**Frontier Agriculture Limited**

# Directors' report and consolidated financial statements

Registered number 05288567

30 June 2014

# Contents

## Chairman's statement 2014

Frontier commenced its ninth full year of trading on 1 July 2013. These remarks refer to the 12 month period ended 30 June 2014.

For the second year running global commodity volatility was eclipsed by UK domestic supply and demand factors. Autumn 2012 was wet and the low level of winter cereal establishment resulted in two inverse outcomes – the third lowest ever UK wheat crop and the largest ever output of spring barley. Once again wheat imports featured strongly to replace the shortfall in milling quality as did a busy export programme for the barley surplus facilitated by favourable currency levels and freight rates. Despite the challenges resulting from these exceptional conditions Frontier once again demonstrated its flexibility and resourcefulness by responding positively – turning apparent setbacks into opportunities. Wheat seed was again in short supply which enabled Frontier's 5 seed plants to source and deliver product to its farmers more effectively than those with only regional coverage. Plantings recovered and all crops established well. Mild winter conditions and an early spring resulted in the presence of high levels of foliar disease throughout the whole growing season with record fungicide usage. The Company used its strong balance sheet to assist many farmers experiencing cash flow pressure from these exceptional events. Frontier once again proved that its diversified activities in both crop production and crop marketing enables it to deliver a level of earnings reliability that confounds the cyclicality of the sector.

During the year, Group turnover at £1.52 billion was 7.5% lower due to weaker commodity values. Profit for the year on ordinary activities after taxation was £26.7 million – delivering a respectable 13% return on total capital employed.

Working capital funding requirements moved in relation to the lower value of grain stocks, receivables and margin calls from trading and were further ameliorated by continuing low borrowing rates, resulting in annual net interest costs of £ 2.1 million *(2013: £ 2.7 million).*

During the period £4.7 million was committed to new capital expenditure prioritised towards customer facing assets in grain storage, seed processing, crop protection distribution, crop trials and smart IT software. Since April 2005 cumulative capital expenditure now exceeds £28 million.

We continued the strategy to grow our crop inputs and non grain related activities – annual gross earnings from which were the highest ever at 51% of the Group total in spite of the generally lower crop gross margins. The recently acquired seed business GFP Ltd performed well and was fully integrated onto the Frontier trading systems as an independent standalone company. We continued to grow our agronomy activities with over 125 service agronomists and our SOYL precision farming business now services over 1.3 million acres. During the year we completed the refurbishment of our Sandy site – which becomes our national crop inputs headquarters.

Frontier's grain trading, merchanting and grain handling operations performed exceptionally well – refocusing on imports and exports and overcoming enormous logistics and trading challenges brought on by the low grain volume to post strong results. Grain related annual gross earnings were equivalent to 46% of the Group total. In line with our growth strategy agreement was reached to acquire the entire share capital of Grain Harvesters Ltd post year end which will provide future access to the farm market in Kent and the south east of England.

As in previous years the joint shareholders agreed to forgo any dividend payments and all profits and cash from ongoing operations were reinvested back in the Company for the long term benefit of the business, its customers and the industry. Group net assets now exceed £203 million making Frontier a truly reliable, secure and long term partner to its customers with the balance sheet credibility to match.

On behalf of both shareholders I would once again pay a huge tribute to the dedication, commitment and professionalism of all our employees who have worked tirelessly in demanding and exceptional circumstances to deliver another excellent set of results.

## Chairman's statement 2014 *(continued)*

Looking ahead, I anticipate further growth in underlying earnings as we see the full year impact of acquisitions, new agronomists, capital investment and the continued rollout of our strategic growth plans.

Managing volatility, building the balance sheet and deepening expertise alongside strong customer satisfaction and employee engagement will be the key success criteria for the future. Frontier continues to grow ahead of expectations and has embarked on a companywide national learning and development programme which will ensure we attract, retain and grow the industry's top performers.

The Company has proved once again, that in spite of exceptional weather, market and commodity price volatility it remains uniquely structured and resourced to deliver real value through strong collaborative partnerships with its farmers and with food, feed and bio fuel industry customers.

**David Yiend**
*Chairman*

24 February 2015

# Directors' report

The directors present their directors' report and consolidated financial statements for the year ended 30 June 2014.

**Principal activities**

The principal activities of the company are the sale and merchanting of agricultural crops, seed (including processing), fertiliser and chemicals.

**Directors and directors' interests**

The directors who held office during the year and to the date of approval of these financial statements were as follows:

| | |
|---|---|
| KM Aitchison | |
| DJ Yiend | |
| RC Cloke | |
| S Wooldridge | |
| M Allen | (resigned 30 September 2013) |
| J Kerr | (resigned 15 May 2014) |
| A Rickmers | |
| L Te-Laak | |
| AO Thesingh | (appointed 15 May 2014) |
| BJM van Stekelenburg | (appointed 15 May 2014) |

No director had a beneficial interest in the shares of the company during the year.

KM Aitchison and S Wooldridge benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

**Proposed dividend**

The directors do not propose the payment of a dividend for the year *(2013: £nil)*.

**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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Political and charitable contributions**

The company made no political contributions during the year *(2013: £nil)*. Donations to UK charities amounted to £12,000 *(2013: £11,000)*.

**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

K Mark Aitchison

**K M Aitchison**
*Director*

50/51 Russell Square
London
WC1B 4JA

24 February 2015

# Strategic report

### Business review

The directors consider that the key performance indicators for the business are turnover and profit.

| Summarised results are given below: | **2014** **£000** | 2013 £000 |
|---|---|---|
| Group turnover | **1,516,448** | 1,640,744 |
| Group profit on ordinary activities after taxation for the financial year | **26,724** | 24,589 |

Subsequent to the year end the company acquired 100% of the share capital of GH2 Limited, a company incorporated in the United Kingdom.

A detailed review of the year is given in the chairman's statement on page 1.

### Financial instruments

The company's activities expose it to a variety of financial risks that include commodity price and position risk, credit risk, interest rate risk and foreign exchange exposure. Senior operating management and Board members regularly review financial risk against established policies.

*Commodity Price And Position Risk* – The trading activities of the business necessitate that forward positions are taken in order to meet supply requirements in the ordinary course of business. Positions are operated, by agreement from the Board, within duly authorised limits relative to each commodity. Senior management and Board members regularly review these positions compared to those limits. Exposure to commodity price fluctuations is controlled by the operation of position limits and by the use of approved futures markets.

*Credit Risk* – Where appropriate, credit checks are performed on potential customers before sales are transacted. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financially material value, by the Executive Directors. In addition the company has in place credit insurance to manage the potential financial loss relating to customers in the grain consumer, agricultural merchant and farmer buying group sectors.

*Interest Rate Risk* – The company is exposed to movements in the level of interest rates. Bank debt liabilities are maintained on a floating rate basis.

*Foreign Exchange Risk* – Trading activities include the import/export of grain and the import of fertiliser which create exposures to movements in foreign exchange rates principally Euro and USD. This exposure risk is managed through matching FX contracts. Authorisation levels for FX contracts are in place for both the amount and period of forward cover and are subject to regular independent review by senior management.

### Policy and practice on payment of creditors

It is the policy of the company to agree terms of payment when orders for goods and services are placed and to adhere to these arrangements when making payment. At the year end the company had 20 days *(2013: 19 days)* purchases outstanding.

## Strategic report *(continued)*

**Employees**

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

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

By order of the board

K Mark Aitchison

**K M Aitchison**
*Director*

50/51 Russell Square
London
WC1B 4JA

24 February 2015

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

The directors are responsible for preparing the directors' report, 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

KPMG

# Independent auditor's report to the members of Frontier Agriculture Limited

We have audited the financial statements of Frontier Agriculture Limited for the year ended 30 June 2014 set out on pages 8 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' and Strategic Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Wayne Cox

**Wayne Cox** *(Senior Statutory Auditor)*

*for and on behalf of KPMG LLP, Statutory Auditor*
*Chartered Accountants*

St Nicholas House
Park Row
Nottingham
NG1 6FQ

24 February 2015

## Consolidated profit and loss account
*for the year ended 30 June 2014*

| | | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|---|
| **Group turnover** | | 2 | **1,516,448** | 1,640,744 |
| Cost of sales | | | **(1,428,628)** | (1,555,767) |
| **Gross profit** | | | **87,820** | 84,977 |
| Selling and distribution costs | | | **(23,008)** | (22,336) |
| Administrative expenses | | | **(29,095)** | (28,592) |
| Other operating income | | | **495** | 702 |
| **Group operating profit** | | | **36,212** | 34,751 |
| Share of operating profit / (loss) in joint venture | | | **6** | (96) |
| **Total operating profit** | | | **36,218** | 34,655 |
| Profit/(loss) on sale of fixed assets | - group | | **74** | 89 |
| | - joint venture | | **-** | 2 |
| Other interest receivable and similar income | - group | 6 | **331** | 369 |
| | - joint venture | | **1** | 1 |
| Interest payable and similar charges | - group | 7 | **(2,107)** | (2,669) |
| Other finance income | | 8 | **328** | 192 |
| **Profit on ordinary activities before taxation** | | | **34,845** | 32,639 |
| Tax on profit on ordinary activities | - group | 9 | **(8,118)** | (8,066) |
| | - joint venture | 9 | **(3)** | 16 |
| **Profit on ordinary activities after taxation** | | | **26,724** | 24,589 |

In both the current and preceding year, the group made no material acquisitions and had no discontinued operations.

There is no material difference between the results for the period as disclosed above and the result under the unmodified historical cost basis aside from those which result from the valuation of commodity stocks and related contracts.

## Consolidated balance sheet
*as at 30 June 2014*

| | Note | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | | **£000** | **£000** | £000 | £000 |
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | **10,885** | | 11,557 |
| Tangible assets | *11* | | **23,422** | | 21,700 |
| Investments | *12* | | **2,497** | | 2,493 |
| | | | **36,804** | | 35,750 |
| **Current assets** | | | | | |
| Stocks | *13* | **116,020** | | 131,864 | |
| Debtors | *14* | **239,467** | | 251,771 | |
| Cash at bank and in hand | | **193** | | 184 | |
| | | **355,680** | | 383,819 | |
| **Creditors:** amounts falling due within one year | *15* | **(188,729)** | | (242,407) | |
| **Net current assets** | | | **166,951** | | 141,412 |
| **Total assets less current liabilities** | | | **203,755** | | 177,162 |
| **Creditors:** amounts falling due after more than one year | *16* | | **-** | | (12) |
| **Pension (liability) / asset** | *21* | | **(519)** | | 547 |
| **Net assets** | | | **203,236** | | 177,697 |
| **Capital and reserves** | | | | | |
| Called up share capital | *17* | | **36,000** | | 36,000 |
| Profit and loss account | *18* | | **167,236** | | 141,697 |
| **Shareholders' funds** | | | **203,236** | | 177,697 |

These financial statements were approved by the board of directors on 24 February 2015 and were signed on its behalf by:

**S Wooldridge**
*Director*

Company number : 05288567

# Company balance sheet
*as at 30 June 2014*

| | Note | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | **9,090** | | 9,662 |
| Tangible assets | *11* | | **22,401** | | 21,195 |
| Investments | *12* | | **6,127** | | 16,273 |
| | | | **37,618** | | 47,130 |
| **Current assets** | | | | | |
| Stocks | *13* | **115,826** | | 131,707 | |
| Debtors | *14* | **239,000** | | 251,431 | |
| Cash at bank and in hand | | **3** | | 4 | |
| | | **354,829** | | 383,142 | |
| **Creditors:** amounts falling due within one year | *15* | **(189,041)** | | (253,421) | |
| **Net current assets** | | | **165,788** | | 129,721 |
| **Total assets less current liabilities** | | | **203,406** | | 176,851 |
| **Creditors:** amounts falling due after more than one year | *16* | | - | | (12) |
| **Pension (liability) / asset** | *21* | | **(519)** | | 547 |
| **Net assets** | | | **202,887** | | 177,386 |
| **Capital and reserves** | | | | | |
| Called up share capital | *17* | | **36,000** | | 36,000 |
| Profit and loss account | *18* | | **166,887** | | 141,386 |
| **Shareholders' funds** | | | **202,887** | | 177,386 |

These financial statements were approved by the board of directors on 24 February 2015 and were signed on its behalf by:

**S Wooldridge**
*Director*

Company number : 05288567

## Consolidated cash flow statement
*for the year ended 30 June 2014*

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Group operating profit | | **36,212** | 34,751 |
| Depreciation and amortisation charges | | **3,464** | 3,267 |
| Decrease / (increase) in stocks | | **15,844** | (15,825) |
| Decrease / (increase) in debtors | | **12,176** | (39,145) |
| (Decrease)/ increase in creditors | | **(14,062)** | 9,331 |
| Pension contributions below operating charge | | **207** | 65 |
| **Net cash inflow / (outflow) from operating activities** | | **53,841** | (7,556) |

### Cash flow statement

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Cash inflow / (outflow) from operating activities** | | **53,841** | (7,556) |
| **Returns on investments and servicing of finance** | 22 | **(1,852)** | (1,985) |
| **Taxation** | | **(8,014)** | (8,186) |
| **Capital expenditure and financial investment** | 22 | **(4,711)** | (3,772) |
| **Acquisitions and disposals** | 22 | **(286)** | (2,875) |
| Cash inflow / (outflow) before management of liquid resources and financing | | **38,978** | (24,374) |
| **Financing** | 22 | **-** | - |
| **Increase / (decrease) in cash in the year** | | **38,978** | (24,374) |

### Reconciliation of net cash flow to movement in net debt

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Increase / (decrease) in cash in the year** | | **38,978** | (24,374) |
| **Net debt at the start of the year** | 23 | **(111,971)** | (87,597) |
| **Net debt at the end of the year** | 23 | **(72,993)** | (111,971) |

# Consolidated statement of total recognised gains and losses
*for the year ended 30 June 2014*

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Profit for the financial year** | | |
| Group | **26,720** | 24,666 |
| Share of profit / (loss) of joint venture | **4** | (77) |
| | **26,724** | 24,589 |
| Actuarial (loss) / gain recognised in the pension scheme | **(1,481)** | 1,200 |
| Deferred tax asset / (liability) arising on gains/losses in the pension scheme | **296** | (276) |
| **Total recognised gains and losses relating to the financial year** | **25,539** | 25,513 |

# Reconciliation of movements in shareholders' funds
*for the year ended 30 June 2014*

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| **Profit for the financial year** | **26,724** | 24,589 | **26,686** | 24,666 |
| Other recognised gains and losses relating to the year (net) | **(1,185)** | 924 | **(1,185)** | 924 |
| **Net addition to shareholders' funds** | **25,539** | 25,513 | **25,501** | 25,590 |
| Opening shareholders' funds | **177,697** | 152,184 | **177,386** | 151,796 |
| **Closing shareholders' funds** | **203,236** | 177,697 | **202,887** | 177,386 |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

*Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and, except for commodity stocks and related contracts, under the historical cost accounting rules.

Commodity stocks and related contracts are recognised at fair value, being the market price ruling at the balance sheet date.

The going concern assumption has been considered appropriate as the group continues to be profitable and has financing in place sufficient to enable it to meet its financial obligations as they fall due.

*Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings and joint venture undertakings made up to 30 June 2014.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture undertaking is an undertaking where the company does not hold a controlling interest but is one in which the company has a long-term interest and where it can exercise joint control. In these instances the Group's share of the profits or losses of joint ventures is included in the consolidated profit and loss account and its interest in the net assets is included under investments in the consolidated balance sheet.

Under s400 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

*Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations and consolidations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

*Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Freehold buildings | - | 25 to 50 years |
| Leasehold land and buildings | - | life of lease |
| Plant and machinery | - | 6 to 10 years |
| Fixtures, fittings, tools and equipment | - | 2 to 10 years |
| Motor vehicles | - | 4 years |

No depreciation is provided on freehold land.

*Foreign currencies*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Derivative financial instruments***

The Group uses derivative financial instruments to hedge its exposure to commodity market, foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives are not accounted for using the hedge accounting method and therefore are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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

***Government grants***

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

***Post-retirement benefits***

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

***Research and development expenditure***

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

***Stocks***

Except as described below, stocks and work in progress are valued at the lower of cost and net realisable value.

Commodity stocks and related contracts (including forward futures and option contracts), where the value of the underlying commodity is determined by a quoted terminal market, are revalued to the market price 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 the Companies Act.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

***Classification of financial instruments issued by the group***

Under FRS 25, financial instruments issued by the group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

***Turnover***

Turnover represents the amounts, excluding Value Added Tax, derived from the provision of goods and services to customers. Turnover is recognised on delivery of the goods and services concerned.

***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## 2 Segmental analysis

| | 2014 | 2013 |
|---|---|---|
| | £000 | £000 |
| *Analysis of turnover by geographical destination* | | |
| United Kingdom | 1,403,334 | 1,518,905 |
| Rest of the World | 113,114 | 121,839 |
| | **1,516,448** | 1,640,744 |

The directors consider that there is only one class of business. Turnover is generated by operations based solely in the United Kingdom.

# Notes *(continued)*

## 3 Notes to the profit and loss account

| | 2014 £000 | 2013 £000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging/(crediting):*** | | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | **2,792** | 2,583 |
| Amortisation of goodwill | **672** | 684 |
| Hire of plant and machinery - rentals payable under operating leases | **1,983** | 1,943 |
| Hire of other assets - operating leases | **3,751** | 3,502 |
| Foreign exchange (gains) / (losses) | **(250)** | 336 |
| Research and development expenditure | **273** | 233 |

| *Auditor's remuneration:* | **£000** | £000 |
|---|---|---|
| Audit of these financial statements | **94** | 94 |
| *Amounts receivable by auditors and their associates in respect of:* | | |
| Audit of financial statements of subsidiaries | **2** | - |
| Other services relating to taxation | **7** | 4 |
| All other services | **-** | - |

## 4 Remuneration of directors

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Directors' emoluments | **936** | 866 |
| Company contributions to defined benefit pension schemes | **32** | 32 |
| Company contributions to defined contribution pension schemes | **35** | 21 |
| | **1,003** | 919 |

| | Number of directors 2014 | 2013 |
|---|---|---|
| Retirement benefits are accruing to the following number of directors under: | | |
| Defined benefit schemes | **1** | 1 |
| Defined contribution schemes | **1** | 1 |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £654,000 for the year *(2013: £574,000)*. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £28,923 *(2013: £26,000)*.

The following directors benefited from qualifying third party indemnity provisions:

- KM Aitchison
- S Wooldridge

# Notes *(continued)*

## 5 Staff numbers and costs

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

| | Number of employees | |
|---|---|---|
| | **2014** | 2013 |
| Administrative | **312** | 278 |
| Processing and distribution | **559** | 537 |
| | **871** | 815 |

The aggregate payroll costs of these persons were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **33,803** | 32,776 |
| Social security costs | **3,152** | 3,028 |
| Pension costs | **3,607** | 3,310 |
| | **40,562** | 39,114 |

The group operates a salary sacrifice scheme. This has the impact of increasing pension costs, offset by a reduction in wages and salaries and social security costs.

## 6 Other interest receivable and similar income

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Interest receivable on loans | **-** | - |
| Interest receivable on overdue debts from customers | **331** | 369 |
| | **331** | 369 |

## 7 Interest payable and similar charges

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| On bank loans and overdrafts | **2,102** | 2,665 |
| On hire purchase contracts | **3** | - |
| On all other loans | **2** | 4 |
| | **2,107** | 2,669 |

## Notes *(continued)*

### 8 Other finance income

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Expected return on pension scheme assets | **1,544** | 1,216 |
| Interest on pension scheme liabilities | **(1,216)** | (1,024) |
| | **328** | 192 |

### 9 Taxation

*Analysis of charge in year*

| | 2014 £000 | 2014 £000 | 2013 £000 | 2013 £000 |
|---|---|---|---|---|
| *UK corporation tax* | | | | |
| Current tax on income for the year | **7,987** | | 8,005 | |
| Adjustments in respect of prior years | **1** | | 16 | |
| Tax on share of profits / (losses) of joint venture | **9** | | (15) | |
| Total current tax | | **7,997** | | 8,006 |
| *Deferred tax* | | | | |
| Current year origination/reversal of timing differences | **121** | | 23 | |
| Adjustments in respect of prior years | **-** | | 2 | |
| Impact of change in tax rate | **9** | | 20 | |
| Share of tax of joint venture | **(6)** | | (1) | |
| On defined benefit pension scheme | **-** | | - | |
| Total deferred tax | | **124** | | 44 |
| Tax on profit on ordinary activities | | **8,121** | | 8,050 |

*Factors affecting the tax charge for the current year*

The current tax charge for the year is higher *(2013: higher)* than the standard rate of corporation tax in the UK of 22.50% *(2013: 23.75%)*. The differences are explained below:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | **34,845** | 32,639 |
| Current tax at 22.50% *(2013: 23.75%)* | **7,840** | 7,752 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **213** | 203 |
| Depreciation for year in excess of capital allowances | **7** | 87 |
| Income not taxable | **(3)** | (4) |
| Defined benefit contributions in excess of charge | **(27)** | (30) |
| Enhanced research and development deduction | **(32)** | (22) |
| Prior period adjustments | **1** | 16 |
| Impact of small companies rate on profits of joint venture | **(2)** | 4 |
| Total current tax charge (see above) | **7,997** | 8,006 |

# Notes *(continued)*

## 9 Taxation *(continued)*

***Factors that may affect future current and total tax charges***

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**Company**

| *Deferred tax* | **2014 £000** | 2013 £000 |
|---|---|---|
| Difference between accumulated depreciation and capital allowances | **179** | 310 |
| Deferred tax asset (see note 14) | **179** | 310 |

**Group**

| *Deferred tax* | **2014 £000** | 2013 £000 |
|---|---|---|
| Difference between accumulated depreciation and capital allowances | **129** | 257 |
| Deferred tax asset (see note 14) | **129** | 257 |

*Deferred tax presented net of the pension scheme deficit*

| | **2014 £000** | 2013 £000 |
|---|---|---|
| At start of year | **(164)** | 148 |
| Credit / (charge) within the statement of total recognised gains and losses | **296** | (276) |
| (Charge) within the income statement | **(2)** | (36) |
| At end of year (see note 21) | **130** | (164) |

# Notes *(continued)*

## 10 Intangible fixed assets

| **Group** | **Goodwill £000** |
|---|---|
| *Cost* | |
| At beginning of year | 14,938 |
| At end of year | 14,938 |
| ***Accumulated amortisation*** | |
| At beginning of year | 3,381 |
| Charged in year | 672 |
| At end of year | 4,053 |
| ***Net book value*** | |
| **At 30 June 2014** | **10,885** |
| At 30 June 2013 | 11,557 |

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following sets out the periods over which goodwill is amortised:

- Goodwill arising on acquisition of Enviro Holdings Limited – 20 years
- Goodwill arising on acquisition of SOYL Limited – 20 years
- Goodwill arising on acquisition of Lothian Crop Specialists Limited – 20 years
- Goodwill arising on acquisition of Grampian Crop Services Limited – 20 years
- Goodwill arising on acquisition of Phoenix Agronomy Limited – 20 years
- Goodwill arising on acquisition of The Agronomy Partnership Limited – 20 years
- Goodwill arising on acquisition of North Wold Agronomy Limited – 20 years
- Goodwill arising on acquisition of GFP (Agriculture) Limited – 20 years

The directors believe the above reflects the period for which benefits can be expected to be obtained from the assets and liabilities acquired.

# Notes *(continued)*

## 10 Intangible fixed assets *(continued)*

| **Company** | **Goodwill £000** |
|---|---|
| *Cost* | |
| At beginning of year | 12,902 |
| At end of year | 12,902 |
| *Accumulated amortisation* | |
| At beginning of year | 3,240 |
| Charged in year | 572 |
| At end of year | 3,812 |
| *Net book value* | |
| **At 30 June 2014** | **9,090** |
| At 30 June 2013 | 9,662 |

## 11 Tangible fixed assets

| **Group** | **Land and buildings £000** | **Assets under construction £000** | **Plant and machinery £000** | **Fixtures, fittings, tools and equipment £000** | **Motor vehicles £000** | **Total £000** |
|---|---|---|---|---|---|---|
| *Cost* | | | | | | |
| At beginning of year | 15,577 | 1,081 | 27,697 | 8,766 | 246 | 53,367 |
| Additions | 209 | - | 3,824 | 568 | - | 4,601 |
| Reclassifications | 908 | (1,081) | 15 | 158 | - | - |
| Disposals | (6) | - | (897) | (85) | (56) | (1,044) |
| At end of year | 16,688 | - | 30,639 | 9,407 | 190 | 56,924 |
| *Accumulated depreciation* | | | | | | |
| At beginning of year | 5,527 | - | 20,638 | 5,305 | 197 | 31,667 |
| Charge for year | 476 | - | 1,521 | 789 | 6 | 2,792 |
| On disposals | (6) | - | (848) | (84) | (19) | (957) |
| At end of year | 5,997 | - | 21,311 | 6,010 | 184 | 33,502 |
| *Net book value* | | | | | | |
| **At 30 June 2014** | **10,691** | **-** | **9,328** | **3,397** | **6** | **23,422** |
| At 30 June 2013 | 10,050 | 1,081 | 7,059 | 3,461 | 49 | 21,700 |

# Notes *(continued)*

## 11 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Freehold | **10,299** | 9,585 |
| Short leasehold | **392** | 465 |
| | **10,691** | 10,050 |

The net book value of the group's fixed assets includes £nil *(2013: £107,000)* in respect of assets held under hire purchase contracts.

| **Company** | **Land and buildings £000** | **Assets under construction £000** | **Plant and machinery £000** | **Fixtures, fittings, tools and equipment £000** | **Motor vehicles £000** | **Total £000** |
|---|---|---|---|---|---|---|
| *Cost* | | | | | | |
| At beginning of year | 15,577 | 1,081 | 27,049 | 8,742 | 246 | 52,695 |
| Additions | 209 | - | 3,210 | 568 | - | 3,987 |
| Reclassifications | 908 | (1,081) | 15 | 158 | - | - |
| Disposals | (6) | - | (897) | (85) | (56) | (1,044) |
| At end of year | 16,688 | - | 29,377 | 9,383 | 190 | 55,638 |
| *Accumulated depreciation* | | | | | | |
| At beginning of year | 5,527 | - | 20,478 | 5,297 | 198 | 31,500 |
| Charge for year | 476 | - | 1,429 | 784 | 5 | 2,694 |
| Disposals | (6) | - | (848) | (84) | (19) | (957) |
| At end of year | 5,997 | - | 21,059 | 5,997 | 184 | 33,237 |
| ***Net book value*** | | | | | | |
| **At 30 June 2014** | **10,691** | **-** | **8,318** | **3,386** | **6** | **22,401** |
| At 30 June 2013 | 10,050 | 1,081 | 6,571 | 3,445 | 48 | 21,195 |

The net book value of land and buildings comprises:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Freehold | **10,299** | 9,585 |
| Short leasehold | **392** | 465 |
| | **10,691** | 10,050 |

The net book value of the company's fixed assets includes £nil *(2013: £55,000)* in respect of assets held under hire purchase contracts

# Notes *(continued)*

## 12 Fixed asset investments

| Group | Interests in joint ventures £000 | Other investments and loans £000 | Total £000 |
|---|---|---|---|
| ***Cost*** | | | |
| At beginning and end of year | 2,196 | 96 | 2,292 |
| ***Share of post acquisition reserves*** | | | |
| At beginning of year | 201 | - | 201 |
| Share of profit before tax for the year | 7 | - | 7 |
| Share of tax charge for the year | (3) | - | (3) |
| At end of year | 205 | - | 205 |
| ***Provisions*** | | | |
| At beginning and end of year | - | - | - |
| ***Net book value*** | | | |
| **At 30 June 2014** | **2,401** | **96** | **2,497** |
| At 30 June 2013 | 2,397 | 96 | 2,493 |

Group share of net assets of joint ventures is analysed as follows:

| | Fixed assets £000 | Current assets £000 | Other creditors £000 | Net assets £000 |
|---|---|---|---|---|
| Southampton Grain Terminal Limited | 165 | 590 | (180) | 575 |

The Group share of the net assets of Southampton Grain Terminal Limited is not equivalent to the carrying value of the investment in the joint venture as the Group was not a founder shareholder of the joint venture.

A joint share was purchased at a premium of £1,826,000 which is expected to be recovered through future trading.

# Notes *(continued)*

## 12 Fixed asset investments *(continued)*

| Company | Shares in group undertakings £000 | Loans to group undertakings £000 | Investment in joint venture £000 | Other investments and loans £000 | Total £000 |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At beginning of year | 16,861 | 351 | 2,196 | 96 | 19,504 |
| Loan advanced | - | 600 | - | - | 600 |
| At end of year | 16,861 | 951 | 2,196 | 96 | 20,104 |
| *Provisions* | | | | | |
| At beginning of year | 3,231 | - | - | - | 3,231 |
| Charge in year | 10,746 | - | - | - | 10,746 |
| At end of year | 13,977 | - | - | - | 13,977 |
| *Net book value* | | | | | |
| **At 30 June 2014** | **2,884** | **951** | **2,196** | **96** | **6,127** |
| At 30 June 2013 | 13,630 | 351 | 2,196 | 96 | 16,273 |

During the year, various non-trading subsidiaries paid up dividends to the company of their entire retained earnings. As a result an equal and opposite provision against the investments in these subsidiaries is recorded.

The companies in which the company has an interest at the year end are as follows:

| | Country of incorporation | Principal activity | Class and Percentage of shares held |
|---|---|---|---|
| *Subsidiary undertakings* | | | |
| Nomix Enviro Limited | UK | Non-trading | 100% (direct) |
| Lothian Crop Specialists Limited | UK | Non-trading | 100% (direct) |
| SOYL Limited | UK | Non-trading | 100% (direct) |
| Grampian Crop Services Limited | UK | Non-trading | 100% (direct) |
| Phoenix Agronomy Limited | UK | Non-trading | 100% (direct) |
| The Agronomy Partnership Limited | UK | Non-trading | 100% (direct) |
| North Wold Agronomy Limited | UK | Non-trading | 100% (direct) |
| GFP (Agriculture) Limited | UK | Supply of seed and seed processing services | 100% (direct) |
| *Joint ventures* | | | |
| Southampton Grain Terminal Limited | UK | Grain terminal | 50% |
| *Other investments* | | | |
| Global Range Limited | UK | Internet portal | 6% |

The company's investment in the joint venture comprises 50,000 ordinary shares of £1 each amounting to 50 percent of issued share capital. The main business of Southampton Grain Terminal Limited is that of grain exporting. The financial year-end of Southampton Grain Terminal Limited is 30 June.

In addition to the above, the company is a partner to a limited liability partnership, Southampton Marketing & Drying LLP.

# Notes *(continued)*

## 13 Stocks

| | Group 2014 £000 | 2013 £000 | Company 2014 £000 | 2013 £000 |
|---|---|---|---|---|
| Raw materials and consumables | **953** | 1,018 | **831** | 887 |
| Finished goods and goods for resale | **115,067** | 130,846 | **114,995** | 130,820 |
| | **116,020** | 131,864 | **115,826** | 131,707 |

Included within finished goods and goods for resale are commodity related contracts classified as financial instruments which are carried at fair value. The value of such financial instruments amounts to a liability of £963,000 *(2013: liability of £3,948,000)*.

The group has consignment stock arrangements with suppliers in the ordinary course of business.. Inventory drawn from consignment stock is invoiced at the price ruling at the date of drawdown. The value of such stock, at cost, which has been excluded from the balance sheet amounts to £11,000 *(2013: £3,373,000)*.

## 14 Debtors

| | Group 2014 £000 | 2013 £000 | Company 2014 £000 | 2013 £000 |
|---|---|---|---|---|
| Trade debtors *(including amounts owed by related parties)* (see note 24) | **213,597** | 218,969 | **213,213** | 218,694 |
| Other debtors | **7,157** | 11,335 | **7,083** | 11,335 |
| Net deferred tax assets (see note 9 & below) | **129** | 257 | **179** | 310 |
| Prepayments and accrued income | **18,584** | 21,210 | **18,525** | 21,092 |
| | **239,467** | 251,771 | **239,000** | 251,431 |

**Deferred tax asset**

| | Group £000 | Company £000 |
|---|---|---|
| Asset at beginning of year | 257 | 310 |
| Impact of change in tax rate | (30) | (38) |
| Profit and loss account credit/(charge) in the year | (98) | (93) |
| **Asset at end of year** | **129** | **179** |

# Notes *(continued)*

### 15 Creditors: amounts falling due within one year

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| Bank loans and overdrafts | **73,186** | 112,155 | **73,186** | 112,155 |
| Obligations under hire purchase contracts | **-** | 43 | **-** | 27 |
| Trade creditors *(including amounts owed to related parties)* (see note 24) | **94,855** | 99,990 | **94,769** | 99,453 |
| Amounts due to group subsidiaries | **-** | - | **785** | 11,783 |
| Corporation tax | **4,118** | 4,144 | **4,015** | 4,077 |
| Other taxation and social security | **1,239** | 1,654 | **1,239** | 1,649 |
| Accruals and deferred income | **15,331** | 24,421 | **15,047** | 24,277 |
| | **188,729** | 242,407 | **189,041** | 253,421 |

The group has bank loan and overdraft facilities of £230 million *(2013: £230 million)*, of which £157 million *(2013: £118 million)* was undrawn at 30 June 2014.

The group's bank loans and overdrafts are secured by limited guarantees from both Cargill Incorporated and ABF Holdings Limited. The bank loans are repayable on demand and each drawdown is charged with interest at a rate subject to negotiation with the Bank.

### 16 Creditors: amounts falling due after more than one year

| | Group and Company 2014 £000 | Group and Company 2013 £000 |
|---|---|---|
| Obligations under hire purchase contracts | **-** | 12 |

### 17 Called up share capital

| | 2014 £000 | 2013 £000 |
|---|---|---|
| *Allotted, called up and fully paid* | | |
| 3,600,000,104 Ordinary shares of £0.01each | **36,000** | 36,000 |

### 18 Profit and loss account

| | Group £000 | Company £000 |
|---|---|---|
| At beginning of year | 141,697 | 141,386 |
| Profit for the year | 26,724 | 26,686 |
| Actuarial loss recognised in the pension scheme | (1,481) | (1,481) |
| Deferred tax arising on actuarial losses in the pension scheme | 296 | 296 |
| **At end of year** | **167,236** | **166,887** |

# Notes *(continued)*

## 19 Contingent liabilities

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.

## 20 Commitments

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Contracted | **299** | 628 | **249** | 511 |

(b) Annual commitments under non-cancellable operating leases are as follows:

| **Group** | **2014** Land and buildings | **2014** Other | 2013 Land and buildings | 2013 Other |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | **1,026** | **492** | 730 | 602 |
| In the second to fifth years inclusive | **512** | **2,844** | 741 | 2,351 |
| Over five years | **734** | **271** | 397 | 586 |
| | **2,272** | **3,607** | 1,868 | 3,539 |

| **Company** | **2014** Land and buildings | **2014** Other | 2013 Land and buildings | 2013 Other |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | **977** | **484** | 730 | 602 |
| In the second to fifth years inclusive | **397** | **2,843** | 626 | 2,344 |
| Over five years | **734** | **271** | 397 | 586 |
| | **2,108** | **3,598** | 1,753 | 3,532 |

## 21 Pension scheme

The Group operates a defined benefit pension plan. The pension cost charged to the profit and loss account for the year represents current service cost and other finance costs amounting to £2,546,000 *(2013: £2,544,000)*. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

From April 2011 the group began operating a salary sacrifice scheme. This has had the impact of increasing the employer contributions made during that period but reducing the wages and salaries & national insurance expense incurred by the company. The apparent increase in like-for-like employer contributions and decrease in member contributions is explained by the initiation of this scheme.

The plan was established from 2 April 2005 to provide continuation of benefits for employees previously participating in the defined benefit arrangements of the shareholders. The Plan is effectively closed to new entrants and there is no liability for benefits prior to 2 April 2005. An actuarial valuation of the Plan was carried out on 5 April 2011 and updated for FRS17 purposes to 30 June 2014 by a qualified independent actuary.

# Notes *(continued)*

## 21 Pension scheme *(continued)*

The major assumptions used in this valuation were:

| | 2014 | 2013 | 2011 |
|---|---|---|---|
| Rate of increase in salaries | **3.80%** | 3.85% | 3.65% |
| Rate of increase in pensions in payment | **2.15%** | 2.20% | 2.00% |
| Rate of increase in pensions in deferment | **3.30%** | 3.35% | 2.90% |
| Discount rate applied to scheme liabilities | **4.50%** | 4.90% | 4.75% |
| Inflation assumption | **3.30%** | 3.35% | 2.90% |

In valuing the liabilities of the pension fund at 5 April 2011, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 24.1 years (male), 26.4 years (female).
- Future retiree upon reaching 65: 26.0 years (male), 28.5 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

*Scheme assets*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

| | **Value at 30 Jun 14 £000** | Value at 30 Jun 13 £000 | Value at 30 Jun 12 £000 |
|---|---|---|---|
| Equities | **17,292** | 14,168 | 11,684 |
| Bonds | **5,706** | 4,589 | 3,961 |
| Hedge funds | **4,942** | 3,556 | 3,367 |
| Insurance policies | **436** | 434 | 396 |
| Cash | **111** | 1,565 | 396 |
| Total market value of assets | **28,487** | 24,312 | 19,804 |
| Present value of scheme liabilities | **(29,136)** | (23,601) | (20,421) |
| (Deficit) / surplus in the scheme | **(649)** | 711 | (617) |
| Related deferred tax asset | **130** | (164) | 148 |
| Net pension (liability)/asset | **(519)** | 547 | (469) |

# Notes *(continued)*

## 21 Pension scheme *(continued)*

The expected rates of return on the assets in the scheme were;

| | Long term rate of return 2014 | Long term rate of return 2013 |
|---|---|---|
| Equities | 7.47% | 7.64% |
| Bonds | 3.47% | 3.64% |
| Hedge funds | 4.50% | 4.15% |
| Insurance policies | 4.44% | 4.90% |
| Cash | 3.47% | 3.64% |

Movements in present value of defined benefit obligation;

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Benefit obligation at beginning of year | 23,601 | 20,421 |
| Current service cost | 2,874 | 2,736 |
| Interest cost | 1,216 | 1,024 |
| Actuarial (gains) / losses | 2,386 | (166) |
| Contributions by members | 35 | 33 |
| Benefits paid | (976) | (447) |
| Benefit obligation at end of year | 29,136 | 23,601 |

Movements in fair value of plan assets;

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Fair value of plan assets at beginning of year | 24,312 | 19,804 |
| Expected return on plan assets | 1,544 | 1,216 |
| Actuarial gains / (losses) | 905 | 1,035 |
| Contributions by employer | 2,667 | 2,671 |
| Contributions by members | 35 | 33 |
| Benefits paid | (976) | (447) |
| Fair value of plan assets at end of year | 28,487 | 24,312 |

Analysis of other pension costs charged in arriving at operating profit;

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Current service cost | 2,874 | 2,736 |

Analysis of amounts included in other finance costs;

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Expected return on pension scheme assets | 1,544 | 1,216 |
| Interest on pension scheme liabilities | (1,216) | (1,024) |
| | 328 | 192 |

# Notes *(continued)*

## 21 Pension scheme *(continued)*

Analysis of amount recognised in statement of total recognised gains and losses;

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Actual return less expected return on scheme assets | **905** | 1,035 |
| Experience gains and losses arising on scheme liabilities | **-** | 705 |
| Changes in assumptions underlying the present value of scheme liabilities | **(2,386)** | (540) |
| Actuarial (loss)/gain recognised in statement of total recognised gains and losses | **(1,481)** | 1,200 |

With effect from 6 April 2006 pension increases in respect of future accruals were reduced to RPI subject to a cap of 2.5% (previously 5.0%). Following the announcement by the Government on 8 July 2013 of their intention to use CPI rather than RPI to calculate statutory minimum increases in both deferred pensions and pensions in payment, the Company has given due consideration, including discussion with its legal advisors and the Trustees, to the impact of the change on the valuation of the Scheme liabilities as at 30 June 2014. Following the guidance set out in UITF 48, it has concluded that there is no impact as a result of the change from RPI to CPI as at the balance sheet date.

With effect from 1 May 2006 member contributions were increased between 1% and 3% of pensionable salary depending on the category of members. Group contributions were 15.8% (*2013:* increased from 15.0% to15.8% ) of pensionable salary before offset, following results of the April 2011 valuation.

History of experience gains and losses

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Difference between the expected and actual return on scheme assets: | | | | | |
| Amount (£000) | **905** | 1,035 | (15) | 1,024 | 729 |
| Percentage of period end scheme assets | **3%** | 4% | 0% | 6% | 6% |
| Experience gains and losses on scheme liabilities: | | | | | |
| Amount (£000) | **-** | 705 | (1,255) | - | - |
| Percentage of period end present value of scheme liabilities | **0%** | 3% | -8% | 0% | 0% |
| Total amount recognised in statement of total recognised gains and losses: | | | | | |
| Amount (£000) | **1,481** | 1,200 | (560) | 729 | 729 |
| Percentage of period end present value of scheme liabilities | **5%** | 5% | -4% | 6% | 6% |

Contributions of £2,768,000 are expected to be paid into the plan during the annual period beginning after the reporting period.

The Group was also a member of 9 (*2013: 11*) defined contribution schemes during the year. Contributions made to these schemes of £732,000 *(2013: £574,000)* on behalf of employees were charged to the profit and loss account as incurred. At the current and prior year end there were no amounts accrued or prepaid under the defined contribution schemes.

# Notes *(continued)*

## 22 Analysis of cash flows

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Returns on investment and servicing of finance** | | | | |
| Interest received | 331 | | 369 | |
| Interest paid | (2,183) | | (2,354) | |
| | | (1,852) | | (1,985) |
| **Capital expenditure and financial investment** | | | | |
| Purchase of tangible fixed assets | (4,872) | | (3,914) | |
| Sale of tangible fixed assets | 161 | | 142 | |
| | | (4,711) | | (3,772) |
| **Acquisitions and disposals** | | | | |
| Purchase of group undertaking | (286) | | (2,799) | |
| Net cash acquired with group undertaking | - | | (76) | |
| | | (286) | | (2,875) |

## 23 Analysis of net debt

| | At beginning of year £000 | Cash flow £000 | At end of year £000 |
|---|---|---|---|
| Cash in hand and at bank | 184 | 9 | 193 |
| Overdrafts and loans payable on demand | (112,155) | 38,969 | (73,186) |
| **Total** | (111,971) | 38,978 | (72,993) |

# Notes *(continued)*

## 24 Related party disclosures

The company has no controlling party since it is owned in equal proportions by Cargill PLC and A.B.F. Holdings Limited.

The group has taken advantage of the exemption permitted by FRS 8 and not disclosed transactions with group companies that are eliminated on consolidation.

Transactions with subsidiaries of Cargill Incorporated (including Cargill PLC) and Associated British Foods PLC (including A.B.F. Holdings Limited), participating interests and companies controlled by company directors are set out below:

| | | 2014 | | | 2013 | |
|---|---|---|---|---|---|---|
| | *Key* | **£000** | **£000** | | £000 | £000 |
| **Trade sales** | | | | | | |
| Cargill PLC | *b* | **188,945** | | b | 225,609 | |
| AB Agri Limited | *a* | **199,489** | | a | 216,612 | |
| Allied Mills Limited | *a* | **77,572** | | a | 82,491 | |
| Sun Valley Foods Limited | *b* | **29,651** | | b | 40,783 | |
| Cargill Spain | *b* | **897** | | b | 3,622 | |
| The Jordans & Ryvita Company Limited | *a* | **4,779** | | a | 4,032 | |
| Cargill France | *b* | **5,552** | | b | 25,929 | |
| Cargill Portugal | *b* | **4,300** | | b | 983 | |
| Cargill SA | *b* | **3,556** | | b | - | |
| Cargill Holdings BV | *b* | **-** | | b | 39 | |
| The Silver Spoon Company Limited | *a* | **2,185** | | a | 1,529 | |
| Vivergo Fuels Limited | *a* | **66,519** | | a | 5,464 | |
| Provimi Ltd | *b* | **133** | | b | 594 | |
| British Sugar PLC | *a* | **543** | | a | 570 | |
| | | | **584,121** | | | 608,257 |

| | | 2014 | | | 2013 | |
|---|---|---|---|---|---|---|
| | *Key* | **£000** | **£000** | | £000 | £000 |
| **Trade purchases** | | | | | | |
| Cargill PLC | *b* | **(3,365)** | | b | (6,657) | |
| Cargill France | *b* | **(4,422)** | | b | (20,695) | |
| AB Agri Limited | *a* | **(115)** | | a | (149) | |
| Allied Mills Ltd | *a* | **(48)** | | a | - | |
| Cargill Holdings BV | *b* | **(159)** | | b | (202) | |
| Cargill Spain | *b* | **-** | | b | (2,533) | |
| Sun Valley Foods Limited | *b* | **(1)** | | b | (2) | |
| Cargill Germany | *b* | **(1,417)** | | b | (909) | |
| Cargill Inc | *b* | **(1,998)** | | b | - | |
| Cargill SA | *b* | **5** | | b | (5) | |
| British Sugar PLC | *a* | **(58)** | | a | (25) | |
| Cargill Ltd | *b* | **(1,422)** | | b | (4,868) | |
| ABF Grain Products Limited | *a* | **(55)** | | a | (63) | |
| Cargill Poland | *b* | **(1,826)** | | b | - | |
| | | | **(14,881)** | | | (36,108) |

# Notes *(continued)*

## 24 Related party disclosures *(continued)*

| | | 2014 | | | 2013 | |
|---|---|---|---|---|---|---|
| | *Key* | **£000** | **£000** | | £000 | £000 |
| **Service income** | | | | | | |
| AB Agri Limited | a | | **20** | a | | 20 |
| **Service expense** | | | | | | |
| Cargill PLC | *b* | **(41)** | | b | (46) | |
| AB Agri Limited | *a* | **(85)** | | a | (70) | |
| Cargill Inc | *b* | **(1)** | | b | (1) | |
| | | | **(127)** | | | (117) |
| **Leasing income** | | | | | | |
| AB Agri Limited | *a* | | **12** | a | | 12 |
| **Leasing expense** | | | | | | |
| Cargill PLC | | | **(718)** | | | (668) |
| **Management charges** | | | | | | |
| Cargill NV | *b* | **-** | | b | 66 | |
| Cargill PLC | *b* | **(19)** | | b | (18) | |
| | | | **(19)** | | | 48 |

Trading balances as at 30 June 2014 with subsidiaries of Cargill Incorporated (including Cargill PLC) and Associated British Foods PLC (including A.B.F. Holdings Limited), participating interests and companies controlled by company directors are set out below.

| | | 2014 | | | 2013 | |
|---|---|---|---|---|---|---|
| | *Key* | **£000** | **£000** | | £000 | £000 |
| **Debtors due within one year:** | | | | | | |
| Cargill PLC | *b* | **15,334** | | b | 8,582 | |
| Allied Mills Limited | *a* | **5,237** | | a | 7,429 | |
| The Jordans & Ryvita Company Limited | *a* | **476** | | a | 423 | |
| Sun Valley Foods Limited | *b* | **1,785** | | b | 3,576 | |
| AB Agri Limited | *a* | **22,400** | | a | 26,368 | |
| Vivergo Fuels Limited | *c* | **6,816** | | c | 1,856 | |
| British Sugar PLC | *a* | **424** | | a | 329 | |
| The Silver Spoon Company Limited | *a* | **181** | | a | 159 | |
| Provimi Ltd | *b* | **65** | | b | 111 | |
| Cargill NV | *b* | **-** | | b | 66 | |
| Cargill Holdings BV | *b* | **-** | | b | 39 | |
| | | | **52,718** | | | 48,938 |

# Notes *(continued)*

## 24 Related party disclosures *(continued)*

| | Key | 2014 £000 | 2014 £000 | Key | 2013 £000 | 2013 £000 |
|---|---|---|---|---|---|---|
| **Creditors due within one year:** | | | | | | |
| Cargill PLC | *b* | (714) | | b | (30) | |
| British Sugar PLC | *a* | (3) | | a | (2) | |
| AB Agri Limited | *a* | (7) | | a | (5) | |
| | | | (724) | | | (37) |

*Key*

a - subsidiary of Associated British Foods PLC
b - subsidiary of Cargill Incorporated
c - associate of Associated British Foods PLC

| Transactions involving joint ventures | 2014 £000 | 2013 £000 |
|---|---|---|
| Service income | 1 | 2 |
| Port services | (1,155) | (849) |
| Management charges | 40 | 41 |
| Debtors due within one year | 23 | 23 |
| Creditors due within one year | (2) | (97) |

# Notes *(continued)*

## 25 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

*Credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

*Interest rate risk*

The group has the ability to hedge its exposure to interest rate risk. As at 30 June 2014, no hedging instruments were in place *(2013: none).*

*Effective interest rates and repricing analysis*

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

| **Group** | | | **2014** | | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Note* | **Effective interest rate** | **Total £000** | **< 1 year £000** | **> 1 year £000** | Effective interest rate | Total £000 | < 1 year £000 | > 1 year £000 |
| Other debtors | *14* | **3.13%** | **4,411** | **4,411** | **-** | 1.74% | 11,308 | 11,308 | - |
| Prepayments and accrued income | *14* | **-** | **-** | **-** | **-** | - | - | - | - |
| Bank loans and overdrafts | *15* | **1.64%** | **(73,186)** | **(73,186)** | **-** | 1.55% | (112,155) | (112,155) | - |
| Obligations under hire purchase contracts | *15,16* | **-** | **-** | **-** | **-** | 4.39% | (55) | (43) | (12) |
| | | | **(68,775)** | **(68,775)** | **-** | | (100,902) | (100,890) | (12) |

# Notes *(continued)*

## 26 Financial instruments *(continued)*

| **Company** | | | **2014** | | | | **2013** | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Note* | **Effective interest** | **Total £000** | **< 1 year £000** | **> 1 year £000** | Effective Total | < 1 year £000 | < 1 year £000 | > 1 year £000 |
| Other debtors | *14* | **3.13%** | **4,411** | **4,411** | **-** | 1.74% | 11,308 | 11,308 | - |
| Bank loans and overdrafts | *15* | **1.64%** | **(73,186)** | **(73,186)** | | 1.55% | (112,155) | (112,155) | - |
| Obligations under hire purchase contracts | *15,16* | | **-** | **-** | **-** | 4.34% | (39) | (27) | (12) |
| | | | **(68,775)** | **(68,775)** | **-** | | (100,886) | (100,874) | (12) |

*Foreign currency risk*

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. The currencies giving rise to this risk are primarily Euro and US Dollars.

The Group hedges its estimated foreign currency exposure in respect of commodity contracts. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies other than sterling, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Changes in the fair value of forward exchange contracts that economically hedge commodity contracts in foreign currencies are recognised in the profit and loss account. Both the changes in fair value of the foreign exchange contracts and the foreign exchange gains and losses relating to the commodity contracts are recognised as part of cost of sales. The fair value of forward exchange contracts used as economic hedges of commodity contracts in foreign currencies at 30 June 2014 was £324,000 loss *(2013: £612,000 gain)* recognised in stock.

# Notes *(continued)*

## 26 Financial instruments *(continued)*

*Fair values*

The fair value of financial instruments together with the carrying amounts shown in the balance sheet are as follows:

| Group | Note | 2014 Carrying amount £000 | 2014 Fair value £000 | 2013 Carrying amount £000 | 2013 Fair value £000 |
|---|---|---|---|---|---|
| Other investments and loans | *12* | 96 | 96 | 96 | 96 |
| Commodity stocks and related contracts | *13* | (963) | (963) | (3,948) | (3,948) |
| Trade and other debtors | *14* | 235,976 | 235,976 | 249,116 | 249,116 |
| Cash | | 193 | 193 | 184 | 184 |
| Bank loans and overdrafts | *15* | (73,186) | (73,186) | (112,155) | (112,155) |
| Trade and other creditors | *15* | (115,543) | (115,543) | (130,264) | (130,264) |
| | | 46,574 | 46,574 | 3,029 | 3,029 |
| Unrecognised gain/(loss) | | | - | | - |

| Company | Note | 2014 Carrying amount £000 | 2014 Fair value £000 | 2013 Carrying amount £000 | 2013 Fair value £000 |
|---|---|---|---|---|---|
| Other investments and loans | *12* | 96 | 96 | 96 | 96 |
| Loans to group undertakings | *12* | 951 | 951 | 351 | 351 |
| Commodity stocks and related contracts | *13* | (963) | (963) | (3,948) | (3,948) |
| Trade and other debtors | *14* | 235,485 | 235,485 | 249,116 | 249,116 |
| Cash | | 3 | 3 | 4 | 4 |
| Bank loans and overdrafts | *15* | (73,186) | (73,186) | (112,155) | (112,155) |
| Trade and other creditors | *15* | (115,070) | (115,070) | (129,495) | (129,495) |
| | | 47,316 | 47,316 | 3,969 | 3,969 |
| Unrecognised gain/(loss) | | | - | | - |