

**Company Registration No. 00961989**

**Glencore Agriculture UK Limited**

**Report and Financial Statements**

**31 December 2018**



# **Glencore Agriculture UK Limited**

## **Report and financial statements 2018**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Statement of directors' responsibilities</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Statement of Comprehensive Income</b>	<b>10</b>
<b>Statement of changes in equity</b>	<b>11</b>
<b>Statement of financial position</b>	<b>12</b>
<b>Cash flow statement</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14</b>

# **Glencore Agriculture UK Limited**

## **Officers and professional advisers**

### **Report and financial statements 2018**

#### **Directors**

J D Maw  
P M Mouthaan

#### **Secretary**

S P Pujara

#### **Registered Office**

Warren House  
Bell Lane  
Thame  
Oxon OX9 3AL

#### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
Hill House  
1 Little New Street  
London EC4A 1TR  
United Kingdom

# Glencore Agriculture UK Limited

## Strategic report

The Directors present the Strategic Report of the Company for the year ended 31 December 2018.

### Principal activity

The principal activity of the Company is that of grain merchanting and trading. This activity was continued throughout the year. The Company has a dormant subsidiary which has not traded during the year.

### Objective

The Company's objective is to meet and whenever possible exceed the expectations of its customers and suppliers, and to optimise returns for shareholders.

### Strategy, business model and investment policy

The Company's strategy is to source commodities from growers and other suppliers and ensure their timely delivery to its customers.

The Company's business model aims to establish long lasting trading relations with both its suppliers and customers, and, through the expertise of its experienced and highly skilled staff, to identify market opportunities that will realise benefits to those suppliers and customers and hence the Company itself.

The Company invests where necessary to allow it to enhance its business performance.

### Business review

World grain production plateaued for the third year running at approximately 2.455 billion MT (2.240 billion MT, 10 year average). Consumption increased year on year by 49 million MT to 2.494 billion MT (2.221 billion MT, 10 year average). World stocks fell for the first time in 7 years to 715 million MT (750 million MT in 2017/18).

The weather in key world production regions had a significant impact with the southern hemisphere regions of Australia and South America affecting both Grain and Oilseed production in their respective areas. Closer to home, in the northern hemisphere, Northern Europe suffered from a dry spring and an extremely dry/hot summer. Consequently fodder production was severely reduced and cereal/oilseed/pulse production suffered losses up to 30% of normal.

Subsequently, values of most proteins/grains and oilseeds in the UK rallied by 25-30% during the hot/dry summer months as consumers took cover. On a local basis the LIFFE benchmark November contract rallied from approximately £150/MT to £194.65/MT on 8 August 2018. Values have since retraced to approximately £160/MT as imports increased to cover the domestic shortfall and consumers switched into cheaper alternatives, mainly maize.

Whilst our Animal Feed Products (AFP) import business benefitted from the additional demand both in terms of volume and margin, conditions remained challenging in our grains business due to the lower availability of product. However, I am pleased to report that the changes implemented in 2017 have started to bear fruit. Gross margins in our grains/oilseeds origination business improved and volumes increased by approximately 12% in real terms. The net result was a turn-round from a pre-tax loss of £4,039k in 2017 to a profit of £2,346k in 2018.

Total revenue was up by 20% year on year. Our use of working capital more than doubled due to higher prices, the storage of high value imported stock and increased volumes.

We began our in-house SAFEAGRI rollout in 2018 to ensure the health and safety of our employees and sub-contractors remains our top priority. Investment in IT will also be of importance as we look for solutions to improve efficiency and reduce cost.

On behalf of our shareholders and the board, I would like to thank all our employees for their commitment and contribution in what was an excellent year.

Finally and not without mention, Brexit will continue to provide uncertainty in both our import and export businesses and for our customers/clients in the wider agricultural supply chains. We will do our utmost to provide the quality of service and information that we strived to attain during 2018.

# Glencore Agriculture UK Limited

## Strategic report (continued)

### Results and dividends

The results for the Company are set out in the Statement of Comprehensive Income on page 10.

The total profit for the year after taxation was £1,941k (2017: loss: £3,268k).

No interim dividend was declared or paid during 2018 (2017: £nil). The Directors do not recommend a final dividend (2017: £nil).

### Key performance indicators

	2018	2017	KPI definition
Sales volume growth (%)	12.4%	(15.6%)	Year on year sales volume growth in tonnage.
Revenue (£'000's)	313,850	261,954	Revenue refers to annual revenue net of VAT, sales taxes or duty.
Gross profit (£'000's)	8,247	966	Gross margin is revenue less cost of goods sold and other on-costs.
Net profit/(loss) before tax (£'000's)	2,346	(4,039)	Annual profit before tax.
Working Capital (£'000s)	6,844	3,355	Trade and other receivables plus Inventory less Trade and other payables.

Sales volumes increased 12.4% year on year supported by our import programme of AFP which boosted revenues by 15.4%. The significant improvement in gross profit was derived from AFP business and a sharper focus on the existing grain business resulting in a turn-around of £6.4m (profit before tax) on the previous year. We will need to continue to monitor the use of working capital, especially inventories but also debtors, as the business grows.

### Principal risks

Risk management is an integral part of the Company's grain trading activity. The principal risks can be categorised as Financial Risk (such as commodity price risk, credit risk and foreign exchange risk) and Operational Risk (uncertainties in the areas of human resources, technology, regulatory etc.).

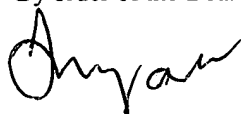
In order to minimise Financial Risk, the Company utilises futures and options commodity contracts and also forward currency contracts. The Company also insures itself against credit risk. With regard to Operational Risk, the Company continually monitors the various aspects mentioned previously and ensures that effective management is in place to minimise the impact of these events.

Details of any significant events since the balance sheet date are contained in note 25 to the financial statements.

### Future prospects

We will continue to look for further investment opportunities in the import sector and are currently working to expand capacity in our existing facilities. Our focus to improve our grain business will continue, especially where export and storage facilities are concerned given the disappointing returns. Diversifying the business but building on our strengths is a key objective.

By order of the Board



S P Pujara  
Secretary

12 June 2019

# Glencore Agriculture UK Limited

## Directors' report

The directors present the financial statements and auditor's report, for the year ended 31 December 2018.

### Capital structure

Details of issued share capital are given in Note 19.

### Directors

The directors, who served throughout the year and to the date of signing, were as follows:

P M Mouthaan	appointed 3 September 2018
C J Mahoney	resigned 3 September 2018
E C B Mostert	resigned 3 September 2018
J D Maw	

### Supplier payment policy

The Company's policy is to agree terms of payment with suppliers when agreeing the basis of each transaction, ensure that suppliers are made aware of the terms of payment and abide by these terms. Trade creditors at 31 December 2018 were equivalent to 15 days' purchases (2017: 20 days), based on the average daily amount invoiced by suppliers during the year.

### Charitable and political contributions

During the year the Company made charitable donations of £3,917 (2017: £6,976), principally to local charities serving the communities in which the Glencore Agriculture UK Limited operates.

### Substantial shareholdings

The Company is a wholly-owned subsidiary of Plavax Limited, a subsidiary of Glencore Agriculture Pte Ltd (Jersey), a joint venture of which further details are shown at Note 24.

The shareholding of the Company at 31 December 2018 was as below:

Shares	Name of holder	Number	Percentage held
Ordinary shares of £0.01	Plavax Limited	99,300,000	100
Deferred shares of £1.00	Plavax Limited	300,000	100

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

# Glencore Agriculture UK Limited

## Directors' report (continued)

### Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has more than adequate resources to continue in operational existence for the foreseeable future. The Company is funded by a group loan and uses an overdraft facility to meet its day to day working capital requirements. The Company's parent has guaranteed the overdraft facility and has confirmed it will continue to provide financial support for a period of at least 12 months. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Indication of future events

Refer to Strategic Report

### Proposed dividends

Refer to Strategic Report

### Use of financial instruments

Refer to Strategic Report

### Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint auditors annually and accordingly, Deloitte LLP shall be deemed to be re-appointed as auditor for a further term under the provisions of section 485(1) of the Companies Act 2006.

By order of the Board



S P Pujara  
Secretary

12 June 2019

# **Glencore Agriculture UK Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 its profit or loss for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 its financial position and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# **Glencore Agriculture UK Limited**

## **Independent auditor's report to the members of Glencore Agriculture UK Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Glencore Agriculture UK Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income ;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### **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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

# **Glencore Agriculture UK Limited**

## **Independent auditor's report to the members of Glencore Agriculture UK Limited**

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 respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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.

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 any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.


## **Glencore Agriculture UK Limited**

### **Independent auditor's report to the members of Glencore Agriculture UK Limited**

We have nothing to report in respect of these matters.

#### **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.



Christopher Jones FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
12 June 2019

## Glencore Agriculture UK Ltd

### Statement of Comprehensive Income For the period ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	313,850	261,954
Cost of sales		(305,603)	(260,988)
<b>Gross profit</b>		<b>8,247</b>	<b>966</b>
Administrative expenses	5, 6	(5,452)	(4,732)
<b>Operating profit/(loss)</b>		<b>2,795</b>	<b>(3,766)</b>
Investment revenues	4, 7	-	4
Finance costs	8	(449)	(277)
<b>Profit/(loss) before tax</b>		<b>2,346</b>	<b>(4,039)</b>
Tax (charge)/credit	9	(405)	771
<b>Profit/(loss) for the financial year</b>	5	<b>1,941</b>	<b>(3,268)</b>
<b>Other Comprehensive Income:</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension liability		361	742
Tax charge arising on remeasurement		(26)	(151)
<b>Other comprehensive income for the period net of tax</b>		<b>335</b>	<b>591</b>
<b>Total comprehensive income/(expense) for the financial year</b>		<b>2,276</b>	<b>(2,677)</b>

Profit/(loss) for the year is generated entirely from continuing operations.

## Glencore Agriculture UK Limited

### Statement of changes in equity Year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2016	1,293	9,904	11,197
(Loss) for the year	-	(3,268)	(3,268)
Actuarial gains through other comprehensive income, net of tax	-	591	591
Balance at 31 December 2017	1,293	7,227	8,520
Profit for the year	-	1,941	1,941
Actuarial gains through other comprehensive income, net of tax	-	335	335
Balance at 31 December 2018	1,293	9,503	10,796

**Glencore Agriculture UK Limited**  
Company Registration No. 00961989

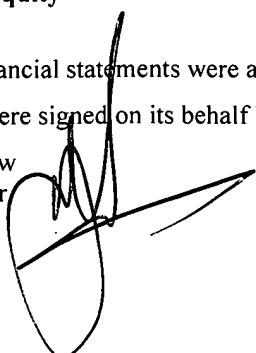
**Statement of financial position  
as at 31 December 2018**

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Property, plant and equipment	11	4,774	5,026
Investments	12	-	-
Deferred tax asset	17	333	971
Derivative financial instruments	16	197	45
		<u>5,304</u>	<u>6,042</u>
<b>Current assets</b>			
Inventories	13	66,969	49,328
Trade and other receivables	14	30,775	34,080
Derivative financial instruments	16	7,133	4,750
Cash and bank balances		75	19
Current tax receivable		-	86
		<u>104,952</u>	<u>88,263</u>
<b>Total assets</b>		<u>110,256</u>	<u>94,305</u>
<b>Current liabilities</b>			
Trade and other payables	18	(90,900)	(80,053)
Bank overdraft	15	(290)	(1,465)
Derivative financial instruments	16	(6,941)	(3,270)
Current tax payable		(399)	-
		<u>(98,530)</u>	<u>(84,788)</u>
<b>Net current assets</b>		<u>6,422</u>	<u>3,475</u>
<b>Non-current liabilities</b>			
Retirement benefit liability	22	(773)	(928)
Derivative financial instruments	16	(157)	(69)
<b>Total liabilities</b>		<u>(99,460)</u>	<u>(85,785)</u>
<b>Net assets</b>		<u>10,796</u>	<u>8,520</u>
<b>Equity</b>			
Share capital	19	1,293	1,293
Retained earnings		9,503	7,227
<b>Total equity</b>		<u>10,796</u>	<u>8,520</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2019.

They were signed on its behalf by:

J D Maw  
Director



# Glencore Agriculture UK Limited

## Statement of cashflows Year ended 31 December 2018

	2018 £'000	2017 £'000
<b>Operating activities</b>		
Operating profit/(loss)	2,795	(3,766)
Depreciation of property, plant and equipment	342	272
Operating cash flows before movements in working capital	3,137	(3,494)
(Increase) in inventories	(17,641)	(21,825)
Decrease/(increase) in receivables	1,485	(16,221)
Increase in payables	14,813	46,739
Cash generated by operations	1,794	5,199
Interest paid	(449)	(277)
Income taxes paid	(24)	(40)
<b>Net cash from operating activities</b>	<b>1,321</b>	<b>4,882</b>
<b>Investing activities</b>		
Interest received	-	4
Purchases of property, plant and equipment	(90)	(4,983)
<b>Net cash (used in)/from investing activities</b>	<b>(90)</b>	<b>(4,979)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,231</b>	<b>(97)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>(1,446)</b>	<b>(1,349)</b>
<b>Cash and cash equivalents at the end of year</b>	<b>(215)</b>	<b>(1,446)</b>

Cash and cash equivalents represent the net of cash of £75,132 (2017: £18,560) and bank overdraft of £289,973 (2017: Bank overdraft £1,465,129). There are no other financing liabilities.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 1. General information

Glencore Agriculture UK Limited is a Company registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors' Report.

The company is a private company limited by shares.

### 2. Accounting policies

The principal accounting policies adopted in the presentation of these financial statements are set out below.

#### Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") effective as of 31 December 2018.

The financial statements of the Company are prepared under the historical cost convention except as described below. These policies have been consistently applied in the current and preceding year.

The preparation of financial information in conformity with IFRS as adopted by the EU, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies.

The Company does not prepare consolidated financial statements as it has one dormant subsidiary, which does not have any balances relevant to the Group as they are all immaterial.

#### Adoption of new and revised Standards

##### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

##### IFRS 9

##### Financial Instruments

Amendments to IFRS 9 (Oct 2017)

Prepayment Features with Negative Compensation

Amendments to IAS 28 (Oct 2017)

Long-term Interests in Associated and Joint Ventures

Annual Improvements to IFRS Standards  
2015-2017 Cycle (Dec 2017)

Annual Improvements to IFRSs: 2014-2016 Cycle -  
IFRS 3, IFRS 11, IAS 12, and IAS 23 Amendments

##### IFRS 15

Revenue from Contracts with Customers (and the  
related Clarifications)

#### IFRS 15 – Revenue from contracts with customers

The adoption of IFRS 15 has not had a material impact on the timing of revenue recognition, and no retrospective adjustments or any adjustments to the Company's reserves were required. Further disclosure of separate revenue streams have been provided in note 4.



# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued)

#### IFRS 9 – Financial Instruments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the Company to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics. Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost. In addition, IFRS 9 introduced an expected credit loss (“ECL”) impairment model, which means that anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of impairments.

Changes in accounting policies resulting from IFRS 9 have been applied as at 1 January 2018, with no restatement of comparative information for prior year and no impact on the opening reserves balances.

#### Amendments to IFRSs that are issued but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU:

IFRS 17	Insurance Contracts
Amendments to IFRS 2 (June 2016)	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4 (Sept 2016)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40 (Dec 2016)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014 - 2016 Cycle – IFRS 1 and IAS 28 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures
Amendments to IFRS 10 and IAS 28 (Sept 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19 (February 2018)	Plan Amendment, Curtailment or Settlement

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued) Adoption of new and revised Standards (continued) Amendments to IFRSs that are mandatorily effective for the current year (continued)

#### IFRS 16 Leases

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance.

The Company has chosen the cumulative retrospective application of the standard in accordance with IFRS 16. Consequently, the Company will not restate the comparative information. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project to determine impact of the new standard.

Under the new standard, a lessee is required to recognise the present value of the non-cancellable lease payments as a lease liability on the statement of financial position (including those currently classified as operating leases) with a corresponding right of use asset. The unwind of the financial charge on the lease liability and depreciation of the leased asset are recognised in the statement of income based on the implied interest rate and contract term respectively. Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases commencing after 1 January 2019 (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16. A preliminary assessment undertaken as at 1 January 2019 indicates that approximately £3 million of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Company would recognise a right-of-use asset of approximately £3 million and a corresponding lease liability of approximately £3 million in respect of all these leases.

The expected impact on profit or loss would be to decrease cost of goods sold and selling and administrative expenses by approximately £250k, to increase depreciation by £130k and to increase interest expense by £120k. Lease liability incentives are not applicable for any leases assessed in the Company.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to increase the cash flow from operating activities by approximately £205k and to decrease cash from financing activities by the same amount. The difference of £45k is the interest differential between the implied interest rate and the discount rate used to capitalise the leases.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except for IFRS 16 as described above.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued)

#### Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has more than adequate resources to continue in operational existence for the foreseeable future. The Company meets its day to day working capital requirements through an overdraft facility that is renewed triennially. The Company is funded by a group loan and uses an overdraft facility to meet its day to day working capital requirements. The Company's parent has guaranteed the overdraft facility and has confirmed it will continue to provide financial support for a period of at least 12 months. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Revenue recognition

Revenue is derived principally from the sale of goods and in some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Company is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which Company has lost control of the goods. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods and/or services has transferred from Company to the buyer. Revenue is measured based on consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The same recognition and presentation principles apply to revenues arising from physical settlement of forward sale contracts that do not meet the own use exemption.

Revenue related to the sale of goods is recognised when the product is delivered to the destination specified by the customer, which is typically the vehicle on which it is transported, the destination port or the customer's premises and the buyer has gained control through their ability to direct the use of and obtain substantially all the benefits from the asset.

Revenue related to the provision of shipping and insurance related activities is recognised over time as the service is rendered.

#### Leasing

Leases are classified into finance or operating leases and treated accordingly:

##### (a) Finance leases

A lease is classified as a finance lease where the Company obtains substantially all the risks and rewards of ownership of the related asset. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings. The interest element of the finance cost is charged to profit or loss over the lease period.

##### (b) Operating leases

A lease is classified as an operating lease where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases, net of lease incentives or premiums, are charged in profit or loss on a straight-line basis over the period of the lease.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued)

#### Foreign currencies

##### (a) *Functional and presentation currency*

The Company's financial statements are presented in pounds Sterling, which is also the Company's functional currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The Company presents the first two components of defined benefit costs within cost of sales and administrative expenses in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued)

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and accumulated impairment losses.

Office equipment and fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets less estimated residual value, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

- |  |                  |
|--|------------------|
| • Plant and machinery                      | 10% per annum    |
| • Office, equipment, fixtures and fittings | 20-33% per annum |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in administrative expenses.

#### Inventories

Inventories consist of grain, pulses, soya meal and rapeseed. All commodities are held at fair value. Fair values are determined using the prevailing market spot prices at the reporting date.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 2. Accounting policies (continued)

#### Trade receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

The Company applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit losses on these financial assets is estimated using a provision matrix by reference to past default experience and an equivalent credit rating, adjusted as appropriate for current observable data and forward-looking information.

The Company considers an event of default has materialised and the financial asset is credit impaired when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Company without taking into account any collateral held by the Company or if the financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Derivative financial instruments

The Company uses derivative financial instruments to hedge exposures to financial risks, such as foreign exchange and commodity price risks arising in the normal course of business. All derivative instruments are carried at fair value through profit and loss, and measured at fair value upon initial recognition and re-measured to fair value at each subsequent reporting date. Movements in the fair value of derivatives instruments are recognised within profit or loss.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

##### Retirement benefit scheme valuation

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement scheme is calculated annually (as per IAS 19). The actuarial valuation of the defined benefit obligation relies on various actuarial assumptions, which are therefore a key source of estimation and have been assessed at note 22.

### 4. Revenue

	2018 £'000	2017 £'000
<b>Continuing operations</b>		
Revenue from sales of commodities	302,167	261,954
Haulage and freight	11,683	-
Investment income	-	4
	<u>313,850</u>	<u>261,958</u>

Revenue is derived principally from the sale of commodities, recognised once the control of the goods has transferred from the Company to the buyer. Revenue derived from freight, storage and other services is recognised over time as the service is rendered. Revenue is measured based on consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties.

### 5. Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment – owned	342	272
Fair value (loss)/profit on derivative financial instruments	(1,224)	(597)
Fair value increase/(decrease) in inventories	4,411	(2,285)
Effect of GMP revaluation on pension liabilities	45	-
Rentals under operating leases		
- plant and machinery	17	16
- other operating leases	213	150
Auditor's remuneration		
- for the auditing of the financial statements	72	68
- taxation compliance services	10	10
Staff costs (see note 6)	<u>3,974</u>	<u>3,131</u>

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 6. Directors' and staff costs

The average monthly number of employees (including executive directors) was:

	2018 No.	2017 No.
Trading activities	20	19
Administrative activities	26	25
	<u>46</u>	<u>44</u>
	<b>£'000</b>	<b>£'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	2,803	2,152
Social security costs	353	266
Other pension costs	818	713
	<u>3,974</u>	<u>3,131</u>

### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2018 £'000	2017 £'000
Short-term employee benefits	383	417
Post-employment benefits – defined benefit scheme	-	-
Post-employment benefits – money purchase scheme	-	-
	<u>383</u>	<u>417</u>

The above table reflects the remuneration of the highest paid director, as other directors receive no remuneration for their services as directors of Glencore Agriculture UK Ltd.

### 7. Investment revenues

	2018 £'000	2017 £'000
Interest receivable from third parties	-	4
	<u>-</u>	<u>4</u>



# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 8. Finance costs

	2018 £'000	2017 £'000
Interest on bank overdrafts and loans	10	27
Foreign exchange losses/(gains)	3	(3)
Interest payable to Group companies	436	253
	<u>449</u>	<u>277</u>

### 9. Tax

	2018 £'000	2017 £'000
Current tax charge/(credit)	509	(715)
Current tax adjustment in respect of prior years	-	(12)
	<u>509</u>	<u>(727)</u>
Deferred tax (note 17)	(104)	(44)
	<u>405</u>	<u>(771)</u>

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year.

In addition to the above movements, there is a deferred tax charge of £26k (2017: £151k) relating to retirement benefits taken to other comprehensive income in the year

The charge/(credit) for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2018 £'000	2018 %	2017 £'000	2017 %
Profit(Loss)/profit before tax:	2,346		(4,039)	-
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	446	19.00%	(777)	(19.25)%
Tax effect of items that are not deductible in determining taxable profit/(loss)	42	1.79%	18	0.45%
Effect of change in UK corporation tax rate	3	-	-	-
Current tax adjustment in respect of prior year	(86)	(3.67)%	(12)	(0.30)%
Tax charge/(credit) and effective tax rate for the year	<u>405</u>	<u>17.12%</u>	<u>(771)</u>	<u>(19.10)%</u>

### 10. Dividends

No dividends were paid in 2018 (2017: None).

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 11. Property, plant and equipment

	Long Leasehold £'000	Plant and machinery £'000	Office equipment, fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	-	310	751	1,061
Additions	165	9	59	233
Acquisition	3,235	1,168	347	4,750
At 31 December 2017	3,400	1,487	1,157	6,044
Additions	-	29	61	90
At 31 December 2018	3,400	1,516	1,218	6,134
<b>Depreciation</b>				
At 1 January 2017	-	171	575	746
Charge for the year	48	109	115	272
At 31 December 2017	48	280	690	1,018
Charge for the year	74	152	116	342
At 31 December 2018	122	432	806	1,360
<b>Carrying amount</b>				
At 31 December 2017	3,352	1,207	467	5,026
At 31 December 2018	3,278	1,084	412	4,774

Long leasehold comprises the warehouse in Portland acquired in 2017 for which the lease expires in 2063.

### 12. Investments

Company	2018 £	2017 £
Grainman Limited	1	1
At 31 December	1	1

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power held	Principal Activity
Grainman Limited	UK	100	Dormant

The above is a dormant company. Its registered address is Warren House, Bell Lane, Thame, Oxon OX9 3AL.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 13. Inventory

	2018 £'000	2017 £'000
Stock of commodities held	66,969	49,328

There is no material difference between the balance sheet value of stocks and their replacement cost.

### 14. Trade and other receivables

	2018 £'000	2017 £'000
Amounts receivable for the sale of goods	29,336	32,985
Prepayments	710	976
Amount due from Group Company	729	119
	<u>30,775</u>	<u>34,080</u>

The average credit period taken on sales of goods is 24 days (2017: 34 days). The directors consider that the carrying amount of trade and other receivables approximates their fair value. The expected credit loss provision was £nil.

#### Credit risk

The Company's principal financial assets are trade and other receivables and derivative financial assets.

The Company's credit risk is primarily attributable to its trade receivables. The Company has an insurance policy, hence the amounts presented in the balance sheet are not net of allowances for doubtful receivables. There have been no recent defaults. Overdue amounts over 31 days represent 2.1% of the total amounts receivable and are all recoverable.

The credit risk on liquid funds and derivative financial instruments is mitigated through the use of banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company has entered into guarantee arrangements as detailed in note 20.

### 15. Bank overdrafts

	2018 £'000	2017 £'000
Bank overdraft	290	1,465

The multi-currency bank overdraft has a limit of £5m. The outstanding amount of any overdraft is repayable on demand. The overdraft accounts are denominated in GBP, EUR and USD with GBP being the main account.

	2018 %	2017 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	1.40	1.29

The directors estimate that the carrying amounts of bank overdrafts are approximate to their fair value.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 16. Derivative financial instruments

Derivative financial instruments that are currently used by the Company include forward foreign exchange contracts, commodity futures, and commodity trading contracts. The fair value of derivative financial instruments at the balance sheet date is as follows:

	2018 £'000	2017 £'000
<b>Current assets</b>		
Commodity trading contracts	6,828	4,330
Forward foreign exchange contracts	502	465
	<u>7,330</u>	<u>4,795</u>
<b>Current liabilities</b>		
Commodity trading contracts	6,427	2,786
Forward foreign exchange contracts	671	553
	<u>7,098</u>	<u>3,339</u>

#### *Commodity price risk*

The Company manages its Commodity price risk by economically hedging a portion of its position on the LIFFE and MATIF futures markets (note that the Company does not apply hedge accounting principles in respect of its economic hedges). Quoted market values, adjusted for specific contract characteristics (e.g. delivery date and contractual quality differentials) have been used to determine the fair value of commodity trading contracts and commodity futures at the balance sheet date. The total amount recognised within the profit or loss in relation to changes in the fair value of the commodity trading contracts was a loss of £1,144k (2017: profit £283k).

A 10% reduction in prices would have had the effect of increasing the profit on commodity trading contracts by £260k (2017: increasing profit by £4,192k).

#### *Foreign exchange risk*

The Company manages its currency risk by hedging its pound Sterling position, net of foreign currency contracts.

Quoted market values have been used to determine the fair value of forward foreign exchange contracts at the balance sheet date, prices adjusted to account for the time value of money and counterparty credit considerations, as required. The total amount recognised within profit or loss in relation to the changes in the fair value of exchange contracts was a loss of £80k (2017: loss of £880k). A 10% reduction in foreign exchange rates would have had the effect of increasing the profit by £1,744k (2017: increasing the profit by £3,595k).

#### *Liquidity risk*

Through the use of a bank overdraft and short-term borrowings from related parties, the Company manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due and also to ensure that there is sufficient funding to withstand stressed market conditions or an extreme event.

#### *Capital risk management*

The Company manages its capital to ensure it will be able to continue as a going concern. The capital structure of the Company consists of a bank overdraft and equity comprising share capital and reserves. The Company has no current plans for debt financing. The Company is not subject to externally imposed capital requirements.

#### *Credit risk management*

Please refer to note 14.

The table below analyses the Company's financial assets which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 16. Derivative financial instruments (continued)

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 December 2018</b>				
Derivative instruments	7,133	197	-	-
Trade and other receivables	30,775	-	-	-
		Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 December 2017</b>				
Derivative instruments	4,750	45	-	-
Trade and other receivables	34,080	-	-	-

The table below analyses the Company's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 December 2018</b>				
Derivative instruments	6,941	157	-	-
Trade and other payables	90,900	-	-	-
Bank overdraft	290	-	-	-
		Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
<b>At 31 December 2017</b>				
Derivative instruments	3,270	69	-	-
Trade and other payables	80,053	-	-	-
Bank overdraft	1,465	-	-	-

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

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

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 16. Derivative financial instruments (continued)

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at FVTPL</b>				
Derivative financial assets	502	6,828	-	7,330
<b>Total</b>	<b>502</b>	<b>6,828</b>	-	<b>7,330</b>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	671	6,427	-	7,098
<b>Total</b>	<b>671</b>	<b>6,427</b>	-	<b>7,098</b>

Level 2: For commodity contract pricing, quoted prices are adjusted for haulage cost to destination.

### 17. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Total £'000
At 1 January 2017	362
2017 loss carried forward	716
Credit to profit or loss	44
Movement to other comprehensive income (retirement benefits)	(151)
At 31 December 2017	971
Credit to profit or loss	104
Surrendered to Group company	(716)
Movement to other comprehensive income (retirement benefits)	(26)
<b>As 31 December 2018</b>	<b>333</b>

The deferred tax asset consists of temporary differences arising on the deferred pension benefit obligation (2018: £131k, 2017: £158k), together with the weight loss provisions on inventory (2018: £90k, 2017: £64k) and fixed asset timing differences (2018: £112k, 2017: £33k). In 2017, it also comprised a tax credit of £716k based on the 2017 loss. The tax loss will be surrendered at full value.

### 18. Trade and other payables

	2018 £'000	2017 £'000
Trade payables (incl. trade accruals)	24,967	24,153
Amounts payable to Group companies	64,649	54,414
Accrued expenses	1,284	1,486
	<b>90,900</b>	<b>80,053</b>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2017: 20 days).

The directors consider that the carrying amounts of trade payables are approximate to their fair value. Interest is payable on the amount due to Glencore Agriculture BV at Libor + 1%.

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 19. Share capital

	2018 £'000	2017 £'000
<b>Authorised:</b>		
Equity – 99,300,000 ordinary shares of 1p each	993	993
Deferred – 300,000 deferred shares of £1 each	300	300
<b>Issued and fully paid:</b>		
Equity – 99,300,000 ordinary shares of 1p each	993	993
Deferred – 300,000 deferred shares of £1 each	300	300

Rights attaching to deferred shares:

#### i) Dividend rights

The right to receive by way of dividend in respect of any year or other financial period of the Company in which the profits of the Company exceed £150,000,000, after payment in full of dividends on all other classes of shares of the Company, a dividend at the rate of one half the rate of dividend paid on the ordinary shares of the Company in respect of such period.

#### ii) Voting rights

No right to receive notice of or to attend or vote at any general meeting of the Company except only in respect of a resolution varying the rights of such deferred shares.

#### iii) Rights on winding up

No right to receive any payment out of the surplus assets of the Company remaining after paying its liabilities other than the amount paid up on these shares.

#### iv) Redemption rights

There are no redemption rights held on these shares.

### 20. Contingent liabilities

	2018 £'000	2017 £'000
<b>Guarantees</b>		
Bank Guarantee placed with the Pension Protection Fund	3,000	3,000
Performance related payments to former shareholders of Mercury Commodities Limited	139	-

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 21. Operating lease arrangements

#### The Company as lessee

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	230	166

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	203	208
In the second to fifth years inclusive	677	744
After five years	5,355	5,490
	6,235	6,442

Operating lease payments represent rentals payable by the Company for its office property and car contract hire. The lease on the office property has been re-negotiated and extended for a term of ten years; rentals are fixed for five years.

### 22. Retirement benefit schemes

#### Defined benefit schemes

The Company operates a defined benefit scheme for qualifying employees of Glencore Agriculture UK Limited. Under the scheme, the employees are entitled to a retirement pension of 1/60<sup>th</sup> of final salary for each year of pensionable service on retirement at age 65. No other post-retirement benefits are provided. The scheme is a funded scheme.

The most recent full actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2015 by Mr. Jonathan Smart, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. Updated triennial valuations were as follows:

	2015 £'000	2012 £'000
Present value of defined benefit obligations	18,168	15,689
Fair value of scheme assets	16,066	10,817
Surplus/(deficit)	(2,102)	(4,872)

In light of the results of the triennial valuation at 31 December 2015, the Trustee agreed with the Employer that contributions of 30.4% of Pensionable Salaries will be paid from January 2017 and additional annual contributions of £205,000 will be paid by the Employer by 30 June each year with effect from 1 January 2017.

These contributions are expected to eliminate the shortfall by 1 July 2024.

The triennial valuation as at 31 December 2018 is currently being carried out and should be concluded by 30 September 2019.



# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 22. Retirement benefit schemes (continued)

#### Defined benefit schemes (continued)

IAS 19 valuations are carried out annually and the key assumptions used for the current and prior years are shown below.

	2018	Valuation at 2017	2016
	%	%	%
Key assumptions used:			
Discount rate	3.0%	2.6%	2.8%
Expected return on scheme assets	3.0%	2.6%	2.8%
Expected rate of salary increases	4.4%	4.4%	4.5%
Future LPI (5% capped) pension increases	3.4%	3.4%	3.3%

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. As at 31 December 2018, these tables imply expected future life expectancy, for employees aged 65, 88.5years for males (2017: 88.5) and 89.6years for females (2017: 89.6).

Sensitivity of the value placed on liabilities:

	2018	2017
	£'000	£'000
Discount rate +1%	(5,004)	(4,370)
Discount rate -1%	3,673	5,954
Salary increases +1%	696	843
Salary increases -1%	(752)	(781)
RPI and CPI inflation +1%	(558)	626
RPI and CPI inflation -1%	565	(634)
Life expectancy – increase in longevity by one year	(554)	(576)

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2018	2017	2016
	£'000	£'000	£'000
Current service cost	526	446	477
Interest on liabilities	605	617	735
Interest on assets	(587)	(580)	(649)
	<u>544</u>	<u>483</u>	<u>563</u>

The actual return on scheme assets was negative £872,000 (2017: positive £2,148,000).

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2018	2017	2016
	£'000	£'000	£'000
Present value of defined benefit obligations	20,828	23,365	22,613
Fair value of scheme assets	(20,055)	(22,437)	(21,070)
Liability recognised in the balance sheet	<u>773</u>	<u>928</u>	<u>1,543</u>

# Glencore Agriculture UK Limited

## Notes to the financial statements (continued) Year ended 31 December 2018

### 22. Retirement benefit schemes (continued)

#### Defined benefit schemes (continued)

Movements in the present value of defined benefit obligations were as follows:

	2018 £'000	2017 £'000
At 1 January	(23,365)	(22,613)
Service cost	(526)	(446)
Interest cost	(605)	(617)
Contributions from scheme members	(86)	(93)
Actuarial gains and losses	1,820	(826)
Benefits paid	1,934	1,230
At 31 December	<u>(20,828)</u>	<u>(23,365)</u>

Movements in the fair value of scheme assets were as follows:

	2018 £'000	2017 £'000
At 1 January	22,437	21,070
Expected return on scheme assets – Interest on assets	587	580
Actuarial gains and losses	(1,459)	1,568
Contributions from the sponsoring company	497	519
Contributions from scheme members	86	93
Benefits paid	(1,934)	(1,230)
Expenses paid	(159)	(163)
At 31 December	<u>20,055</u>	<u>22,437</u>

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets	
	2018 %	2017 %	2018 £'000	2017 £'000
Equity instruments	3.0%	2.6%	10,146	12,598
Government bonds	3.0%	2.6%	7,884	8,089
Corporate bonds	3.0%	2.6%	1,078	1,115
Real Estate/Property	3.0%	2.6%	947	872
Cash	-	-	-	174
Scheme liabilities	-	-	-	(411)
	<u>3.0%</u>	<u>2.6%</u>	<u>20,055</u>	<u>22,437</u>

Scheme liabilities comprises of accrued expenses of the scheme such as investment management charges, audit fees etc. In 2017, there was an outstanding transfer payment included in scheme liabilities.

All above investments (except Real Estate/Property and Scheme Liabilities) have daily quoted prices.

## Glencore Agriculture UK Limited

### Notes to the financial statements (continued) Year ended 31 December 2018

#### 22. Retirement benefit schemes (continued)

The five-year history of experience adjustments is as follows:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of defined benefit obligations	(20,828)	(23,365)	(22,613)	(18,244)	(18,008)
Fair value of scheme assets	20,055	22,437	21,070	16,066	15,230
Deficit in the scheme	(773)	(928)	(1,543)	(2,178)	(2,778)
Experience adjustments on scheme liabilities Amount (£)	1,775	(826)	(3,384)	512	(1,042)
Percentage of scheme liabilities (%)	8.5%	3.5%	14.9%	2.8%	5.8%
Experience adjustments on scheme assets Amount (£)	(1,459)	1,568	4,029	41	(767)
Percentage of scheme assets (%)	7.3%	7.0%	19.1%	0.3%	5.0%

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities, which are expected to outperform bonds in the long term while contributing volatility and risk in the short term. Management believe that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element long-term strategy to manage the plans efficiently.

**Change in bond yields:** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

**Inflation risk:** Some of the plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

**Life expectancy:** The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liability.

**Salary increases:** Some of the plan's benefit obligations related to active members are linked to their salaries. Higher salary increases will therefore tend to lead to higher plan liabilities.

## Glencore Agriculture UK Limited

### Notes to the financial statements (continued) Year ended 31 December 2018

#### 23. Related party transactions

Transactions between the Company and its related parties, being other entities within the Glencore Agri Group and Glencore International AG, are disclosed below.

	Sale of goods		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Glencore Agriculture BV	10,887	10,377	118,486	85,219	-	-	64,649	54,414
Glencore Espana SA	-	5,229	-	-	-	105	-	-
Glencore Internal AG	-	-	-	-	14	14	-	-
Glencore Cereales France SAS	-	-	-	-	-	-	-	-
Arugani Limited	-	-	-	-	715	-	-	-
	<u>10,887</u>	<u>15,606</u>	<u>118,486</u>	<u>85,219</u>	<u>729</u>	<u>119</u>	<u>64,649</u>	<u>54,414</u>

Transactions were made on terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

#### 24. Ultimate parent Company and controlling party

Glencore Agriculture UK Limited is wholly owned by Plavax Limited, a subsidiary of Glencore Agriculture Ltd. Both Plavax Limited and Glencore Agriculture Limited are incorporated in Jersey. Glencore Agriculture Limited is a Joint Venture between Glencore International AG, and two Canadian Pension Funds, Canada Pension Plan Investment Board and British Columbia Investment Management Corporation.

Their respective addresses are as below:

Plavax Limited, 22 Grenville Street, St Helier, JE4 8PX, Jersey

Glencore Agriculture Ltd (Jersey), 22 Grenville Street, St Helier, JE4 8PX, Jersey 27.

#### 25. Subsequent events

There are no subsequent events to report at the date of signing of the accounts.