

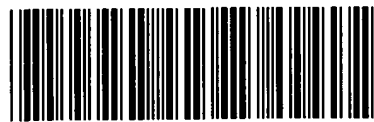
# **Cargill Cotton Limited**

## **Directors' report, strategic report and financial statements**

31 May 2018

Registered number 5564843

TUESDAY



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## **Directors' report**

### **Introduction**

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

### **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:

AYP Boey (resigned 10<sup>th</sup> Apr 2018)  
S J Hamilton  
C P Peltzer

### **Charitable contributions**

The company has made charitable contributions of £10,500 during the year (2017: £38,958).


### **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

  
C P Peltzer  
Director  
18 February 2019

Velocity VI  
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:

	2018	2017
	£m	£m
Turnover	7.6	96.8
Profit after taxation for the financial period	4.1	5.1

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 17/18 fiscal, 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.

Since the Company does not trade cotton in the UK, the directors are of the opinion that a hard BREXIT, should it occur, will have a limited effect on the Company.

## **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 examples, 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. Contract default remains a real threat in the current environment, so the business closely monitors the risk of both buyers and sellers defaulting on contracts. 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.

The company's exposure to the above mentioned risks are limited since the company now acts predominantly as a buying and selling agent on behalf of Cargill, Incorporated.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (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 14 days (2017: 25 days) of purchases in creditors outstanding at 31 May 2018, based on the average daily amount invoiced by suppliers.

By order of the board



**C P Peltzer**  
Director  
18 February 2019

Velocity V1  
Brooklands Drive  
Weybridge  
Surrey  
KT13 0SL

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## KPMG LLP

8 Princes Parade  
Liverpool  
L3 1QH

### 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 2018 which comprise the Profit and loss account, Statement of 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 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

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.

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.

## KPMG LLP

8 Princes Parade  
Liverpool  
L3 1QH

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

#### **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](http://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.



**Hywel Jones (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
8 Princes Parade  
Liverpool  
L3 1QH  
18 February 2019

**Profit and loss account**  
*for the year ended 31 May 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Turnover	2	7,618	96,770
Cost of sales		-	(87,349)
<b>Gross profit</b>		<b>7,618</b>	<b>9,421</b>
Administrative expenses		(1,993)	(2,730)
Other operating expenses		4	(26)
<b>Operating profit</b>		<b>5,629</b>	<b>6,665</b>
Interest receivable and similar income	5	70	-
Interest payable and similar charges	6	(563)	(274)
<b>Profit before taxation</b>	7	<b>5,136</b>	<b>6,391</b>
<b>Tax charge on profit</b>	8	<b>(991)</b>	<b>(1,280)</b>
<b>Profit after taxation</b>		<b>4,145</b>	<b>5,111</b>

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 2018*

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Profit after taxation</b>	<b>4,145</b>	<b>5,111</b>
Other comprehensive income	(40)	9
Tax on other comprehensive income	6	(1)
<b>Total comprehensive income</b>	<b>4,111</b>	<b>5,119</b>

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

**Balance sheet**  
**at 31 May 2018**

		2018	2017
		£000	£000
	Note		
<b>Fixed assets</b>			
Tangible assets	9	3	5
<b>Current assets</b>			
Stocks	10		2,561
Debtors	11	47,643	35,398
		<u>47,643</u>	<u>37,959</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(41,324)</u>	<u>(35,753)</u>
<b>Net current assets</b>			
Due within one year		<u>6,319</u>	<u>2,140</u>
Debtors due after more than one year	11	<u>9</u>	<u>66</u>
<b>Net current assets</b>		<u>6,319</u>	<u>2,206</u>
<b>Net assets</b>		<u><u>6,322</u></u>	<u><u>2,211</u></u>
<b>Capital and reserves</b>			
Called up share capital	14		
Profit and loss account		<u>6,322</u>	<u>2,211</u>
<b>Shareholders funds</b>		<u><u>6,322</u></u>	<u><u>2,211</u></u>

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

These financial statements were approved by the board of directors on 18 February 2019 and were signed on its behalf by:

  
C P Peltzer  
Director

**Statement of changes in equity**  
*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

*for the year ended 31 May 2017*

	Share Capital	Profit and loss account	Total
	£000	£000	£000
At 1 June 2016	-	(2,908)	(2,908)
Total comprehensive income	-	5,119	5,119
At 31 May 2017	-	2,211	2,211

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Statement of compliance*

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

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

The company's ultimate parent undertaking, Cargill, Incorporated includes the company in its consolidated financial statements. The consolidated financial statements of Cargill, Incorporated are prepared in accordance with US GAAP and are available to the public and may be obtained from the address stated in note 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 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 directors have prepared cash flow forecasts which extend for a period of greater than 12 months from the date of these financial statements. They acknowledge that there are uncertainties around Britain's planned exit from the European Union on 29 March 2019 and are satisfied that there are sufficient resources available to the company to ensure that it continues as a going concern, taking into account reasonable downsides in assumptions.

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

***Turnover***

Turnover includes commission derived from the company acting as an agent for a fellow group company. 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 lessor 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:

	2018 £000	2017 £000
Rest of Europe	716	3,904
Other	6,902	92,866
	<u>7,618</u>	<u>96,770</u>

Turnover derives from the trading of cotton and agency commission income.

**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:

	2018 Number	2017 Number
Trading	6	5
Administrative	7	10
	<u>13</u>	<u>15</u>

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

	2018 £000	2017 £000
Wages and salaries	743	947
Share based payments	240	-
Social security costs	122	117
Other pension costs	462	303
	<u>1,567</u>	<u>1,367</u>

**Notes** *(continued)*

**4 Directors' remuneration**

	2018 £000	2017 £000
Directors' emoluments	198	191
	<u>198</u>	<u>191</u>

The aggregate of emoluments and amounts receivable under the long term incentive scheme of the highest paid director was £198,137 (2017: £190,541).

	2018 Number	2017 Number
Retirement benefits are accruing to the following number of directors under defined benefit schemes	1	1
Number of directors exercising share options during the period	-	-
Number of directors for which shares are receivable under long term incentive schemes	-	-

Cargill PLC pays the directors' emoluments of AYP Boey and S J Hamilton. There is no cost to the company for making their services available as directors of the company.

**Notes (continued)**

**5 Interest receivable and similar income**

	2018 £000	2017 £000
Other interest receivable from group undertakings	<u>70</u>	<u>-</u>

**6 Interest payable and similar charges**

	2018 £000	2017 £000
Payable to group companies	563	272
Other interest charges	-	2
	<u>563</u>	<u>274</u>

**7 Expenses and auditor's remuneration**

	2018 £000	2017 £000
Amounts receivable by the auditor and their associates in respect of:		
Audit of these financial statements	<u>37</u>	<u>45</u>

**Notes (continued)**

**8 Taxation**

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

	2017 £000	2016 £000
<i>Current tax</i>		
UK corporation tax at 19.00% (2017: 19.83%)	975	1,268
Adjustment in respect of prior year	8	12
<b>Total current tax charge</b>	<b>983</b>	<b>1,280</b>
<i>Deferred tax</i>		
Deferred taxation arising from the origination and reversal of timing differences	8	(1)
Adjustment in respect of prior years	-	1
<b>Total deferred tax</b>	<b>8</b>	<b>-</b>
<b>Total tax charge on profit</b>	<b>991</b>	<b>1,280</b>

**Reconciliation of effective tax rate**

	2017 £000	2016 £000
Profit for the year	4,145	5,111
Total tax charge	(991)	(1,280)
<b>Profit before taxation</b>	<b>5,136</b>	<b>6,391</b>
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.83%)	976	1,267
Effects of:		
Impact of change in tax rate	-	1
Expenses not deductible for tax	7	-
Adjustment in respect of prior year	8	12
<b>Total tax charge for the year</b>	<b>991</b>	<b>1,280</b>

**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.

**Notes (continued)**

**9 Tangible fixed assets**

	Plant and machinery £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At 31 May 2017	94	304	398
At 31 May 2018	<u>94</u>	<u>304</u>	<u>398</u>
<i>Depreciation</i>			
At 31 May 2017	94	299	393
Charge for period	-	2	2
At 31 May 2018	<u>94</u>	<u>301</u>	<u>395</u>
<i>Net book value</i>			
At 31 May 2018	<u>-</u>	<u>3</u>	<u>3</u>
At 31 May 2017	<u>-</u>	<u>5</u>	<u>5</u>

**10 Stocks**

	2018 £000	2017 £000
Commodities traded	<u>-</u>	<u>2,561</u>

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	2018 £000	2017 £000
<i>Due within one year</i>			
Trade debtors		3	1,205
Amounts owed by group undertakings		17,193	28,212
Other debtors		340	311
Unrealised gains on derivatives		29,832	5,590
Prepayments and accrued income		14	14
		<u>47,382</u>	<u>35,332</u>
<i>Due after more than one year</i>			
Unrealised gains on derivatives		252	55
Deferred tax	13	9	11
		<u>261</u>	<u>66</u>
<b>Total debtors</b>		<u>47,643</u>	<u>35,398</u>
<i>Amounts owed by group undertakings comprise:</i>			
Trade debtors		16,515	10,207
Short term deposits		678	18,005
		<u>17,193</u>	<u>28,212</u>

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 £nil (2017: £3,355,000).

**12 Creditors: amounts falling due within one year**

	2018 £000	2017 £000
Trade creditors	6,124	15,307
Amounts owed to group undertakings	32,057	16,934
Accruals and deferred income	611	1,741
Unrealised loss on derivatives	1,547	503
Corporation tax payable	975	1,268
Other creditors	10	-
	<u>41,324</u>	<u>35,753</u>
<i>Amounts owed by group undertakings comprise:</i>		
Trade creditors	29,007	8,123
Short term loans	3,050	8,813
	<u>32,057</u>	<u>16,934</u>

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 £26,455,000 (2017: £7,955,000) and a loss on forward currency exchange contracts of £2,289,000 (2017: £nil).

**Notes (continued)**

**13 Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Total	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	4	4	-	-	4	4
Deferred compensation	-	7	-	-	-	7
Hedge accounting	5	-	-	-	5	-
<b>Total tax asset / (liability)</b>	<b>9</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>11</b>
Net of tax liabilities	-	-	-	-	-	-
<b>Net tax asset</b>	<b>9</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>11</b>

**14 Called up share capital**

	2018	2017
	£	£
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1
<b>Shares classified as shareholder's funds</b>	<b>1</b>	<b>1</b>

**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:

	2018 £000	2017 £000
Operating leases which expire:		
<i>Land and buildings</i>		
Within one year	125	125
In the second to fifth years inclusive	479	500
Over five years	-	104
	<u>604</u>	<u>729</u>
<i>Other</i>		
Within one year	13	15
In the second to fifth years inclusive	8	15
	<u>21</u>	<u>30</u>

**17 Pensions**

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. Particulars of the actuarial valuation of the Cargill Pension Plan are contained within the financial statements of Cargill PLC.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, under FRS102 accounts for the scheme as if it were a defined contribution scheme. 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 £430,054 (2017: £264,672).

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 million (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 £31,864 (2017: £38,516). There were no outstanding contributions to the pension scheme at the year end (2017: £ nil).

**Notes (continued)**

**18 Related party transactions**

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

**19 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 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, a company incorporated in the USA. The consolidated financial statements of this group are lodged at Companies House, Crown Way, Cardiff, CF4 3UZ.