

Independent Fertilisers Limited

Report and Financial Statements

31 July 2016



Directors

L Larkin
W B Barnett

Secretary

G W Jordan

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers

Bank of Ireland
Belfast City Branch
BT1 2BA

Solicitors

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GG

Registered Office

35-39 York Road
Belfast
BT15 3GW

Strategic report

The directors present their strategic report and financial statements for the year ended 31 July 2016.

Principal activities and review of the business

The principal activity of the company is the blending, bagging and sale of fertiliser products.

The results of the year show a number of movements:

- Overall company turnover is down 5.9% to £22.1 million from £23.5 million.
- Average employment numbers are up 1 from the previous year at 20.

In a challenging agricultural environment, the company is constantly striving to maintain and enhance its position through an ongoing focus on customer service and product innovation.

Future developments

The directors intend to continue with present business policies in order to increase profitability.

Principal risks and uncertainties

The company's principal financial instruments comprise cash, trade debtors and creditors, group indebtedness and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below. The directors are aware of the potential for additional risks arising from the recent EU Referendum decision (BREXIT), and are taking all possible steps to ensure the company is prepared.

Foreign currency risk

The company's main exposure to foreign currency risk, arising from raw material purchases denominated in euro, is managed primarily using forward contracts to fix the future cost.

Credit risk

Credit risk arises principally on third party derived revenues. Company policy is aimed at minimising such risk, and requires that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the company's exposure to bad debts is not significant.

Liquidity risk

The company's liquidity risk is managed by the company directors through daily assessment of required cash levels and resultant utilisation of various available facilities.

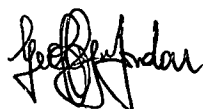
Interest rate risk

The company's external borrowings exist only to the extent of an overdraft. Thus the directors do not believe that the company has significant exposures arising from interest rate risks.

Market price risk

Due to the nature of its principal activity the company is exposed to movements in market prices of local and world markets on a number of agricultural commodities. The company seeks to mitigate this risk through the policy of entering into forward contracts for such raw materials.

By order of the Board



G W Jordan
Secretary

25 October 2016

Directors' report

The directors present their report and financial statements for the year ended 31 July 2016.

Results and dividends

The profit for the year after taxation amounted to £519,412 (2015 – £402,658). During the year the directors paid a dividend of £425,000 (2015 – £550,000). On 04 October 2016 the directors approved a dividend of £525,000.

Future developments

The company intends to continue operating as a manufacturer and seller of fertiliser products.

Events subsequent to the Reporting Date

There have been no events since the balance sheet date which materially affect the position of the company.

Going concern

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.

Directors

The directors who served the company during the year were as follows:

L Larkin
W B Barnett

Disabled employees

The company maintains a policy of offering equal opportunities to disabled persons in recruitment, training and career development, having due regard to their aptitudes and abilities in relation to the jobs available.

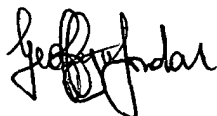
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



G W Jordan

Secretary

25 October 2016

Directors' Responsibility Statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Independent Fertilisers Limited

We have audited the financial statements of Independent Fertilisers Limited for the year ended 31 July 2016 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

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 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland"; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


Independent auditors' report

to the members of Independent Fertilisers Limited

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, 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.



*Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast*

Date: 3 November 2016

Profit and loss account

for the year ended 31 July 2016

	Notes	2016 £	2015 £
Turnover	2	22,149,125	23,527,308
Cost of sales		(20,809,279)	(22,293,966)
Gross profit		1,339,846	1,233,342
Administrative expenses		(653,878)	(680,321)
Operating profit	3	685,968	553,021
Interest payable and similar charges	6	(52,547)	(46,606)
Profit on ordinary activities before taxation		633,421	506,415
Tax	7	(114,009)	(103,757)
Profit for the financial year		<u>519,412</u>	<u>402,658</u>

All amounts relate to continuing activities.

Statement of Other Comprehensive Income

for the year ended 31 July 2016

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £519,412 in the year ended 31 July 2016 (2015 – £402,658).

Statement of Changes in Equity

for the year ended 31 July 2016

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 August 2014	2	1,092,885	1,092,887
Profit for the year	–	402,658	402,658
Dividends	–	(550,000)	(550,000)
At 1 August 2015	2	945,543	945,545
Profit for the year	–	519,412	519,412
Dividends	–	(425,000)	(425,000)
At 31 July 2016	2	1,039,955	1,039,957

Balance sheet

at 31 July 2016

	<i>Note</i>	<i>2016</i> £	<i>2015</i> £
FIXED ASSETS			
Tangible assets	9	232,460	214,490
CURRENT ASSETS			
Stocks	10	1,211,621	2,133,464
Debtors	11	4,580,751	5,697,165
Cash at bank and in hand		1,152,649	-
		6,945,021	7,830,629
CREDITORS: amounts falling due within one year	12	(6,033,290)	(6,989,193)
NET CURRENT ASSETS		911,731	841,436
TOTAL ASSETS LESS CURRENT LIABILITIES		1,144,191	1,055,926
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	7(c)	(104,234)	(110,381)
NET ASSETS		1,039,957	945,545
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account		1,039,955	945,543
SHAREHOLDERS' FUNDS		1,039,957	945,545

On behalf of the board



W B Barnett
Director
25 October 2016



L Larkin
Director
25 October 2016

Registered Number: NI 42334

Notes to the financial statements

at 31 July 2016

1. Accounting policies

Statement of compliance

Independent Fertilisers Limited is a limited liability company incorporated in Northern Ireland. The Registered Office is 35-39 York Road, Belfast, BT15 3GW, Northern Ireland.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 July 2016.

The company transitioned from previously extant UK GAAP to FRS 102 as at 01 August 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 18.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest Pound, except where otherwise indicated.

Statement of cash flows

The company, being a wholly owned subsidiary within a group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a statement of cash flows in accordance with FRS 102.1.12 "Statement of Cashflows."

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of individual items over their estimated useful lives from the month of purchase, as follows:

Plant and machinery	–	10 years
Motor vehicles	–	5 years
Computers	–	2 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued on a first in first out (FIFO) basis, at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost comprises invoice price plus freight and carriage costs.

Net realisable value comprises the actual or estimated selling price (net of trade discounts) less all further costs to completion to be incurred in marketing, selling and distribution.

Leasing commitments

Rentals paid under operating leases are charged to revenue on a straight line basis over the term of the lease.

Income recognition

Turnover is recognised on shipment of the relevant product.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

Notes to the financial statements

at 31 July 2016

1. Accounting policies (continued)

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

The financial statements are expressed in pounds sterling (£).

Normal trading activities denominated in foreign currencies are recorded in the local currency at actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the yearend are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Significant accounting judgements, estimates and assumptions

The preparation of the financial information in accordance with FRS 102 requires estimates and assumptions to be made that affect the value at which certain assets and liabilities are held at the balance sheet date and also the amounts of revenue and expenditure recorded in the period. The directors believe the accounting policies chosen are appropriate to the circumstances and that the estimates, judgements and assumptions involved in its financial reporting are reasonable.

Accounting estimates made by management are based on information available to management at the time each estimate is made. Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

Critical judgements in applying the Company's accounting policies

Depreciation and amortisation

Judgement is used in assessing useful lives and residual values of plant, machinery and equipment and motor vehicles. The assets are depreciated or amortised over their estimated useful lives to their residual values.

Taxes

The company recognises expected liabilities and assets for tax based on an estimation of the likely taxes due/recoverable, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability/asset arising from these issues differs from these estimates, such differences will have an impact on corporation tax and deferred tax provisions/assets in the period when such determination is made.

Notes to the financial statements

at 31 July 2016

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of trade discounts and value-added-tax. Turnover is attributable to the blending, bagging and sale of fertiliser. Substantially all turnover is earned in Northern Ireland.

3. Operating Profit

This is stated after charging:

	2016 £	2015 £
Depreciation	32,068	28,796
Operating lease rentals	170,000	169,066
Auditors' remuneration	17,000	16,100
Auditor's remuneration for non-audit work	1,000	2,450
	<u> </u>	<u> </u>

4. Directors' remuneration

There were no directors' emoluments during the year.

5. Staff costs

	2016 £	2015 £
Wages and salaries	660,899	609,201
Social security costs	41,333	24,849
Other pension costs	6,871	6,566
	<u>709,103</u>	<u>640,616</u>

The monthly average number of employees, including directors, during the year was as follows:

	No.	No.
Selling, administration and production	<u>20</u>	<u>19</u>

6. Interest payable and similar charges

	2016 £	2015 £
Interest payable on bank loans, overdrafts and other bank balances repayable within 5 years	52,547	46,606
	<u>52,547</u>	<u>46,606</u>

Notes to the financial statements

at 31 July 2016

7. Tax on profit on ordinary activities:

(a) Analysis of charge in period:

	2016 £	2015 £
Corporation tax:		
UK corporation tax on the profit for the period	121,526	107,742
Adjustment in respect of previous periods	(1,370)	(18)
Total current tax charge (note 7(b))	<u>120,156</u>	<u>107,724</u>
Deferred tax:		
Origination and reversal of timing differences	4,891	(2,967)
Impact of corporation tax rate change	(11,038)	-
Adjustments in respect of prior periods	-	(1,000)
Total deferred tax (note 7(c))	<u>(6,147)</u>	<u>(3,967)</u>
Tax on profit on ordinary activities	<u>114,009</u>	<u>103,757</u>

(b) Factors affecting tax charge for the year

The tax assessed for the period is lower / higher than the standard rate of corporation tax in the UK (2016: 20%, 2015: 20.67%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>633,421</u>	<u>506,415</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.67%)	126,684	104,675
Effects of:		
Disallowable expenses and non-taxable income	276	-
Adjustments to tax charge in respect of previous periods	(1,370)	(18)
Changes in tax laws and rates	(11,581)	(900)
Total tax for the year (note 7(a))	<u>114,009</u>	<u>103,757</u>

(c) Deferred tax

	£
At 1 August 2015	110,381
Released in year	4,891
Impact of change in corporation tax rate	(11,038)
At 31 July 2016	<u>104,234</u>

Notes to the financial statements

at 31 July 2016

HM Treasury have proposed a reduction in CT to 17% with effect from April 2020. However, this rate has not been substantively enacted. Once enacted, it will result in a reduction of the DTL of £5,791

8. Dividends

	2016	2015
	£	£
Interim dividend paid	425,000	550,000

9. Tangible fixed assets

	<i>Plant and machinery</i>
	£
Cost:	
At 1 August 2015	1,453,114
Additions	50,038
At 31 July 2016	1,503,152
Depreciation:	
At 1 August 2015	1,238,624
Charge for year	32,068
At 31 July 2016	1,270,692
Net book value:	
At 31 July 2016	232,460
At 1 August 2015	214,490

10. Stocks

	2016	2015
	£	£
Raw materials and consumables	947,447	1,688,318
Finished goods	264,174	445,146
	1,211,621	2,133,464

11. Debtors

	2016	2015
	£	£
Trade debtors	4,268,954	4,524,271
Prepayments and accrued income	71,077	32,200
Amounts owed by group undertakings	120,000	813,341
Amounts owed by related parties (note 15)	120,720	134,355
VAT	-	192,998
	4,580,751	5,697,165

Notes to the financial statements

at 31 July 2016

12. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	4,108,513	4,566,842
Accruals and deferred income	694,236	648,428
Amounts owed to group undertakings	824,970	190,121
Amounts owed to related parties (note 15)	735	-
Corporation tax	201,526	193,862
VAT	203,310	-
Bank overdraft	-	1,389,940
	<u>6,033,290</u>	<u>6,989,193</u>

13. Issued share capital

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. Other financial commitments

At 31 July 2016 the company had total commitments under non-cancellable operating leases as set out below:

	2016	2015
	£	£
<i>Amounts payable:</i>		
Within one year	170,000	170,000
In two to five years	688,350	683,350
Later than five years	1,482,750	1,657,750
	<u>2,341,100</u>	<u>2,511,100</u>

Notes to the financial statements

at 31 July 2016

15. Related party transactions

As the parent company publishes consolidated group financial statements, the company has taken advantage of the exemption not to report transactions with other group members, as permitted under FRS102.33.1A. The company entered into transactions during the year and had yearend balances with the following related parties and group undertakings of the Barnett Group:

	Amounts owed by related party £	Amounts owed to related party £	Sales to related party £	Purchases from related party £
W & R Barnett Limited				
2016	120,000	-	-	-
2015	134,355	-	-	-
Origin Fertilisers UK Limited				
2016	120,000	735	-	67,478
2015	134,355	-	-	43,473
Origin NI Limited				
2016	720	-	26,361	71
2015	-	-	13,554	1,768
Goulding Chemicals Limited				
2016	-	-	34,130	1,323,572
2015	-	-	1,201	1,309,340
Origin Enterprises plc				
2016	-	-	-	68,083
2015	-	-	-	53,854
	<u>240,720</u>	<u>735</u>	<u>60,491</u>	<u>1,495,204</u>
	<u>268,710</u>	<u>-</u>	<u>14,755</u>	<u>1,408,435</u>

The above transactions all relate to goods and services supplied by the related parties. All transactions were in the normal course of business. All parties are related by common ownership.

16. Ultimate parent undertaking & controlling party

The company's ultimate parent and controlling party is W & R Barnett Limited, a company incorporated in Northern Ireland.

17. Security held by bank

The company has given Bank of Ireland fixed and floating charges over all its assets. Additionally, Richlea Eggs Limited, Clarendon Feeds Limited, Precision Analysis Limited, John Thompson & Sons Limited and BHH Limited have provided cross guarantees to the bank.

Notes to the financial statements

at 31 July 2016

18. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as of 01 August 2014. The impact from the transition to FRS 102 is as follows:

Reconciliation of equity at 01 August 2014

	£
Equity Shareholders funds at 01 August 2014 under previous UK GAAP	1,212,099
Deferred tax on rollover gains	(121,755)
Recognition of fair value of forward foreign exchange contracts	3,179
Deferred tax – FRS 102 adjustment	(636)
Equity Shareholders funds at 01 August 2014 under FRS 102	<u>1,092,887</u>

Reconciliation of equity at 31 July 2015

Equity Shareholders funds at 31 July 2015 under previous UK GAAP	1,094,411
Deferred tax on rollover gains	(121,755)
Recognition of fair value of forward foreign exchange contracts	(33,889)
Deferred tax – FRS 102 adjustment	6,778
Equity Shareholders funds at 31 July 2015 under FRS 102	<u>945,545</u>

The following were changes in accounting policies arising from the transition to FRS 102:

Forward foreign exchange contracts

As required by FRS 102, all forward foreign exchange contracts have been recognised at fair value at the balance sheet date.

Reconciliation of profit and loss for the year ended 31 July 2015

Profit for the year ended 31 July 2015 under previous UK GAAP	432,312
Recognition of fair value of forward foreign exchange contracts	(37,068)
Deferred tax credit	7,414
Profit for the year ended 31 July 2015 under FRS 102	<u>402,658</u>