

# Archer Daniels Midland Erith Limited

## FINANCIAL STATEMENTS

for the year ended

31 December 2019

# Archer Daniels Midland Erith Limited

## COMPANY INFORMATION

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DIRECTORS	M P Farrow M Kropp
SECRETARY	Eversecretary Limited Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
COMPANY NUMBER	00159486
REGISTERED OFFICE	Erith Oil Works Church Manorway Erith Kent DA8 1DL
AUDITOR	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

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# Archer Daniels Midland Erith Limited

## STRATEGIC REPORT

For the year ended 31 December 2019

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The Directors present their Strategic Report of Archer Daniels Midland Erith Limited (Company Registration No. 00159486) for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The Company operates as a manufacturing service provider, processing agricultural commodities through crushing and refining, manufacturing animal feed and edible oil products. The Company generates revenue from the 'cost-plus' arrangements with certain companies from ADM Group.

### REVIEW OF THE BUSINESS

Due to the nature the Company's business, margins have remained consistent. Turnover decreased by 6% compared to 2018, and this is mainly due to the decrease of gas and maintenance costs impacting the cost-plus arrangement. Crush production decreased by 8%.

Net current liabilities increased from £5.8m in 2018 to £6.2m in 2019 due to the reduction in the amounts owed by Group undertakings and other debtors. Net assets increased from £35.3m in 2018 to £36.0m in 2019.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have considered and reviewed the provisions included within the Companies Act 2006, relating to financial risk management objectives and policies, including any associated use of financial instruments. As part of the review, the Directors have also considered the exposure of the Company to liquidity risk and interest risk in order that an overall assessment can be made of the Company's assets, liabilities, its financial position and its result for the year.

Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the ADM Group are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines on how to manage risk and the circumstances where it would be appropriate to use financial instruments.

The main risks arising from the Company's financial instruments are liquidity risk and interest risk.

#### Liquidity risk

The Company's only funding requirement is for short-term finance for its operations and planned expansions. This is provided by another ADM Group undertaking which charges interest on a floating rate basis calculated monthly. There is no fixed repayment date.

#### Interest risk

The Company's interest bearing liabilities relate to short-term intercompany borrowings whose interest is calculated monthly on a floating rate basis. The Directors consider that a change in interest, other than an exceptional change, with other variables held constant will have an immaterial impact on the Company's profitability.

### KEY PERFORMANCE INDICATORS

The Directors consider the key performance indicator to be the crush capacity and turnover. The Company crushed 78% (2018: 84%) of total capacity during the year. The Company's turnover for the year was £28.2 million (2018: £30.1 million).

### COVID-19

The Directors have monitored and continue, at the time of approving these financial statements, to monitor the Coronavirus pandemic as it rapidly unfolds to ensure that appropriate action is taken, if required. Fortunately Coronavirus has not materially affected the operations of ADM Erith Limited and the Directors expect 2020 to have similar results to that of 2019. The Directors do not expect any changes to the cost-plus agreements in place and have obtained a signed confirmation from ADM International Sàrl to confirm there is no intention to cease the agreement in place for at least 12 months from the date of signing of the accounts.

# Archer Daniels Midland Erith Limited

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 December 2019

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### FUTURE DEVELOPMENTS

For the foreseeable future, the Company will continue to provide the manufacturing services for the processing of agricultural commodities and provide administrative services to other group companies. The Directors do not expect any changes to the cost-plus agreements currently in place with other group companies within the 12 months from the date of signing of these financial statements. As noted in more detail in the Directors Report on page 3, post year end there was an explosion at the Erith site which will impact production in the 2020 year. As the cost-plus agreements remain in place, this explosion is not expected to have a significant impact on the profitability of the Company.

This report was approved by the board of Directors on 28 September 2020.

Signed on behalf of the board:

DocuSigned by:

*Martin Farrow*

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M P Farrow

DIRECTOR

Dated: 28 September 2020.

# Archer Daniels Midland Erith Limited

## DIRECTORS' REPORT

For the year ended 31 December 2019

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The Directors present their report and financial statements of Archer Daniels Midland Erith Limited (Company Registration No. 00159486) for the year ended 31 December 2019.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 8.

The Directors do not recommend payment of an ordinary dividend (2018: £Nil).

### DIRECTORS

The following Directors have held office since 1 January 2019:

M P Farrow

M Kropp

### FIXED ASSETS

In the opinion of the Directors, the difference between the book value and current market value of the land and buildings owned by the entity is not significant.

### POST BALANCE SHEET EVENTS

#### *Covid-19*

Impact of Covid-19 pandemic is addressed in the Strategic report on page 1.

#### *Other post balance sheet events*

On 19 June 2020, there was an explosion in the extraction area of the oilseeds crushing plant. As a result of this event, the crushing plant was temporarily shut down and commodity deliveries were redirected to other crushing facilities of ADM Group. The refinery was not affected and refining operations are continued. There is an investigation ongoing to identify the cause for the explosion and to estimate the financial impact of the explosion. It is too early in the investigation stage to provide a reasonable estimate of the impact on the Company's future results. The Directors believe that the Company's insurance will cover the cost of any damages and potential claims resulting from this incident.

### GOING CONCERN

The Directors have considered the ability of the Company to continue on a going concern basis in light of the unfolding Covid-19 pandemic and are satisfied to report positively on this matter. The Directors considered the adequacy of capital reserves, liquid resources and future prospects of the Company in accordance with its strategy. While the Directors anticipate an adverse impact on revenue streams arising from the post year end explosion, this is not expected to change the profitability of the Company (see also Note 27 Post Balance Sheet Events). The Directors have obtained confirmations from ADM International Sàrl that the service agreement will be continued in the foreseeable future (to at least 30 September 2021) and have also obtained confirmations that the significant group creditor balances will not be withdrawn for the same period. As such, revenue generated from the 'cost-plus' arrangement is expected to cover expenditure and therefore cash flow requirements will be sufficiently covered by the group balances in place. The Directors do not expect the Company to require any further additional support and are satisfied that the Company is in a position to meet its liabilities as they fall due over the period to 30 September 2021 and on this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

### FUTURE DEVELOPMENTS

The Company continues to face strong competition; however, the Directors believe that the existing management policies will ensure that the Company is in a good position to take advantage of any opportunities which may arise.

# Archer Daniels Midland Erith Limited

## DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2019

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### AUDITOR

The auditor, RSM UK Audit LLP, has indicated its willingness to continue in office.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

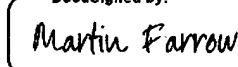
The Directors at the date of approval of this Directors' Report confirm that so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, all the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The Company has granted an indemnity to one or more Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

This report was approved by the board of Directors on 28 September 2020.

Signed on behalf of the board:

DocuSigned by:  
  
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M P Farrow

DIRECTOR

Dated: 28 September 2020

# Archer Daniels Midland Erith Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS101 "Reduced Disclosure Framework" 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT

### To The Members of Archer Daniels Midland Erith Limited

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#### OPINION

We have audited the financial statements of Archer Daniels Midland Erith Limited (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### To The Members of Archer Daniels Midland Erith Limited

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#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### USE OF OUR REPORT

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.

RSM UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Dated.....30 September 2020...

# Archer Daniels Midland Erith Limited

## INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER	6	28,208,862	30,111,427
COST OF SALES		(27,423,342)	(29,048,419)
GROSS PROFIT		<u>785,520</u>	<u>1,063,008</u>
OTHER OPERATING EXPENSES (NET)	7	<u>347,904</u>	<u>74,328</u>
OPERATING PROFIT		<u>1,133,424</u>	<u>1,137,336</u>
Interest receivable and similar income	8	59,168	194,452
Interest payable and similar charges	9	(124,001)	(9,658)
PROFIT BEFORE TAX	10	<u>1,068,591</u>	<u>1,322,130</u>
Taxation	13	<u>(357,073)</u>	<u>(350,169)</u>
PROFIT AFTER TAX		<u><u>711,518</u></u>	<u><u>971,961</u></u>

### NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2019

	2019 £	2018 £
Reported profit before tax	1,068,591	1,322,130
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	105,000	105,000
Historical cost profit before tax	<u>1,173,591</u>	<u>1,427,130</u>
Historical cost profit for the year retained after tax	<u><u>816,518</u></u>	<u><u>1,076,961</u></u>

# Archer Daniels Midland Erith Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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	2019	2018
	£	£
Profit for the financial year	<u>711,518</u>	<u>971,961</u>
Other comprehensive income:		
OTHER COMPREHENSIVE EXPENDITURE FOR THE YEAR	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>711,518</u></u>	<u><u>971,961</u></u>

# Archer Daniels Midland Erith Limited

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company Registration No. 00159486

	Notes	2019 £	2018 £
<b>FIXED ASSETS</b>			
Tangible Assets	14	44,762,482	43,397,290
<b>CURRENT ASSETS</b>			
Stocks	15	2,029,951	1,720,234
Debtors	16	4,247,140	6,064,462
		6,277,091	7,784,696
CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR	17	(12,484,844)	(13,610,395)
NET CURRENT LIABILITIES		(6,207,753)	(5,825,699)
TOTAL ASSETS LESS CURRENT LIABILITIES		38,554,729	37,571,591
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR	18,23	(12,889)	-
PROVISIONS FOR LIABILITIES	19	(2,493,578)	(2,240,153)
NET ASSETS		36,048,262	35,331,438
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	100,000	100,000
Revaluation reserve		8,128,000	8,233,000
Share-based payments reserve	22	41,816	57,431
Profit and loss account		27,778,446	26,941,007
SHAREHOLDERS' FUNDS		36,048,262	35,331,438

The financial statements on pages 8 to 32 were approved by the board of Directors on 28 September 2020.

Signed on its behalf by:

DocuSigned by:

*Martin Farrow*

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M P Farrow

DIRECTOR

# Archer Daniels Midland Erith Limited

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Called up share capital £	Revaluatio n Reserve £	Share-based payments reserve £	Profit and loss account £	Total £
1 January 2018	100,000	8,338,000	67,208	25,837,491	34,342,699
Profit for the financial year	-	-	-	971,961	971,961
Total comprehensive income for the year	-	-	-	971,961	971,961
Transfer from revaluation reserve to profit and loss account	-	(105,000)	-	105,000	-
Charge for share-based payments for the year	-	-	27,058	-	27,058
Impact of ADM recharge	-	-	-	(8,862)	(8,862)
Transfer to profit and loss account	-	-	(35,417)	35,417	-
Current tax on share-based payments	-	-	(3,457)	-	(3,457)
Deferred tax on share-based payments	-	-	2,039	-	2,039
	-	-	(9,777)	26,555	16,778
31 December 2018	<u>100,000</u>	<u>8,233,000</u>	<u>57,431</u>	<u>26,941,007</u>	<u>35,331,438</u>
IFRS 16 adoption adjustment	-	-	-	1,833	1,833
IFRS 16 adoption adjustment - tax effect	-	-	-	(312)	(312)
IFRS 16 adoption – net effect	-	-	-	1,521	1,521
Profit for the financial year	-	-	-	711,518	711,518
Total comprehensive income for the year	-	-	-	711,518	711,518
Transfer from revaluation reserve to profit and loss account	-	(105,000)	-	105,000	-
Charge for share-based payments for the year	-	-	18,322	-	18,322
Impact of ADM recharge	-	-	-	(13,251)	(13,251)
Transfer to profit and loss account	-	-	(32,651)	32,651	-
Current tax on share-based payments	-	-	(963)	-	(963)
Deferred tax on share-based payments	-	-	(323)	-	(323)
	-	-	(15,615)	19,400	3,785
31 December 2019	<u>100,000</u>	<u>8,128,000</u>	<u>41,816</u>	<u>27,778,446</u>	<u>36,048,262</u>

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 1 GENERAL INFORMATION

Archer Daniels Midland Erith Limited is a private company (the 'Company') incorporated by shares in the United Kingdom. The Company is domiciled in the United Kingdom and its registered address is Church Manorway, Erith, Kent, DA8 1DL.

Archer Daniels Midland Erith Limited operates as a manufacturing service provider, processing agricultural commodities through crushing and refining, manufacturing animal feed and edible oil products. The Company generates revenue from the 'cost-plus' arrangements with certain companies from ADM Group.

### 2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE WITH FRS 101

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, on 1 January 2015, the Company changed its accounting framework to FRS 101.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101') and with the Companies Act 2006. They have been prepared under the historical cost convention modified to include fair value accounting for certain financial instruments in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of *IFRS 2 Share-Based Payment*, because the share-based payment arrangement concerns the instruments of another group entity; on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer-Daniels-Midland Company.

(b) the requirements of *IFRS 7 Financial Instruments: Disclosures* on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer-Daniels-Midland Company.

(c) the requirements of paragraphs 91-99 of *IFRS 13 Fair Value Measurement*; on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer-Daniels-Midland Company.

(d) the requirement in paragraph 38 of IAS 1 '*Presentation of Financial Statements*' to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment.

(e) the requirements of paragraphs 10(d), 16, 38, 39(c), 111 and 134-136 of *IAS 1 Presentation of Financial Statements*;

(f) the requirements of *IAS 7 Statement of Cash Flows*;

(g) the requirements of paragraphs 30 and 31 of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*;

(h) the requirements of paragraph 17 of *IAS 24 Related Party Disclosures*; and the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions entered into is wholly owned by such a member;

(i) the requirements of paragraphs 130(f) (ii), 130 (f)(iii), 134(d)-134(f) and 135(c)-135(e) of *IAS 36 Impairment of Assets*, on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer-Daniels-Midland Company; and

(j) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of *IFRS 15 Revenue from Contracts with Customers*;

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

##### *New and amended standards and interpretations*

Effective 1 January 2019, the company adopted IFRS 16 Leases which replaces IAS 17 Leases.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use assets and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for 2018 reporting period, as permitted under the modified retrospective approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below.

The company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective

##### *Impact on lessee accounting*

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17 which were off-balance sheet.

IFRS 16 requires a lessee to present right-of-use assets separately from other assets and lease liabilities separately from other liabilities. The separate presentation is required either in the statement of financial position or as disclosure in the notes to the financial statements. In these financial statements, the 'Rights-of-use assets' are included within the 'Tangible assets' line and are disclosed separately in the Tangible assets note 14. The related lease liabilities were presented in 'Amount falling due within one year' and 'Amounts falling due in more than one year' in the statement of financial position and are disclosed separately in the notes 17,18 and 23.

IFRS 16 requires that the interest expense on lease liabilities and the depreciation charge for the right-of-use asset are presented separately in the statement of profit or loss. The interest expense on lease liabilities is a component of interest payable and depreciation charge for the right-of-use is a component of administrative expenses in the statement of profit or loss and are disclosed separately in the notes 9, 10 and 23.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers or office furniture), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the profit or loss.

The company did not have any lease contracts in the previous year that were classified as finance lease under IAS 17.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

##### *Financial impact of IFRS 16 adoption*

Impact on assets, liabilities and equity as at 1 January 2019 was the following:

	IFRS 16 adoption adjustment
	£
Tangible assets	-
Right-of-use assets	44,058
Total assets	<u>44,058</u>
Creditors: Amounts falling due within one year	-
Creditors: Amounts falling due in more than one year	42,225
Provisions: Deferred tax liability	312
Total liabilities	<u>42,537</u>
Retained earnings	1,833
Retained earnings – tax effect	(312)
Equity	<u>1,521</u>

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are set out below and have been consistently applied to all the years presented unless otherwise stated.

##### GOING CONCERN

The Directors have considered the ability of the Company to continue on a going concern basis in light of the unfolding Covid-19 pandemic and are satisfied to report positively on this matter. The Directors considered the adequacy of capital reserves, liquid resources and future prospects of the Company in accordance with its strategy. While the Directors anticipate an adverse impact on revenue streams arising from the post year end explosion, this is not expected to change the profitability of the Company (see also Note 27 Post Balance Sheet Events). The Directors have obtained confirmations from ADM International Sàrl that the service agreement will be continued in the foreseeable future (to at least 30 September 2021) and have also obtained confirmations that the significant group creditor balances will not be withdrawn for the same period. As such, revenue generated from the 'cost-plus' arrangement is expected to cover expenditure and therefore cash flow requirements will be sufficiently covered by the group balances in place. The Directors do not expect the Company to require any further additional support and are satisfied that the Company is in a position to meet its liabilities as they fall due over the period to 30 September 2021 and on this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

##### FOREIGN CURRENCY TRANSLATION

The presentational currency of the Company is British Pound Sterling, which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.



# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### TURNOVER

The Company generates revenue from the 'cost-plus' arrangements with certain companies from ADM Group.

Turnover represents amounts receivable, net of trade discounts, rebates, Value Added Tax, and other taxes or duty, for services provided to customers. Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due which is in accordance with the 'cost-plus' principle. Where payments are received from customers in advance of services provided, the amounts are recorded within creditors due within one year.

For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration; allocates the transaction price to the separate performance obligations; and recognises turnover when or as each performance obligation is satisfied.

The Company recognizes revenue at a single point in time when it satisfies its performance obligation by transferring control over a service to customer. Customer contracts contain a single performance obligation being the provision of services. Revenue is recognized as the service is provided.

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised service to the customer and the date of payment is one year or less. The Company does not receive any long-term advances from its customers.

##### TANGIBLE FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Buildings: Freehold	over 25 to 50 years
Plant and machinery	over 3 to 20 years
Assets in the course of construction	not depreciated until brought into use

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate that the carrying value may not be recoverable, and if appropriate, an impairment provision will be made.

The Company includes directly attributable costs incurred in bringing an asset into working condition for its intended use in its measurement of carrying values of the asset.

Borrowing costs that are directly attributable to the construction of tangible fixed assets to bring them up to the required condition for their intended use are capitalised as part of the cost of those assets.

All other costs are expensed in the period in which they are incurred.

##### LEASES

*Policy applicable from 1 January 2019*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases for low-value assets. The Company recognises lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### LEASES (Continued)

##### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The depreciation starts at the commencement date of the lease.

The company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

The right-of-use assets are presented within 'Tangible assets' in the statement of financial position and are disclosed separately in the note 23.

##### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented under "Amounts falling due within one year" and "Amounts falling due in more than one year" in the statement of financial position and is disclosed separately in the notes 17, 18 and 23.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the incremental borrowing rate) and by reducing the carrying amount to reflect the lease payments made.

##### Lease expenses

The company presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented separately in the income statement.

##### *Policy applicable before 1 January 2019 under IAS 17*

In the comparative period, leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in the income statement on a straight-line basis over the term of the lease.

#### STOCKS

Engineering spares and consumables are carried at the lower of cost and net realisable value.

#### PROVISIONS

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### EMPLOYEE BENEFITS

The Company participates in a pension scheme known as the ADM UK Pension Plan, which require contributions to be made to separately administered funds. The plan has two distinct elements, defined contribution and defined benefit, as set out below:

##### Defined contribution

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### Defined benefit

The defined benefit scheme is a Group pension scheme and require contributions to be made to a separately administered fund. The contributions paid by the Company are at the percentage of member's pensionable salary as specified in the Schedule of Contributions for the Plan (being a schedule approved by the Plan trustees, actuary and principal employer, Archer Daniels Midland (UK) Limited) and are accounted for accordingly with no further adjustments in respect of annual IAS 19 valuations.

The Directors of the Company have taken professional actuarial advice and have concluded that the Company does not have in place a stated policy or agreement for charging the net defined benefit cost to each participating employer, consequently, the net defined benefit cost is recognised in the individual financial statements of the entity that is legally the sponsoring employer for the scheme. Therefore, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme and the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme ceased to accrue further costs effective from the 1 January 2018.

##### DEFERRED TAXATION

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the period for which the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Deferred tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise deferred tax is recognised in the income statement.

##### DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments have been initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

##### SHARE-BASED PAYMENTS

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SHARE-BASED PAYMENTS (Continued)

The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the income statement.

The Company has a recharge agreement with a certain Group company in respect of the share-based payment schemes whereby, the Company is charged for the benefit of share-based compensation. The impact of this recharge is reflected in the equity movements (Impact of ADM recharge).

#### TRADE DEBTORS AND OTHER RECEIVABLES

Trade and other receivables are amounts due from customers for merchandise sold in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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### 5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the financial statements where these judgements and estimates have been made include:

#### TANGIBLE FIXED ASSETS

The annual depreciation charge for tangible fixed assets is susceptible to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are updated whenever necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

#### TAXATION

Uncertainties exist with respect to the amounts of current tax expected to be paid or recovered due to the interpretation of tax legislation, changes in tax regulations, and the amount and timing of future taxable income, resulting in the establishment of provisions by the Company depending upon reasonable estimate of the outcome to treatment of certain transactions by the responsible tax authority. The amount of current tax provisions is based on factors, such as experience of previous tax assessments and differing interpretations of tax laws by the Company and the tax authority in the country of operation.

The Directors exercise judgement in determining the amount of deferred tax assets that can be recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### SHARE-BASED PAYMENTS

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Disclosure requirements under IFRS 2 Paragraph 45 c) and d) have not been met on the grounds of materiality.

#### EMPLOYEE BENEFITS

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

The Directors of the Company have taken professional actuarial advice and have concluded that the Company does not have in place a stated policy or agreement for charging the net defined benefit cost to each participating employer, consequently, the net defined benefit cost is recognised in the individual financial statements of the entity that is legally the sponsoring employer for the scheme. Therefore, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme and the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### LEASING

Application of IFRS 16 requires significant judgements and certain key estimations which, among others, include identifying whether a contract includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determination of the appropriate rate to discount the lease payments, assessment of whether a right-of use asset is impaired.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

### 6 TURNOVER

The Company generates turnover from a single class of business and from the following:

	2019	2018
	£	£
GEOGRAPHICAL MARKET		
United Kingdom	187,759	278,273
Rest of Europe	28,021,103	29,833,154
	<u>28,208,862</u>	<u>30,111,427</u>

### 7 OTHER OPERATING EXPENSES (NET)

	2019	2018
	£	£
Administrative expenses	641,815	1,179,191
Other operating income	(989,719)	(1,253,519)
	<u>(347,904)</u>	<u>(74,328)</u>

### 8 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Income from Group undertakings	<u>59,168</u>	<u>194,452</u>

### 9 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Interest expense on lease liabilities	1,584	-
On amounts payable to Group undertakings	122,417	9,658
	<u>124,001</u>	<u>9,658</u>

### 10 PROFIT BEFORE TAX

	2019	2018
	£	£
This is stated after charging:		
Cost of stock	5,162,743	4,101,039
Depreciation of owned tangible assets (Note 14)	3,017,546	2,565,462
Depreciation of right-of-use assets (Note 14 and 23)	36,797	-
Loss on disposal of tangible assets	280,794	216,467
Short-term operating leases		
- Plant and machinery (IAS 17)	-	55,640
- Other short-term (IFRS 16)	252,818	-
Auditor's remuneration - for audit work	32,400	26,999
and after crediting:		
Profit on foreign exchange transactions	<u>17,890</u>	<u>7,448</u>

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

#### 11 DIRECTORS' EMOLUMENTS

	2019 £	2018 £
Emoluments	56,439	45,323
Company pension contribution to defined contribution schemes	5,686	5,547
	<u>62,125</u>	<u>50,870</u>
	Number	Number
The number of Directors for whom retirement benefits are accruing under defined contribution schemes was:	<u>1</u>	<u>1</u>

The emoluments disclosed relate to one (2018: one) Director. The other Directors do not receive any remuneration for their services in respect of this Company.

Service agreements exist between UK entities and European headquarters to recharge departmental costs which includes management service cost on 'cost-plus' basis.

#### 12 EMPLOYEES

	2019 Number	2018 Number
NUMBER OF EMPLOYEES		

The average monthly number of employees (including Directors) during the year was:

Production	100	101
Logistics	4	4
Management and administration	4	4
	<u>108</u>	<u>109</u>

	2019 £	2018 £
EMPLOYMENT COSTS		

Wages and salaries	4,707,507	5,040,125
Social security costs	495,160	501,681
Pension costs - defined benefit scheme (Note 20)	-	-
Pension costs - defined contribution scheme (Note 20)	843,783	1,044,138
Share-based payments expense (Note 22)	18,322	27,058
	<u>6,064,772</u>	<u>6,613,002</u>

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13 TAXATION	2019	2018
	£	£
<b>CURRENT TAX</b>		
UK corporation tax on profit for the period	153,727	223,997
Adjustments in respect of prior years	(40,604)	(28,409)
<b>CURRENT TAX CHARGE</b>	<u>113,123</u>	<u>195,588</u>
<b>DEFERRED TAX</b>		
Effects of changes in tax rates and laws	(24,009)	(18,186)
Deferred tax charge for current year	228,084	184,785
Adjustments in respect of prior years	39,875	(12,018)
<b>DEFERRED TAX CHARGE</b>	<u>243,950</u>	<u>154,581</u>
<b>TOTAL TAX CHARGE</b>	<u>357,073</u>	<u>350,169</u>
Tax presented in Statement of Changes in Equity (SOCE):		
Current tax on share-based payments	963	3,457
Deferred tax on share-based payments	323	(2,039)
<b>TOTAL TAX PRESENTED IN SOCE</b>	<u>1,286</u>	<u>1,418</u>
<b>FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR</b>		
The tax assessed for the year is higher than the effective rate of UK corporation tax 19% (2018 – 19%) as explained below:		
Profit before tax	<u>1,068,591</u>	<u>1,322,130</u>
Profit before tax multiplied by the effective rate of UK corporation tax of 19% (2018 – 19%)	<u>203,032</u>	<u>251,205</u>
Effects of:		
Fixed asset differences	89,350	71,882
Non deductible expenses	4,418	684
Transfer pricing adjustments	85,011	85,011
Adjustments to prior years- current tax	(40,604)	(28,409)
Adjustments to prior years – deferred tax	39,875	(12,018)
Changes in tax rates and laws	(24,009)	(18,186)
	<u>154,041</u>	<u>98,964</u>
<b>TOTAL TAX CHARGE</b>	<u>357,073</u>	<u>350,169</u>



# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

14 TANGIBLE FIXED ASSETS	Land and Buildings Freehold	Land and Buildings Leasehold	Plant and Machinery	Assets in the course of construction	Total
	£	£	£	£	£
<b>COST</b>					
1 January 2019	21,336,606	-	70,243,246	3,857,042	95,436,894
IFRS 16 adoption – 1 January 2019	-	29,547	14,511	-	44,058
Additions	-	60,391	-	4,620,329	4,680,720
Transfers	1,158,643	-	4,939,569	(6,098,212)	-
Disposals	(67,123)	(13,090)	(555,770)	-	(635,983)
31 December 2019	<u>22,428,126</u>	<u>76,848</u>	<u>74,641,556</u>	<u>2,379,159</u>	<u>99,525,689</u>
<b>DEPRECIATION</b>					
1 January 2019	6,595,092	-	45,444,512	-	52,039,604
Charge in the year	447,361	33,645	2,573,337	-	3,054,343
Disposals	(42,326)	-	(288,414)	-	(330,740)
Transfers	-	-	-	-	-
31 December 2019	<u>7,000,127</u>	<u>33,645</u>	<u>47,729,435</u>	<u>-</u>	<u>54,763,207</u>
<b>NET BOOK VALUE</b>					
31 December 2019	<u>15,427,999</u>	<u>43,203</u>	<u>26,912,121</u>	<u>2,379,159</u>	<u>44,762,482</u>
1 January 2019 (restated)	<u>14,741,514</u>	<u>29,547</u>	<u>24,813,245</u>	<u>3,857,042</u>	<u>43,441,348</u>
31 December 2018	<u>14,741,514</u>	<u>-</u>	<u>24,798,734</u>	<u>3,857,042</u>	<u>43,397,290</u>

Included in Land and buildings: Freehold are revalued assets with a net book value of £9,594,806 (2018: £9,594,806), which were valued on an existing use basis at £13,964,000 as at 10 August 1990. The historical cost of these assets at 1 January 2019 and 31 December 2019 was £2,747,000 (2018: £2,747,000), and after charging depreciation for the year of £67,000 (2018: £67,000), the historical accumulated depreciation and net book value at 31 December 2019 amounted to £2,348,000 and £399,000 (2018: £2,281,000 and £466,000) respectively.

Included in plant and machinery are revalued assets with a net book value of £35,769 (2018: £43,087), which were valued on the basis of fair market value in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice at £35,691,059 as at 6 August 1998. Following the valuation, plant and machinery with a historical cost of £29,433,444 was sold to a third party and leased back to the Company. As the result of a subsequent transaction, another Group undertaking has become the lessor. The cost of these assets at 31 December 2019 was £14,906,721 (2018: £15,002,210), and the accumulated depreciation and net book value at 31 December 2019 amounted to £14,870,952 and £35,769 respectively (2018: £14,959,123 and £43,087).

Both revaluations were performed by American Appraisals (UK) Limited, a corporate member of the Royal Institution of Chartered Surveyors. The Company has taken advantage of the transitional arrangements available under IFRS 1 First-time Adoption of International Financial Reporting Standards and has not subsequently revised the valuations.

Also included in plant and machinery is a cost of £26,547 (2018: £26,547) in respect of dilapidation provisions being depreciated over the remaining asset life.

During the period, the Company capitalised £59,099 (2018: £187,849) of borrowing costs. The weighted average capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 0.30% (2018: 0.30%).

Net book value of right-of-use assets presented in Buildings Leasehold at 31 December 2019 amounts to £43,203 (cost £76,848, accumulated depreciation £33,645). Net book value of vehicles at 31 December 2019 amounts to £Nil (cost £14,511, disposals £11,359, accumulated depreciation £3,152). Total net book value of right-of-use assets at 31 December 2019 amounts to £43,203 (2018: £Nil) and depreciation charged in 2019 was £36,797 (2018: £Nil).

**Archer Daniels Midland Erith Limited**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
For the year ended 31 December 2019

15	STOCKS		2019	2018
			£	£
	Engineering spares and consumables		<u>2,029,951</u>	<u>1,720,234</u>
16	DEBTORS		2019	2018
			£	£
	Amounts owed by Group undertakings		2,256,722	3,708,839
	Other debtors		1,051,895	1,384,807
	Prepayments and accrued income		<u>938,523</u>	<u>970,816</u>
			<u>4,247,140</u>	<u>6,064,462</u>
17	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2019	2018
			£	£
	Trade creditors		1,431,038	3,521,748
	Amounts owed to Group undertakings		8,319,801	7,704,580
	Corporation tax		154,690	227,454
	Lease liability (Note 23)		30,314	-
	Other creditors		1,620	-
	Accruals		<u>2,547,381</u>	<u>2,156,613</u>
			<u>12,484,844</u>	<u>13,610,395</u>
18	CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR		2019	2018
			£	£
	Lease liabilities (Note 23)		<u>12,889</u>	-
			<u>12,889</u>	-
19	PROVISIONS FOR LIABILITIES			
		Deferred tax liability	Other	Total
		£	£	£
	1 January 2019	2,141,368	98,785	2,240,153
	Debited to Income Statement	243,950	8,840	252,790
	Debited to Statement of Changes in Equity (Note 3 and 13)	<u>635</u>	-	<u>635</u>
	31 December 2019	<u>2,385,953</u>	<u>107,625</u>	<u>2,493,578</u>

Other

A provision has been made in these financial statements in respect of the current best estimate of the expenditure required to settle the Company's present obligations at the balance sheet date arising upon the decommissioning of certain assets. The provision is expected to unwind at the end of the remaining useful life of the assets which is between 10 and 50 years after the balance sheet date. The provision has been estimated on the basis of using existing technology, at current prices and has been discounted using a discount rate of 4-6% (2018: 4-6%).

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 19 PROVISION FOR LIABILITIES (Continued)

THE DEFERRED TAX LIABILITY IS MADE UP AS FOLLOWS:

	2019	2018
	£	£
Fixed assets	4,569,457	4,544,504
Capital allowances	(2,158,249)	(2,376,313)
Other temporary differences	(25,567)	(26,823)
IFRS 16 – transition adjustment (Note 3)	312	-
	<u>2,385,953</u>	<u>2,141,368</u>

The enactment of Finance (No.2) Act 2016 contained legislation to reduce the main rate of corporation tax to 17% (2018:17%) with effect from 1 April 2020. As this change was substantively enacted at the prior year balance sheet date, deferred tax is recognised at 17% in the prior and current period.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

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#### 20 PENSION COSTS

The Company participates in a pension scheme known as the ADM UK Pension Plan. The Plan contains two distinct elements, defined contribution and defined benefit. The defined benefit scheme was frozen for future contributions and all employees moved to the defined contribution scheme as at 1 January 2018. No defined benefit pension was built up since 1 January 2018.

##### Defined contribution

The assets of the defined contribution pension scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company and amounted to £843,783 (2018: £1,044,138). Contributions totalling £Nil (2018: £Nil) were payable to the fund at the year end and are included in creditors.

##### Defined benefit

The defined benefit scheme is a Group pension scheme which require contributions to be made to a separately administered fund. The contributions paid by the Company are at the percentage of member's pensionable salary as specified in the Schedule of Contributions for the Plan (being a schedule approved by the Plan trustees, actuary and principal employer, Archer Daniels Midland (UK) Limited) and are accounted for accordingly with no further adjustments in respect of annual IAS 19 valuations.

The Directors of the Company have taken professional actuarial advice and have concluded that the Company does not have in place a stated policy or contractual agreement for which net defined benefit cost is charged to each participating employer, consequently, the net defined benefit cost shall be recognised in the individual financial statements of the group entity that is legally the sponsoring employer for the scheme, namely, Archer Daniels Midland (UK) Limited.

In 2017, the Company paid contribution to the scheme at 15% of pensionable pay. Due to the closure of further accrual to the scheme effective from the 31 December 2017, no contributions were paid to the defined benefit scheme in 2019 and 2018 by participating employers and the total contributions to the defined benefit scheme for the following year are expected to be £Nil. The Plan does not offer retirement healthcare benefits.

	2019	2018
	£'000	£'000
Contributions payable by the Company for the year	-	-

The full disclosures required by IAS 19: Employee benefits and the details of the scheme that are shown below are for the whole of the ADM UK Pension Plan. Under IAS 19, the valuation of the Plan shows a surplus at 31 December 2019 of £14,447,000 (31 December 2018: £25,492,000). The scheme asset is limited to the present value of reductions in future contributions to the Plan.

The valuation has been based on projecting forward on an appropriate basis the preliminary statutory funding valuation for the ADM UK Pension Plan as at 1 April 2015 and has taken into account the requirements of IAS 19.

The scheme liabilities are partially funded.

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

#### 20 PENSION COSTS (Continued)

The scheme actuary used the following assumptions to calculate the value of the assets and liabilities on an IAS 19 basis:

	2019	2018
Assumptions to determine benefit obligations:		
Discount rate	2.07%	2.97%
Salary increase rate	-	-
Rate of price inflation RPI	2.90%	3.15%
Rate of price inflation CPI	1.90%	2.05%
Rate of pension increases:		
- RPI capped at 5%	2.85%	3.05%
- CPI capped at 5%	1.90%	2.05%
- RPI capped at 2.5%	2.15%	2.20%
- CPI capped at 3%	1.75%	1.85%
Assumptions to determine net pension cost:		
Discount rate	2.86%	2.56%
Rate of salary increase	-	-
Rate of price inflation	3.15%	3.10%
Rate of pension increases (RPI capped at 2.5%)	2.05%	2.15%
Assumed life expectations on retirement at age 65:		
Current mortality rate - male	86.6	86.0
Current mortality rate - female	88.6	89.1
Future mortality rate - male	87.7	87.5
Future mortality rate - female	89.8	90.7
Sensitivity analysis (£'000):		
Discount rate -25 basis points	239,936	209,542
Discount rate +25 basis points	217,326	190,355
Price inflation -25 basis points	219,465	194,650
Price inflation +25 basis points	236,184	204,650
Post-retirement mortality assumption -1 year age rating	238,240	206,917
Weighted average duration of defined benefit obligation (in years):	22.00	21.50
Expected total benefit payments (£'000):		
Year 1	5,822	4,902
Year 2	6,011	5,140
Year 3	6,205	5,336
Year 4	6,406	5,469
Year 5	6,614	5,564
Next 5 Years	<u>36,422</u>	<u>29,509</u>

Note:

RPI - Retail Prices Index

CPI - Consumer Prices Index

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

#### 20 PENSION COSTS (Continued)

For the year ended on 31 December 2019, it has been assumed that deferred members of the scheme who remain employed will opt for early retirement at the age of 61 on average, and that all deferred members of the scheme will retire at age 65.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio allowing for the correlations of the investment returns between asset classes. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on equity investments reflects the long-term real rates of return experience in the respective markets.

	2019	2018
	£'000	£'000
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	198,253	215,651
Current service cost	-	-
Past service cost	-	597
Interest cost	5,804	5,440
Benefits paid	(5,640)	(6,315)
Remeasurements	29,847	(17,120)
Closing defined benefit obligation	<u>228,264</u>	<u>198,253</u>
	2019	2018
	£'000	£'000
Changes in the fair value of scheme assets:		
Opening scheme assets	223,745	239,707
Interest income	6,560	6,091
Contributions by employer	1,119	2,786
Benefits paid	(5,640)	(6,315)
Expenses paid	(1,212)	-
Remeasurements	18,139	(18,524)
Closing scheme assets	<u>242,711</u>	<u>223,745</u>
	2019	2018
	£'000	£'000
Fair value of scheme assets	242,711	223,745
Present value of scheme liabilities	(228,264)	(198,253)
Surplus in the scheme	<u>14,447</u>	<u>25,492</u>

The actual return on scheme assets in 2019 was a gain of £24,699,000 (loss in 2018: £12,433,000).

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

### 20 PENSION COSTS (Continued)

	2019 £'000	2018 £'000
Equities	73,630	59,027
Corporate bonds	42,337	43,991
Cash	1,308	622
Insurance contracts	-	923
Derivatives	62,843	58,153
Real estate/ property	37,176	35,208
Other	25,417	25,821
Fair value of scheme assets	<u>242,711</u>	<u>223,745</u>

In the financial statements of the parent undertaking, the following amounts would be shown in the Income Statement:

	2019 £'000	2018 £'000
Analysis of amounts charged to operating profit:		
Current service cost	-	-
Past service cost	-	(597)
Administrative expenses	(1,212)	-
Total operating profit charge	<u>(1,212)</u>	<u>(597)</u>

	2019 £'000	2018 £'000
Analysis of amounts credited to other finance income:		
Interest on scheme assets	6,560	6,091
Interest on past service scheme liabilities	(5,804)	(5,440)
Total finance income	<u>756</u>	<u>651</u>

In the financial statements of the parent undertaking, the following amounts would be shown in the Statement of Comprehensive Income:

	2019 £'000	2018 £'000
Remeasurements:		
Return on plan assets (excluding interest income)	18,139	(18,524)
Changes in assumptions (including experience adjustments)	(29,847)	17,120
Total remeasurements included in OCI of the parent entity	<u>(11,708)</u>	<u>(1,404)</u>

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

21	SHARE CAPITAL	2019	2018
		£	£
	ALLOTTED, CALLED UP AND FULLY PAID		
	100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

## 22 SHARE-BASED PAYMENTS

### INCENTIVE COMPENSATION PLAN

Certain officers and key employees of the Company are entitled to participate in the Archer Daniels Midland Company 2002 Incentive Compensation Plan. Awards of options and restricted shares are made under this scheme. Options are granted at market value on the date of grant, and vest over five years in equal annual tranches and expire ten years after the date of grant. Restricted shares are granted at no cost to the employee and vest after a three year restriction period.

The vesting period for the options is 5 years with vesting occurring in equal tranches over years 1 to 5. The vesting period for the restricted shares is 3 years. Accelerated vesting terms apply to employees over the age of 53 at the date of grant.

The expense recognisable under IFRS 2 for equity share-based payments in respect of employee services received during the year to 31 December 2019 is £18,322 (2018: £27,058).

At the balance sheet date, the IFRS 2 value of outstanding options amounted to £44,520 (2018: £58,849). Share-based payment reserve net of tax amounted to £41,816 (2018: £57,431).

No share options were granted to officers and key employees of the Company during the year.

## 23 LEASES

The Company has entered into lease on real estate and also on vehicles. These leases have an average duration between 1 and 2 years with no renewal option included in the contracts.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings (real estate)	Plant and Machinery	Total
	£	£	£
As at 31 December 2018	-	-	-
Effect of IFRS 16 adoption:	<u>29,547</u>	<u>14,511</u>	<u>44,058</u>
As at 1 January 2019 (restated)	<u>29,547</u>	<u>14,511</u>	<u>44,058</u>
Additions	60,391	-	60,391
Disposals	(13,090)	(11,359)	(24,449)
Depreciation expense (Note 10)	<u>(33,645)</u>	<u>(3,152)</u>	<u>(36,797)</u>
As at 31 December 2019	<u>43,203</u>	<u>-</u>	<u>43,203</u>



# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 December 2019

#### 23 LEASES (CONTINUED)

Set out below are the carrying amounts of lease liabilities:

	Buildings (real estate)	Plant and Machinery	Total
	£	£	£
As at 31 December 2018	-	-	-
Effect of IFRS 16 adoption:	27,587	14,638	42,225
As at 1 January 2019 (restated)	27,587	14,638	42,225
Additions	60,391	-	60,391
Adjustments	(11,130)	(11,063)	(22,193)
Accretion of interest	1,355	229	1,584
Payments	(35,000)	(3,804)	(38,804)
As at 31 December 2019	43,203	-	43,203
Current	30,314	-	30,314
Non-current	12,889	-	12,889

Maturity analysis of leases is presented below:

	Buildings (real estate)	Plant and Machinery	Total
	£	£	£
Payable on demand	-	-	-
Less than 3 months	7,800	-	7,800
Between 3 and 12 months	23,400	-	23,400
Between 1 and 5 years	13,000	-	13,000
Over 5 years	-	-	-
Total at 31 December 2019	44,200	-	44,200

The following are the amounts recognised in the income statement in 2019:

	2019
	£
Depreciation expense of right-of-use assets	36,797
Interest expense on lease liabilities	1,584
Short-term leases	252,818
Total	291,199

# Archer Daniels Midland Erith Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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### 24 CAPITAL COMMITMENTS

The Company had capital commitments as follows:

	2019	2018
	£	£
Contracted for but not provided in the financial statements	<u>270,054</u>	<u>4,246,520</u>

### 25 CONTROL

The Company's immediate parent undertaking is Archer Daniels Midland (UK) Limited, and in the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Archer-Daniels-Midland Company, which is incorporated in Delaware, United States of America. The consolidated financial statements of Archer-Daniels-Midland Company are both the smallest and largest consolidated financial statements drawn up for the groups of which the Company is a member. Copies of the consolidated financial statements are available upon application to the Directors at PO Box 1470, Decatur, Illinois 62525, United States of America.

### 26 RELATED PARTY TRANSACTIONS

The Company is related to Edible Oils Limited by virtue of the joint venture partnership between Archer Daniels Midland Erith Limited and Princes Limited. Both ADM International Sarl and Pura Foods Limited are members of the Archer Daniels Midland Company Group.

The Company raised invoices to Edible Oils Limited amounting to £363,313 (2018: £236,055) in respect of the use of its premises and related cost. At the balance sheet date, Edible Oils Limited owed £34,137 (2018: £53,655) to the Company.

No amounts have been written-off or provided against during the year in relation to any transaction with Edible Oils Limited.

The Company has taken advantage of the exemptions conferred by paragraph 8(k): Related Party Disclosures of FRS 101 from the requirement to disclose transactions with fellow Group undertakings where 100% of the voting rights are controlled within the Group. There were no other related party transactions during the year.

### 27 POST BALANCE SHEET EVENTS

#### *Covid-19*

The Directors have monitored and continue, at the time of approving these financial statements, to monitor the Coronavirus pandemic as it rapidly unfolds to ensure that appropriate action is taken, if required. Fortunately Coronavirus has not materially affected the operations of ADM Erith Limited and the Directors expect 2020 to have similar results to that of 2019. The Directors do not expect any changes to the cost-plus agreements in place and have obtained a signed confirmation from ADM International Sàrl to confirm there is no intention to cease the agreement in place for at least 12 months from the date of signing of the accounts.

#### *Other post balance sheet events*

On 19 June 2020, there was an explosion in the extraction area of the oilseeds crushing plant. As a result of this event, the crushing plant was temporarily shut down and commodity deliveries were redirected to other crushing facilities of ADM Group. The refinery was not affected and refining operations are continued. There is an investigation ongoing to identify the cause for the explosion and to estimate the financial impact of the explosion. It is too early in the investigation stage to provide a reasonable estimate of the impact on the Company's future results. The Company will raise an insurance claim to cover the cost of the damages, business disruption, recovery and any potential claims resulting from this incident.