ADM ARKADY LIMITED

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2017

FRIDAY

A7DZUAQZ
A21 07/09/2018 #182
COMPANIES HOUSE

Registered in England and Wales No. 904957

ADM ARKADY LIMITED
COMPANY INFORMATION

DIRECTORS	Graham L. Atkinson Paul W. Briggs
SECRETARY	Paul W. Briggs
COMPANY NUMBER	904957
REGISTERED OFFICE	5 Hercules Way Leavesden Park Watford WD25 7GS
AUDITOR	Ernst & Young LLP 400 Capability Green Luton LU1 3LU

ADM ARKADY LIMITED
STRATEGIC REPORT
For the year ended 31 December 2017

The Directors submit their Stategic Report for the year ended 31 December 2017.

Business review and future developments

The Company continues to be primarily engaged in the importation and trading of agricultural commodities, which are used as animal feedstuffs and as biomass in the energy industry.
The Directors consider the key performance indicators for the business to be the traded volumes, gross profit and gross profit after interest, which are analysed as follows:

	2017	% change	2016
Sales Volume (Tonnes'000)	**2,038**	0%	2,032
Gross profit (£'000)	**5,366**	-25%	7,128
Gross profit after interest (£'000)	**4,224**	-38%	6,846

The Directors are satisfied with the performance achieved in flat trading conditions. The results compared to the prior year were adversely affected by the booking of forward losses on certain foreign exchange contracts whereas the offsetting forward gains on the related commodity contracts have not been booked, as the market prices are not sufficiently reliable for fair valuation within the definitions of IAS 39.

The Company's customer relationships remain strong, supported by the financial strength and logistical capability which the Company is able to offer through its worldwide connections.

The Company will continue to pursue its principal activity.

Principal risks and uncertainties

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

Price risk

The Company is exposed to commodity price risk as a result of its operations. In order to reduce price risk caused by market fluctuations, the Company adopts a policy of reviewing its long and short trading positions on a daily basis.

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed continuously by the finance department, and third party credit insurance is effected, where necessary.

Liquidity risk
The Company's major short-term funding requirement is provided by another Group undertaking which charges market-rate interest on a floating rate basis, calculated monthly. All funding is effected in currencies matching the underlying requirement.

Principal risks and uncertainties - *continued*

Interest rate risk
As the Company only has short-term funding requirements, the Directors ensure that interest rate agreements are as competitive as possible. Foreign exchange swaps are undertaken where necessary to optimise interest rates payable and receivable in different currencies.

Foreign exchange risk
All committed purchases are hedged in the relevant currency against the sale. All currency positions are reviewed daily by the Directors.

This report was approved by the Board of Directors on 4 September 2018.

Paul W. Briggs
Director

4 September 2018

ADM ARKADY LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2017

The Directors submit their annual report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit after taxation for the year amounts to:

	2017	2016
	£1,274,371	£4,270,683

The Directors do not recommend payment of an ordinary dividend (2016: £Nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The Company is expected to continue to generate positive results for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The parent, in turn, is a party to the funding arrangements of the ultimate holding company, Archer Daniels Midland Company, a company listed on the New York Stock Exchange.

The company has a binding agreement whereby the Group undertakes to provide a credit facility of EUR 165 million or equivalent. The Group has confirmed that repayment of any outstanding funds will not be required prior to 30 September 2019.
Having considered these factors and the Company's financial position, the Directors have a reasonable expectation that the Company will be able 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 of the Company during the year were as follows:

Graham L. Atkinson
Paul W. Briggs

Disclosure of information to the Auditors

So far as each person who was a Director at the date of approving the 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 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.

This report was approved by the Board of Directors on 4 September 2018.

Signed on behalf of the Board:

Paul W. Briggs
Director

4 September 2018

ADM ARKADY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ADM ARKADY LIMITED
For the year ended 31 December 2017

Opinion

We have audited the financial statements of ADM Arkady Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting poicies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Farzin Radfar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
6 September 2018

ADM ARKADY LIMITED
INCOME STATEMENT
For the Year ended 31 December 2017

	Notes	2017	2016
		£	£
TURNOVER	6	**372,262,910**	370,208,741
Cost of sales		**(366,896,483)**	(363,080,451)
GROSS PROFIT		**5,366,427**	7,128,290
Administration expenses		**(3,443,191)**	(3,498,740)
OPERATING PROFIT	7	**1,923,236**	3,629,550
Net interest payable	9	**(1,141,953)**	(282,071)
Investment income	11	**658,402**	1,349,250
PROFIT BEFORE TAX		**1,439,685**	4,696,729
Taxation	10	**(165,314)**	(426,046)
PROFIT AFTER TAX		**1,274,371**	4,270,683

There is no comprehensive income attributable to the shareholder of the Company other than the profit for the year.

ADM ARKADY LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

Company registration No. 904957

	Notes	2017		2016	
		£	£	£	£
FIXED ASSETS					
Tangible assets	12		**116,601**		141,413
Investments	13		**1,287,500**		1,287,500
			1,404,101		1,428,913
CURRENT ASSETS					
Stocks	14	**49,935,824**		51,414,182	
Debtors	15	**26,149,292**		20,226,412	
Cash at bank and in hand		**3,164,242**		2,964,659	
		79,249,358		74,605,253	
CREDITORS					
Amounts falling due within one year	16	**(31,665,959)**		(28,196,177)	
NET CURRENT ASSETS			**47,583,399**		46,409,076
TOTAL ASSETS LESS CURRENT LIABILITIES			**48,987,500**		47,837,989
PROVISIONS FOR LIABILITIES	17		**(129,856)**		(372,924)
NET ASSETS			**48,857,644**		47,465,065
CAPITAL AND RESERVES					
Called up share capital	18		**800,000**		800,000
Share-based payments reserve	19		**326,892**		208,684
Retained earnings			**47,730,752**		46,456,381
SHAREHOLDERS' FUNDS			**48,857,644**		47,465,065

The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2018 and are signed on its behalf by:

Graham L. Atkinson
Director

Paul W. Briggs
Director

ADM ARKADY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called up Share capital £	Share-based payments reserve £	Retained earnings £	Total £
AT 1 JANUARY 2016	800,000	-	42,185,698	42,985,698
Profit & total comprehensive income for the year	-	-	4,270,683	4,270,683
Charge for share-based payments for the year	-	194,775	-	194,775
Deferred tax on valuation difference between share-based payments at grant and at the balance sheet date	-	13,909	-	13,909
	-	208,684	4,270,683	4,479,367
AT 31 DECEMBER 2016	800,000	208,684	46,456,381	47,465,065
Profit & total comprehensive income for the year	-	-	1,274,371	1,274,371
Charge for share-based payments for the year	-	126,647	-	126,647
Deferred tax on valuation difference between share-based payments at grant and at the balance sheet date	-	(8,439)	-	(8,439)
	-	118,208	1,274,371	1,392,579
AT 31 DECEMBER 2017	**800,000**	**326,892**	**47,730,752**	**48,857,644**

1 Authorisation of financial statements and statement of compliance with FRS 101

ADM Arkady Limited is a private company incorporated by shares and domiciled in England.

2 Basis of preparation

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

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

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

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

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

(b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations; on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer Daniels Midland Company.

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

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment.

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

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

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

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

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

3 Changes in accounting policy and disclosures

There were no new or amended standards and interpretations adopted by the Company during the year ended 31 December 2017.

4 Significant accounting policies

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

Foreign currency translation

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

Revenue recognition

Turnover represents the net amounts receivable for goods and services provided in the normal course of business, net of VAT. Revenue is recognised under the specific terms of each contract, which is typically at the point that a customer is notified that goods are available for collection and documents of title are transferred.

Tangible fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or the valuation, less estimated residual value, based on prices prevailing at the date of acquisition of each asset over its expected useful life, as follows:

Leasehold improvements	over the remaining life of the lease, with a maximum of 10 years, or over the expected useful life if shorter.
Computer equipment	over 4 years by equal annual instalments
Fixtures & fittings	over 8 years by equal annual instalments
Plant & machinery	over 5 years by equal annual instalments

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

Inventories

Under IAS 2 inventories are classified as to whether they are traded in a market where reliable market prices are available. Where there are not reliable market prices available for a commodity, inventories are recorded at the lower of cost and net realisable value. Fair value accounting is applied to inventories for which it is possible to reliably measure market prices in accordance with IAS 39 - Financial Instruments: Recognition and Measurement, and gains or losses compared to cost are taken to the income statement.

Investments in group undertakings

Investments in subsidiaries are carried at cost less impairment, if any.

Financial instruments

Under IAS 39 - Financial Instruments: Recognition and Measurement, unexecuted commodity contracts are classified as derivative financial instruments and are fair value accounted where there are reliable market prices available. Each individual contract is fair value accounted with gains recorded as assets and losses as liabilities, and the net difference taken to the Income Statement. Where reliable market prices are not available the contracts are stated at cost.

Under IAS 39 open foreign exchange (FX) contracts are regarded independently of the commodity contracts to which they relate and are classified as derivative financial instruments. Each open FX contract is compared to the forward foreign exchange rate available from financial markets at the balance sheet date. Gains are recorded as assets and losses as liabilities, and the net difference is taken to the Income Statement.

4 Significant accounting policies (Continued)

Operating lease commitments
Rentals payable under operating leases are charged to the Income Statement on a straight line basis over the lease term. Property lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Employee benefits
Company contributions to pension funds due in the financial year are recognised as an expense in the same year. All contributions are paid into money purchase schemes. No further liability accrues to the Company.

Deferred taxation
Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are only offset if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority, and that authority permits the Company to make a single net payment.
Deferred tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise deferred tax is recognised in the Income Statement.

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

The cumulative expense recognised for equity–settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the Income Statement.

Statement of cash flows
As described in the basis of preparation, the Company is exempt under FRS 101 Reduced Disclosure Framework from the requirement to prepare a cash flow statement.

Related party transactions
The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 Reduced Disclosure Framework from the requirement to disclose transactions with fellow group undertakings where 100% of the voting rights are controlled within the Group.
There were no other related party transactions during the year other than those in respect of Gleadell Agiculture Ltd that are disclosed in note 13.

5 Significant accounting judgements, estimates, and assumptions

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

Tangible fixed assets

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

Investments

Investments are subject to a fair value review each year. The fair value is determined by reference to the current price offered by certain purchasers to current shareholders. Where the management of the Company believe that it is not possible to disclose a range of estimates within which the fair values are likely to lie due to the shares being in an inactive market, the investments are held at cost.

Investment is impaired when the carrying value of an asset or cash generating unit exceeds its recoverable amount; the recoverable amount is determined as whichever is the higher of its fair value less costs to sell and its value in use.

Taxation

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

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

Share-based payments

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

6 Turnover

Turnover recognised in the Income Statement all relates to sales of goods. The Company operates in the following geographical segments:

	2017	2016
	£	£
United Kingdom	300,198,023	311,812,518
Rest of Europe	72,064,887	58,396,223
	372,262,910	370,208,741

7 Operating profit

	2017	2016
	£	£
This is stated after charging/(crediting):		
Auditors' remuneration for company audit	34,500	45,800
Depreciation	30,538	30,066
Foreign exchange losses other than those on financial instruments at fair value	2,000,536	9,696,476
Cost of stock recognised as an expense (included in cost of sales)	361,783,082	358,910,685
- Including stock write offs to net realisable value	3,521	241,211
Net loss/(gain) on financial derivatives at fair value:	2,782,618	(2,067,173)
Operating lease rentals	5,352,305	4,819,311

8 Staff costs (including Directors' emoluments)

	2017	2016
	£	£
Salaries	1,625,581	1,964,478
Social security costs	233,661	286,300
Other pension costs (see note 21)	166,093	147,050
Share-based payments expense (see note 19)	126,647	194,775
	2,151,982	2,592,603

8 Staff costs (including Directors' emoluments) - continued

	2017	2016
	£	£
Directors (incl. non-executive Directors):		
Emoluments	449,838	536,579
Deferred emoluments receivable	-	-
Company contributions to money purchase pension schemes	-	-
	449,838	536,579
Number of Directors accruing benefits under money purchase pension schemes	-	-

The highest paid Director received emoluments of £273,157 (2016: £281,312), deferred emoluments receivable of £Nil (2016: £Nil), and company pension contributions of £Nil (2016: £Nil). During the year the Director was also granted Restricted Share Units, at no cost, under the ultimate holding company's compensation plan (see note 19). These shares vest after 3 years.

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

	2017	2016
Office and management	24	24

9 Net interest payable

		2017		2016	
		£	£	£	£
Bank and other loans, deposits and overdrafts wholly repayable within 5 years					
	Payable	-		298	
	Receivable	(39)		(96)	
			(39)		202
Related party loans and deposits					
	Payable	1,479,712		545,030	
	Receivable	(337,720)		(263,161)	
			1,141,992		281,869
Total trading interest payable			1,141,953		282,071

10 Taxation

The charge for corporation tax in the financial statements represents tax on the results for the year at 19.2466% (2016: 20.00%) after taking account of disallowed expenses and transfers to deferred tax. Deferred tax is calculated at the rates ruling when timing differences reverse.

(a) Tax charged in the income statement

	2017	2016
	£	£
Current income tax:		
UK corporation tax	**173,272**	699,611
Amounts overprovided in previous years	**(5,376)**	(200,326)
Total current income tax	**167,896**	499,285
Deferred tax:		
Origination and reversal of temporary differences	**(9,573)**	(17,129)
Amounts under/(over) provided in previous years	**5,107**	(50,081)
Impact of change in tax laws and rates	**1,884**	(6,029)
Total deferred tax	**(2,582)**	(73,239)
Total expense in the income statement	**165,314**	426,046

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK for the year of 19.2466% (2016: 20.00%). The differences are reconciled below:

	2017	2016
	£	£
Profit before tax	**1,439,685**	4,696,729
UK corporation Tax at 19.2466% (2016: 20.00%)	**277,090**	939,346
Effect on the Corporation Tax charge of:		
Other non deductible expenses	**15,213**	6,957
Non taxable dividend income	**(126,720)**	(269,850)
Adjustments for prior year - current tax	**(5,376)**	(200,326)
Adjustments for prior year - deferred tax	**5,107**	(50,081)
Total tax expense reported in the income statement	**165,314**	426,046

(c) Change in corporation tax rate

The current rate of corporation tax is a blended rate of 19.2466% (2016: 20%). Reductions of the UK corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted in October 2015 and 2016 respectively, and, consequently, deferred tax has been recognised at the rate ruling when the timing differences are expected to reverse.

10 Taxation (continued)

(d) Deferred tax
The deferred tax in the balance sheet is as follows:

	2017	2016
	£	£
Deferred tax liability:		
FRS101 fair value transition adjustment	**(108,897)**	(124,453)
Deferred tax asset:		
Deferred cash bonuses	**50,175**	77,351
Share-based payments through the income statement	**59,915**	44,033
Share-based payments through equity	**5,471**	13,909
Other timing differences	**11,256**	12,937
	126,817	148,230
Disclosed on the balance sheet:		
Deferred tax asset	**17,920**	23,777
Deferred tax liability	**-**	-
	17,920	23,777

The deferred tax in the income statement is as follows:

	2017	2016
	£	£
FRS101 fair value transition adjustment	**(15,556)**	(18,300)
Deferred cash remuneration	**27,176**	24,310
Contract underperformance	**-**	20,000
Share-based payments	**(22,873)**	(44,033)
Changes in tax laws and rates	**1,884**	(6,029)
Amounts under/(over) provided in previous years	**5,107**	(50,081)
Other timing differences	**1,680**	894
	(2,582)	(73,239)

11 Investment income

A dividend receivable of £658,402 (2016: £1,349,250) is from the investment in Gleadell Agriculture Ltd, and was declared in the period.

12 Tangible fixed assets

	Leasehold Improve - ments	Computer & related Equipment	Plant, Fixtures, & Fittings	Total
	£	£	£	£
Cost				
At 1 January 2017	17,089	57,854	482,706	557,649
Additions	-	5,726	-	5,726
Disposals	-	(18,814)	(5,884)	(24,698)
At 31 December 2017	17,089	44,766	476,822	538,677
Depreciation				
At 1 January 2017	17,089	50,264	348,883	416,236
Charge for the year	-	3,355	27,183	30,538
Provided on disposals	-	(18,814)	(5,884)	(24,698)
At 31 December 2017	17,089	34,805	370,182	422,076
Net book value at 31 December 2017	**-**	**9,961**	**106,640**	**116,601**
Net book value at 31 December 2016	-	7,590	133,823	141,413

13 Fixed asset investment

	2017	2016
	£	£
Stated at cost	**1,287,500**	1,287,500

The investment comprises 50% of the ordinary share capital of Gleadell Agriculture Limited, whose registered office is at Lindsey House, Hemswell Cliff, Gainsborough. The Company takes no active part in the management of Gleadell Agriculture Limited and therefore it is treated as a trade investment. In the opinion of the Directors, the value of the investment is not below cost.

The aggregate amount of capital and consolidated revenue reserves of Gleadell Agriculture Limited as at 30 June 2017, the last financial year of the company, was £16,326,000 (2016: £17,268,000). The consolidated profit of the Company for that period was £1,756,000 (2016: £3,598,000).

Transactions with Gleadell Agriculture Limited during the year were as follows:

	2017	2016
	£	£
Sales	140,379	67,351

At the year end date the accounts receivable and payable were as follows:

	2017	2016
	£	£
Trade accounts receivable	109,581	28,076
Dividend receivable (note 11)	658,402	-

14 Stocks

	2017	2016
	£	£
Animal feedstuffs, biomass and grain for re-sale	**49,925,336**	51,401,251
Bunker stocks	**10,488**	12,931
	49,935,824	51,414,182

The valuation of stock is analysed as follows:

	2017	2016
	£	£
Fair value less cost to sell	**27,997,728**	28,490,369
Lower of cost and net realisable value	**21,938,096**	22,923,813
	49,935,824	51,414,182

15 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Amounts owed by fellow group undertakings	**475**	1,482,000
Trade debtors	**20,507,725**	10,312,796
Other debtors	**743,539**	539,782
Financial derivatives at fair value	**4,831,563**	7,826,356
Deferred taxation (see note 10)	**17,920**	23,777
Other prepayments and accrued income	**48,070**	41,701
	26,149,292	20,226,412

16 Creditors

	2017		2016	
	£	£	£	£
Amounts falling due within one year:				
Amounts owed to fellow group undertakings:				
Funding	**2,030,463**		3,663,188	
Other	**15,843,838**		10,075,345	
		17,874,301		13,738,533
Trade creditors		**5,559,204**		2,883,408
Advance payments received from customers		**12,267**		767,859
Other creditors including taxation and social security costs				
Corporation tax	**173,272**		2,353,237	
Other taxes	**67,171**		161,816	
Social security	**22,768**		23,906	
Other creditors	**8,481**		5,882	
Financial derivatives at fair value	**7,249,317**		7,461,492	
		7,521,009		10,006,333
Accrued expenses and deferred income		**699,178**		800,044
		31,665,959		28,196,177

17 Provisions for liabilities

	National insurance on share based payments	Contract under-performance	Taxation, including deferred taxation	Total
	£	£	£	£
At 1 January 2017	**26,879**	**346,045**	**-**	**372,924**
Amounts used	**-**	**(346,045)**	**-**	**(346,045)**
Provisions raised in the year	**17,477**	**85,500**	**-**	**102,977**
At 31 December 2017	**44,356**	**85,500**	**-**	**129,856**

The contracts have a reasonable expectation of resulting in a cash outflow within 18 months of the balance sheet date.

At the balance sheet date there is a debit balance on deferred tax which is disclosed in Debtors, note 15.

18 Share capital

	2017	2016
	£	£
800,000 Ordinary shares of £1.00 each, allotted, called-up and fully paid	**800,000**	800,000

19 Incentive compensation plan

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

The expense recognisable under IFRS 2 for equity share-based payments in respect of employee services received during the year to 31 December 2017 is £126,647 (2016: £194,775). At the balance sheet date the IFRS 2 value of outstanding restricted shares amounted to £321,442 (2016: £194,775). Deferred tax of £8,438 has been debited (2016: £13,909 credit) to the reserve in respect of the decrease (2016: increase) in value of the share-based payments between grant date and the balance sheet date.

No share options were granted during the year.

20 Commitments and contingent liabilities

a) Operating Leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017		2016	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
Not later than one year	**3,168,218**	**460,634**	3,133,216	466,690
After more than one year but not more than five years	**9,729,792**	**15,495**	11,517,204	47,032
After five years	**2,857,167**	**-**	5,050,792	-
	15,755,177	**476,129**	19,701,212	513,722

The minimum amounts payable under non-cancellable operating leases for land & buildings represent the contractual amounts due under a rental contract for offices and long term throughput costs in third party warehouses. In both cases, the costs above include pre-agreed inflationary increases. There are no renewal terms.

b) Derivatives

In order to meet future trading commitments, the Company has entered into forward contracts for the purchase and sale of commodities and foreign currencies. These contracts are regarded as derivative financial instruments under IAS 39 and their accounting treatment is set out in note 4, Financial Instruments.

21 Pension costs

Throughout the period the Company had defined contribution pension and death-in-service schemes for its present directors and all employees who fulfilled the Company's age and length-of-service criteria. Premiums paid by the Company to these schemes amounted to:

	2017	2016
	£	£
Current directors	**-**	-
Employees	**166,093**	147,050
	166,093	147,050

22 Control

The controlling interest in the company's share capital is owned by Alfred C. Toepfer International Netherlands B.V., and this company is a subsidiary of Archer Daniels Midland B.V. Both of these companies are registered at Kingsfordvej 83, 1043 GP Amsterdam, Netherlands.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Archer Daniels Midland Company, incorporated in the USA. Copies of Archer Daniels Midland Company's financial statements can be obtained from PO Box 147, Decatur, Illinois 62525, USA.