

Cargill Cotton Limited

Directors' report, strategic report and financial statements

31 May 2019

Registered number 5564843



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Directors' report

Introduction

The directors present their annual report and the audited financial statements for the year ended 31 May 2019.

Principal activities

With effect from 1 September 2016 the principal activity changed to being a buying and selling agent for a fellow group company in the US. The company earns a commission on the contracted sales and purchases.

Directors and directors' interests

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

S J Hamilton
C P Peltzer

Charitable contributions

The company has made charitable contributions of £23,105 during the year (2018: £10,500).

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



S J Hamilton
Director
6 February 2020

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

Strategic report

Business review and summary results

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

Summarised results are given below:

	2019	2018
	£m	£m
Turnover	8.0	7.6
Profit after taxation for the financial period	4.8	4.1

The company now acts as a buying and selling agent on behalf of its US affiliate, Cargill, Incorporated. Under this operating model, the company will either buy or sell cotton on behalf of Cargill Incorporated directly or, alternatively, enter into back to back contracts such that the trading, inventory and credit risk associated with the cotton contracts is borne by Cargill, Incorporated.

The company earns a commission in respect of the cotton purchased and sold on behalf of Cargill Incorporated.

Working closely with Cargill, Incorporated, the company has focused its buying and selling activities on those origins which are strategically important and generate consistently better margins. This continued to be evident in the 18/19 fiscal year, specifically in West African and Spanish operations. The continued profitability of the company will depend to a large extent on the volume of business it carries out on behalf of Cargill Inc. In this regard, the company has a broad network and is able to source cotton from different origins and serve different markets. The company is well placed to take advantage of the likely increase in Chinese imports from here onwards as the Chinese government has now significantly reduced its cotton stocks. Due to this and continued demand in markets such as Bangladesh and Vietnam, actual works trade will also increase, leading to further opportunities.

The directors acknowledge the potential risk to the company which will arise in relation to the United Kingdom's exit from the European Union. The directors believe being part of a large multinational group will ensure the company's exposure to possible implications linked to the risk should be reduced to an acceptable level.

Strategic report *(continued)*

Principal risks and uncertainties and key performance indicators

The company faces a variety of risks but has policies in place to mitigate these. As an example, sales and purchase contracts are fully documented and are protected to a significant degree by the Rules and Bylaws of the International Cotton Association, which provides for an Arbitration Award which would help in recovery should a buyer or seller try to default on a contract. Cotton global business continues to face threat of contract default due to the USA/China Trade War; seeing dramatic drop in demand for USA cotton and corresponding fall in global prices. Whilst Cargill Cotton Ltd is protected from counterparty default, the drop in demand from the global market may impact this entities volume to market and therefore reduce income from agency commission. Insurance products are used to protect the company against physical loss of goods.

To protect from credit risk the company sells under letter of credit or cash against documents terms, or uses export credit insurance. The company is also at risk from market price movement but this exposure is reduced by trading New York cotton futures.

The company employs various systems and regularly monitors aspects of key performance, including reporting a daily commodity position, mark to market of forward contracts and monthly profit and loss accounts. Financial budgets are established annually against which annual performance is measured which includes trading margins and various metrics. The company also monitors and manages its exposure to foreign currency, through the use of foreign exchange contracts when entering non-US Dollar transactions, and monitors credit and market exposure with counterparties regularly against pre-defined limits.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: *£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 46 days (2018: 14 days) of purchases in creditors outstanding at 31 May 2019, based on the average daily amount invoiced by suppliers.

By order of the board



S J Hamilton
Director
6 February 2020

Velocity V1
Brooklands Drive
Weybridge
Surrey
KT13 0SL

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 director's 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 Cotton Limited

Opinion

We have audited the financial statements of Cargill Cotton Limited ("the company") for the year ended 31 May 2019 which comprise the Profit and loss account, Statement of total comprehensive income, Balance sheet, 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 2019 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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

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.

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.

**Independent auditor's report to the members of Cargill Cotton Limited
(continued)**

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.

Gareth Woods

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

12 February 2020

Profit and loss account
for the year ended 31 May 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	7,987	7,618
Cost of sales		-	-
Gross profit		7,987	7,618
Administrative expenses		(1,842)	(1,993)
Other operating (expenses)/income		(7)	4
Operating profit		6,138	5,629
Interest receivable and similar income	5	301	70
Interest payable and similar expenses	6	(482)	(563)
Profit before taxation	7	5,957	5,136
Tax expense on profit	8	(1,134)	(991)
Profit after taxation		4,823	4,145

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Statement of total comprehensive income
for the year ended 31 May 2019

	2019 £000	2018 £000
Profit after taxation	4,823	4,145
Other comprehensive income	-	(40)
Tax on other comprehensive income	-	6
Total comprehensive income	4,823	4,111

The notes on pages 11 to 22 form part of these financial statements.

Balance sheet
at 31 May 2019

		2019		2018	
		£000	£000	£000	£000
	<i>Note</i>				
Fixed assets					
Tangible assets	9		-		3
Current assets					
Stocks	10		-		-
Debtors	11	60,005		47,643	
		<u>60,005</u>		<u>47,643</u>	
Creditors: amounts falling due within one year	12	<u>(48,860)</u>		<u>(41,324)</u>	
Net current assets					
Due within one year		11,142		6,310	
Debtors due after more than one year	11	3		9	
Net current assets			11,145		6,319
Net assets			<u>11,145</u>		<u>6,322</u>
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account		11,145		6,322	
Shareholders funds			<u>11,145</u>		<u>6,322</u>

The notes on pages 11 to 22 form part of these financial statements.

These financial statements were approved by the board of directors on 6 February 2020 and were signed on its behalf by:



S J Hamilton
Director

Statement of changes in equity
for the year ended 31 May 2019

	Share Capital	Profit and loss account	Total
	£000	£000	£000
At 1 June 2018	-	6,322	6,322
Total comprehensive income	-	4,823	4,823
At 31 May 2019	-	11,145	11,145

for the year ended 31 May 2018

	Share Capital	Profit and loss account	Total
	£000	£000	£000
At 1 June 2017	-	2,211	2,211
Total comprehensive income	-	4,111	4,111
At 31 May 2018	-	6,322	6,322

Notes

1 Accounting policies

Statement of compliance

Cargill Cotton Limited is a limited liability company incorporated in England. The registered office is Velocity V1, 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*"). 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 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
- Designation of previously recognised financial instruments – certain financial assets and liabilities were at 1 June 2014 designated at fair value through profit or loss.

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.

FRS 102 grants certain exemptions for the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

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

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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 the historical basis except that derivative financial instruments are stated at their fair value.

The company has considerable financial resources together with long term contracts 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 in preparing the annual financial statements.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover represents commission derived from the company acting as an agent, both buying and selling cotton on behalf of its US affiliate, Cargill, Incorporated. Under this operating model, the company will either buy or sell cotton on behalf of Cargill Incorporated directly or, alternatively, enter into back to back contracts such that the trading, inventory and credit risk associated with the cotton contracts is borne by Cargill, Incorporated.

As explained in the directors' report in the prior year, turnover also represented the amounts, excluding Value Added Tax, derived from trading commodities.

Turnover is recognised on delivery of cotton.

Foreign currency transactions

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 profit and loss account. 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.

Functional currency and presentation currency

The functional currency of the company is US dollars since the sales and purchases of the cotton business are denominated in US dollars. The presentation currency of these financial statements is sterling because the company is registered and based in the United Kingdom.

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.

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments (continued)

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.

Other financial instruments

The company uses derivative financial instruments to manage its exposure to commodity market, foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of fixed assets less estimated residual value over their useful lives on a straight line basis for assets acquired from that date as follows:

Plant and machinery	-	3 to 6 years
Fixtures and fittings	-	8 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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 costs incurred in transit to present location.

Profit and losses on commodity trading

Commodity stocks, where the value of the underlying commodity is determined by a quoted terminal market, are revalued to the market price ruling at the balance sheet date. This is deemed to be the fair value of such stocks and related contracts and the treatment is in accordance with the fair value accounting rules of FRS 102.

Notes *(continued)*

1 *Accounting policies (continued)*

Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

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.

Notes *(continued)*

1 *Accounting policies (continued)*

Expenses

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the leaser are charged against profits on a straight line basis over the period of the lease.

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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 the Company which is legally responsible for the plan, which is Cargill PLC. The Company then recognises a cost equal to its contribution payable for the period.

Share-based payment transactions

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes *(continued)*

2 Segmental analysis

In both the current and preceding year all of the company's sales and operating profits originated in the United Kingdom.

An analysis of turnover by geographical destination is shown below:

	2019 £000	2018 £000
Rest of Europe	-	716
Other	7,987	6,902
	<u>7,987</u>	<u>7,618</u>

Turnover derives from agency commission of £7,987,000 (2018: £6,895,270), and trading income of £nil (2018: £722,352.)

3 Staff numbers and costs

The company has no employees. The employees are under contract of employment with Cargill PLC. The average number of persons employed by Cargill PLC on behalf of the company (including directors) during the period, analysed by category was as follows:

	2019 Number	2018 Number
Trading	5	6
Administrative	4	7
	<u>9</u>	<u>13</u>

The aggregate payroll costs of these persons recharged by Cargill PLC were as follows:

	2019 £000	2018 £000
Wages and salaries	489	743
Share based payments	-	240
Social security costs	59	122
Other pension costs	52	462
	<u>600</u>	<u>1,567</u>

Notes (continued)

4 Directors' remuneration

Cargill PLC pays the directors' emoluments of C Peltzer and S J Hamilton. The directors' emoluments were borne by other group undertakings. The qualifying services that they provide to the company are incidental and it is not practicable to allocate any of their remuneration to the company

5 Interest receivable and similar income

	2019 £000	2018 £000
Other interest receivable from group undertakings	301	70

6 Interest payable and similar expenses

	2019 £000	2018 £000
Payable to group companies	482	564
	482	564

7 Expenses and auditor's remuneration

	2019 £000	2018 £000
Amounts receivable by the auditor and their associates in respect of:		
Audit of these financial statements	42	37

Notes (continued)

8 Taxation

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

	2019 £000	2018 £000
<i>Current tax</i>		
UK corporation tax at 19.00% (2018: 19.00%)	1,132	975
Adjustment in respect of prior year	2	8
	1,134	983
<i>Deferred tax</i>		
Deferred taxation arising from the origination and reversal of timing differences		
Deferred tax movement - profit and loss	-	8
Deferred tax movement - OCI	(6)	-
Adjustment in respect of prior years	-	-
	(6)	8
Total taxation	1,128	991

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	4,823	4,145
Total tax expense	(1,134)	(991)
	5,957	5,136
Profit before taxation		
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,132	976
Effects of:		
Impact of change in tax rate	-	-
Expenses not deductible for tax	-	7
Adjustment in respect of prior year	2	8
	1,134	991
Total tax expense for the year		

Factors that may affect future current and total tax expenses

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 2018.

The deferred tax balance at 31 May 2019 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.

Notes (continued)

9 Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At 31 May 2018	94	304	398
At 31 May 2019	94	304	398
<i>Depreciation</i>			
At 31 May 2018	94	301	395
Charge for period	-	3	3
At 31 May 2019	94	304	398
<i>Net book value</i>			
At 31 May 2019	-	-	-
At 31 May 2018	-	3	3

10 Stocks

	2019 £000	2018 £000
Commodities traded	-	-

In accordance with the company's accounting policies, as described in note 1, commodity stocks, whose value of the underlying commodity is determined by a quoted terminal market, are revalued to the market price ruling at the balance sheet date.

Notes (continued)

11 Debtors

	Note	2019 £000	2018 £000
<i>Due within one year</i>			
Trade debtors		38	3
Amounts owed by group undertakings		55,323	17,193
Other debtors		1	340
Unrealised gains on derivatives		4,640	29,832
Prepayments and accrued income		-	14
		60,002	47,382
<i>Due after more than one year</i>			
Unrealised gains on derivatives		-	252
Deferred tax	13	3	9
		3	261
Total debtors		60,005	47,643
<i>Amounts owed by group undertakings comprise:</i>			
Trade debtors		37,364	16,515
Short term deposits		17,959	678
		55,323	17,193

Included within amounts owed by group undertakings above are financial instruments carried at fair value. These comprise a gain on open commodity future contracts of £12,618,513 (2018: £nil).

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	18,902	6,124
Amounts owed by group undertakings	15,923	32,057
Accruals and deferred income	282	611
Unrealised loss on derivatives	12,621	1,547
Corporation tax payable	1,132	975
Other creditors	-	10
	48,860	41,324
<i>Amounts owed by group undertakings comprise:</i>		
Trade creditors	1,933	29,007
Short term loans	13,990	3,050
	15,923	32,057

Included within amounts owed by group undertakings above are financial instruments carried at fair value. These comprise a loss on open commodity future contracts of £nil (2018: £26,455,000) and a loss on forward currency exchange contracts of £1,858,402 (2018: £2,289,413).

Notes (continued)

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Accelerated capital allowances	3	4	-	-	3	4
Hedge accounting	-	5	-	-	-	5
Total tax asset / (liability)	3	9	-	-	3	9
Net of tax liabilities	-	-	-	-	-	-
Net tax asset	3	9	-	-	3	9

14 Called up share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1
Shares classified as shareholder's funds	1	1

15 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 in respect of these contracts.

Notes (continued)

16 Operating lease commitments

Total commitments under non-cancellable operating leases are as follow:

	2019	2018
	£000	£000
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	133	125
In the second to fifth years inclusive	367	479
	500	604
<i>Other</i>		
Within one year	16	13
In the second to fifth years inclusive	6	8
	22	21
	500	604

17 Related party transactions

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

18 Ultimate holding company and parent undertaking

The company is a wholly owned subsidiary of Cargill PLC, a company incorporated in Great Britain and registered in England and Wales. Cargill, Incorporated, a company incorporated in the USA, registered address 15615 McGinty Road West, Wayzata, MN 55391, is the ultimate parent undertaking of Cargill Cotton Limited, and is regarded by the directors as being the company's ultimate controlling party.

The parent undertaking of the smallest and largest group into which the accounts of the company are consolidated is Cargill, Incorporated. The consolidated financial statements of this group have been prepared under US GAAP and are lodged at Companies House, Crown Way, Cardiff, CF4 3UZ as an addendum to the accounts of Cargill UK Holdings Limited.