographical bounds.

Notes (continued)

7 Taxation

	2018	2017
	\$000	\$000
(a) Analysis of charge in the year		
<i>Current tax</i>		
UK corporation tax at 19% (2017: 19.83%)	6,167	7,617
Adjustment in respect of prior years	(1,840)	220
Withholding tax written off	315	57
Total current tax (note 7(b))	4,642	7,894
Deferred taxation arising from the origination and reversal of timing differences	(2)	(5)
Rate change		5
Total tax on profit on ordinary activities	4,640	7,894
(b) Factors affecting total tax charge in the year		
The current tax assessment for the year is lower than the standard rate of corporation tax in the UK of 19% (2017: 19.83%)		
The differences are explained below:		
Profit on ordinary activities before taxation	32,496	39,158
Profit on ordinary activities multiplied by the standard rate of corporation tax on the UK of 19% (2017: 19.83%)	6,174	7,765
Effects of:		
Revaluation of tax liability due to foreign exchange differences and adjustment relating to Stock option exercise	(18)	(151)
Withholding tax written off	315	57
Expenses not deductible for tax	9	8
Adjustments in respect of prior years	(1,840)	220
Deferred taxation arising from the origination and reversal of timing differences	-	(5)
Total tax charge for the year	4,640	7,894

The current rate of 19% effective from 1 April 2017 was enacted on 26 October 2015. A further reduction to the main rate of UK corporation tax has been announced. The new rate of 17% will apply from 1 April 2020 was substantively enacted on 6 September 2016.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 May 2018 has been calculated based on the rate of 17% substantively enacted as at the balance sheet date.

Notes (continued)

8 Debtors

	2018	2017
	\$000	\$000
<i>Due within one year</i>		
Amounts owed by group undertakings	5,383,529	4,560,017
Intercompany receivables relating to derivatives	19,188	24,050
Other debtors	15,062	10,464
Third party receivables relating to derivatives	-	6,062
Accrued income and prepayments	133	1,019
	5,417,912	4,601,612
<i>Due after more than one year</i>		
Amounts owed by group undertakings	126,154	111,850
Intercompany receivables relating to derivatives	-	-
Third party receivables relating to derivatives	-	3,060
Deferred tax asset	36	34
	126,190	114,944

9 Deferred tax

	2018	2017
	\$000	\$000
Balance brought forward	34	37
Credit / (charge) to profit and loss	2	(3)
Balance carried forward	36	34

10 Creditors

	2018	2017
	\$000	\$000
<i>Due within one year</i>		
Bank loans and overdrafts	989,798	334
Amounts owed to group undertakings	3,626,705	4,626,123
Intercompany payables relating to derivatives	42,616	35,105
Corporation tax payable	4,892	6,408
Other creditors	20,384	3,226
Third party payables relating to derivatives	3,721	1,566
Accruals and deferred income	1,727	705
	4,689,843	4,673,467
<i>Due after more than one year</i>		
Amounts owed to group undertakings	625,000	625,000
Intercompany payables relating to derivatives	8	1,708
Third party payables relating to derivatives	49	120
	625,057	626,828

Notes (continued)

11 Called up Share Capital

	2018	2017
	\$000	\$000
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each, 25 pence paid (2017: 50,000)	19	19
4,981,402 ordinary shares of US \$1 each, fully paid (2017: 4,981,402)	4,981	4,981
Shares classified as shareholders' funds	5,000	5,000

Capital converted to USD from GBP in 1994 with a rate of US \$1.50:£1.

12 Pension

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The scheme was closed to new entrants on 5 April 2006. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by Cargill PLC which is legally responsible for the plan. The Company then recognises a cost equal to its contribution payable for the period. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The contribution for the year ended 31 May 2018 was \$789,424.

The latest full actuarial valuation has been carried out at 5 April 2015 and updated to 31 May 2018 by a qualified independent actuary. As at 31 May 2018 the market value of the assets of the scheme was £982.3million (2017: £930.0 million). Based on the latest actuarial indications, there exists a deficit on the scheme of £93.6 million (2017: £323.6 million). The actuarial value of the assets of the scheme plan at that date represented 91 percent (2017: 74 percent) of the value of potential benefits accrued to its members. It has been agreed that an employer contribution rate of 21.2% of pensionable pay will apply in future years.

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 contribution for the year ended 31 May 2018 was \$307,772 (2017: \$389,973). There were no outstanding contributions to the pension scheme at the year end (2017:£ nil).

Notes (continued)

12 Pensions continued

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

	2018	2017
	%	%
Discount rate:		
Benefit Obligation at 31 May 2018	2.87 %	2.50 %
Interest Cost on Benefit Obligation in 2018/19	2.91 %	2.30 %
Change Arising from Employee Service (Service Cost)	2.64 %	2.53 %
Interest on Charge Arising from Employee Service	3.00 %	3.10 %
RPI Inflation	3.00 %	3.10 %
CPI Inflation	2.84 %	3.05 %

13.1 Financial instruments

Classification of financial assets and liabilities 31 May 2018:

	through profit and loss \$000	Loans and receivables \$000	Total \$000
Amounts owed by group undertakings	-	5,509,683	5,509,683
Intercompany receivables relating to derivatives	19,188	-	19,188
Other debtors	-	15,195	15,195
Third party receivables relating to derivatives	-	-	-
Cash	-	26,509	26,509
Total financial assets	<u>19,188</u>	<u>5,551,387</u>	<u>5,570,575</u>

	Fair value through profit and loss \$000	Loans and receivables \$000	Total \$000
Amounts owed to group undertakings	-	4,251,705	4,251,705
Intercompany payables relating to derivatives	42,624	-	42,624
Other creditors	-	22,111	22,111
Third party payables relating to derivatives	3,770	-	3,770
Bank loans and overdrafts	-	989,798	989,798
Total financial liabilities	<u>46,394</u>	<u>5,263,614</u>	<u>5,310,008</u>

Notes (continued)

13.1 Financial instruments continued

Classification of financial assets and liabilities 31 May 2017:

	through profit and loss \$000	Loans and receivables \$000	Total \$000
Amounts owed by group undertakings	-	4,671,867	4,671,867
Intercompany receivables relating to derivatives	24,050	-	24,050
Other debtors	-	11,483	11,483
Third party receivables relating to derivatives	9,122	-	9,122
Cash	-	811,585	811,585
Total financial assets	<u>33,172</u>	<u>5,494,935</u>	<u>5,528,107</u>

	Fair value through profit and loss \$000	Loans and receivables \$000	Total \$000
Amounts owed to group undertakings	-	5,251,123	5,251,123
Intercompany payables relating to derivatives	36,813	-	36,813
Other creditors	-	3,931	3,931
Third party payables relating to derivatives	1,686	-	1,686
Bank loans and overdrafts	-	334	334
Total financial liabilities	<u>38,499</u>	<u>5,255,388</u>	<u>5,293,887</u>

Basis for determining fair values of financial instruments:

Amounts owed to/by group undertakings and other receivables/payables

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

Cash and Bank loans and overdrafts

The carrying value of cash, bank loans and overdrafts approximates the fair value.

Commercial paper issued

The carrying value of commercial paper approximates the fair value.

Other Creditors

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

Notes (continued)

13.1 Financial instruments continued

Derivatives

The fair value of derivatives is calculated using observable forward foreign exchange curves discounted to present value. These are based on the USD London Interbank Offered Rate (Libor) curve up to one month and the interest rate swap prices from one month onwards.

13.2 Financial estimates – fair value levelling

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	\$000	\$000	\$000	\$000
2018				
Assets				
Derivative financial instruments	<u> </u>	<u>19,188</u>	<u> </u>	<u>19,188</u>
Liabilities				
Derivative financial instruments	<u> </u>	<u>(46,394)</u>	<u> </u>	<u>(46,394)</u>
2017				
Assets				
Derivative financial instruments	<u> </u>	<u>33,172</u>	<u> </u>	<u>33,172</u>
Liabilities				
Derivative financial instruments	<u> </u>	<u>(38,499)</u>	<u> </u>	<u>(38,499)</u>

14 Financial risk management

The principal financial risks facing Cargill Global Funding PLC are liquidity or funding risk, foreign exchange risk, interest rate risk and credit or counterparty risk. The company maintains diverse sources of funding (as described in note 17) to manage liquidity risk. Intercompany guarantees are used to minimise credit risk (as described in note 16). Financial instruments, including derivatives such as currency forwards, currency swaps and interest rate futures, are used to manage the foreign exchange and interest rate risks that arise in the course of business.

Global financial risk management policies are set by Cargill, Incorporated's Financial Risk Committee (FRC). The FRC establishes policy and sets standards governing the assumption and management of these financial risks across the corporation. Its membership comprises Cargill, Incorporated's Chief Financial Officer, the Corporate Treasurer and other senior executives.

Notes (continued)

15 Credit risk

The maximum exposure to credit risk is represented by the carrying value of all financial assets. Amounts owed to the company by group undertakings are guaranteed by a Cargill, Incorporated parent guarantee. This guarantee mitigates the company's credit exposure as it ensures the company would be compensated in full by Cargill, Incorporated for any default from a group undertaking. The company's credit exposure to external counterparties is with highly rated financial institutions. Where credit exposure relates to derivative transactions it is subject to Credit Support documentation which allows for collateral to be exchanged between the two parties to minimise risk to an agreed threshold. These same financial institutions also extend credit facilities to the company. The company does not expect any counterparties to be unable to meet their obligations.

16 Liquidity risk

The following are the contractual commitments as of 31 May 2018:

	On demand \$000	Up to 6 months \$000	6 - 12 months \$000	1 - 5 years \$000	More than 5 years \$000	Total \$000
Bank loans and overdrafts	989,798	-	-	-	-	989,798
Amounts owed to group undertakings	3,235,361	397,984	5,995	660,902	-	4,300,242
Intercompany payables relating to derivatives	-	30,816	9,959	1,849	-	42,624
Other creditors	15,889	6,222	-	-	-	22,111
Third party payables relating to derivatives	-	5,295	(3,354)	1,829	-	3,770
	<u>4,241,048</u>	<u>440,317</u>	<u>12,600</u>	<u>664,580</u>	<u>-</u>	<u>5,358,545</u>

The following are the contractual commitments as of 31 May 2017:

	On demand \$000	Up to 6 months \$000	6 - 12 months \$000	1 - 5 years \$000	More than 5 years \$000	Total \$000
Bank loans and overdrafts	334	-	-	-	-	334
Amounts owed to group undertakings	4,517,872	111,485	3,037	649,277	-	5,281,671
Intercompany payables relating to derivatives	-	27,072	6,869	2,872	-	36,813
Other creditors	-	3,931	-	-	-	3,931
Third party payables relating to derivatives	-	981	577	128	-	1,686
	<u>4,518,206</u>	<u>143,469</u>	<u>10,483</u>	<u>652,277</u>	<u>-</u>	<u>5,324,435</u>

Notes (continued)

16 Liquidity risk continued

The company is party to a \$5 billion commercial paper programme, which it draws upon to meet those borrowing requirements not provided by cash deposits from other group companies. The commercial paper programme is guaranteed by Cargill Incorporated, the company's ultimate parent.

The company is also party to a syndicated committed credit facility, which at 31 May 2018 totalled \$5 billion (2017: \$5 billion), as backup liquidity to the commercial paper program. It is corporate policy to provide committed backup liquidity for an amount equal to or greater than total commercial paper outstanding at all times.

In addition, the company has a committed funded club facility in place which gives access to \$ 1 billion of committed funds. This will be used for working capital funding on an ongoing basis.

During the year ended 31 May 2018 the substantial part of the borrowing requirements of Cargill Global Funding were met through taking intercompany deposits.

17 Market risk

Foreign exchange risk

Cargill's global foreign exchange risk management policy is set by Cargill, Incorporated's Financial Risk Committee (FRC). The foreign exchange policy ensures uniform treatment of foreign exchange exposures across all business units globally, defines common risk definitions and terminology, standard risk measurement and risk reporting procedures and consistent operating procedures.

- i) **Transaction Risk**
Business units are charged with managing their own transaction risk. In order to minimise the transaction risk faced by the company, the majority of foreign exchange transactions requested by Cargill entities are traded back-to-back with banks by the company.
- ii) **Translation Risk**
The company's net monetary assets are predominantly denominated in US dollars. Balance sheet exposure created by net monetary assets denominated in currencies other than US dollars is hedged using forward exchange transactions and foreign exchange swaps as appropriate.

A 10% strengthening of the US dollar against the following currencies at 31 May 2018 would have increased (decreased) the equity and profit and loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Equity	Profit
	\$000	or loss
		\$000
Euro	(55)	(55)
GBP Sterling	(126)	(126)

A 10% strengthening of the US dollar against the following currencies at 31 May 2017 would have increased (decreased) the equity and profit and loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Equity	Profit
	\$000	or loss
		\$000
Euro	(4,383)	(4,383)
GBP Sterling	728	728

Notes (continued)

17 Market risk continued

A 10% weakening of the US dollar against the above currencies at 31 May 2018 (and at 31 May 2017) would have had an equal but opposite effect on equity and profit and loss, assuming that all other variables remain constant.

Interest rate risk

The majority of the company's external debt requirements are met by short-term commercial paper issued to fund the short-term borrowing requirements of Cargill business units.

18 Capital management

The company is not regulated by the Financial Conduct Authority. The company uses intercompany loans and short term debt to meet its short term working capital requirements. Longer term working capital requirements are met by the company through share capital and profit and loss account.

19 Ultimate holding company and parent undertaking

The company's immediate parent undertaking is Cargill Holdings, which is registered in England and Wales, and its ultimate parent undertaking is Cargill Incorporated, a company incorporated in the USA.

The largest group in which the results of the company are consolidated is that headed by Cargill, Incorporated whose consolidated financial statements are lodged together with Cargill Holdings financial statements at Companies House, Cardiff, UK. No other group financial statements include the results of the company.

20 Related party transactions

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Cargill Group. There are no other related party transactions requiring disclosure.