

Financial Statements

Pauls Malt Limited

For the Year Ended 30 June 2016

THURSDAY



A24 *A61UB4OH* #79
09/03/2017
COMPANIES HOUSE

Registered number: 00088929

Company Information

Directors	D R Wilkes J-F Loiseau (France) Y Shaepman (Belgium) P Chaudru de Raynal (France)
Company secretary	Goodbody Northern Ireland Secretarial Limited (Northern Ireland)
Registered number	00088929
Registered office	24/25 Eastern Way Bury St Edmunds Suffolk IP32 7AD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Hartwell House 55-61 Victoria Street Bristol BS1 6FT
Bankers	Natwest Bank PLC 135 Bishopsgate London EC2M 3UR HSBC PLC 69 Pall Mall St James London SW1Y5E
Solicitors	Slaughter and May LLP 2 Lambs Passage London EC1Y 8BB Eversheds LLP Bridgewater Place Water Lane Leeds LS11 5QT

Contents

	Page
Strategic report	1 - 4
Directors' report	5 - 6
Independent auditor's report	7 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12 - 33

Strategic Report

For the Year Ended 30 June 2016

Introduction

The principal activities during the period was that of supplying malt to the brewing and distilling industries, and the provision of barley drying and storage services.

Business review

Global beer sales were estimated to have decreased by 1.1% in 2015 due to political and economic problems with notable reductions in China (4.3%), Brazil (2%) and the US (1.4%). Africa was the only region showing growth at 1.6%. To put this in perspective however annual global beer sales have only ever reduced in four years since 1950 and world beer production has increased by 17.3% over the past ten years. Europe benefitted from good malting barley crops in 2015 and was competitive in the global market. This resulted in EU exports increasing by 5.9% in the year 2015/16 to reach 2.68M tonnes and provided strong support for EU malt supply and demand.

UK beer sales have more or less stabilised since 2013. UK beer consumption at 67.1 litres per capita is now below the EU average of 72 litres although the UK remains the world's ninth largest producer of beer. In common with many other countries the UK has benefitted from the craft revolution and the numbers of UK brewers increased by 200 in 2015 to reach 1,380. The US continues to lead the world as far as craft brewing is concerned with further growth of 13% in 2015 and the 4,225 craft brewers now accounting for 12.2% of total US beer market share. In response to this development the Boortmalt Group has developed four distinct craft brands including one for the UK. These will be progressively rolled out in 2017 to take advantage of the global craft phenomena and the associated attractive margins available. In response to the increased demand for speciality malts the UK business also installed additional roasted malt capacity at its Knapton maltings in 2016.

The distilling industry is a key market for the UK business and despite some moderation in industry distilling production Pauls Malt has maintained and built volumes over the past three years due to the provision of consistent quality and service. In the first six months of 2016 Scotch whisky global export volumes grew by 3.1% which is an encouraging sign of recovery with the longer term prospects for Scotch whisky remaining positive.

In June 2016 the UK voted to leave the EU (Brexit). As a consequence the value of sterling has dropped significantly. This has led to some short term trading benefits with the UK now becoming very competitive in the export market and as a result it is expected that our export volumes will grow in 2017. A weaker sterling also increases the price of malt imports which will further provide support for the UK industry malt supply and demand balance. The longer term consequences of Brexit are unknown particularly with respect to support for agriculture and the UK industry will be making appropriate representations to Government through the Maltsters Association of Great Britain to ensure our raw material supply is adequately protected.

The UK benefitted from good crops of malting barley from both the 2015 and 2016 harvests. In England we have seen an increasing acreage of spring malting barley as farmers shift away from wheat and the associated black grass issues. This has led to plentiful supplies with the UK becoming a significant exporter of malting barley to the Continent. The situation in Scotland is less positive however with successive acreage declines leading to the 2016 malting barley crop being the smallest for eighteen years. We are working on a number of important supply chain initiatives and partnering with customers and growers to provide future support for the growing of quality malting barley in Scotland.

Prospects for Pauls Malt remain positive and taking account of the Long Term Agreements we have in place with customers, our strong position in distilling and the weaker pound we expect to be fully sold again in 2017.

Strategic Report (continued)

For the Year Ended 30 June 2016

Principal risks and uncertainties

Risks and mitigating controls are managed and reviewed by the senior management team on a regular basis. Also, being part of a larger group (SCA Axereal or "Group"), these are also subject to review by the Group's financial audit programmes. Accreditation under various quality, environmental, and health and safety standards ensures these areas are regularly reviewed for compliance to these standards.

The company faces a number of risks and uncertainties that can be summarised into four categories, as follows:

Commercial

The loss of a manufacturing site through fire, natural catastrophe, act of vandalism or critical plant failure could potentially have a material impact.

These risks are mitigated through robust security and comprehensive disaster recovery plans. In addition external insurance and risk management experts review all sites and discuss findings with senior management.

A shortage of raw material supply could result in increased costs and loss of production.

The commercial team monitors exposures weekly and the senior management team reviews exposures on a monthly basis.

Fluctuating energy prices can have a significant impact on profitability.

There is a strong commercial focus on purchasing energy and diversifying risk.

Operational

As part of the food and drink industry the company is subject to market related risks associated with food products.

The company has a strong technical function dealing with product quality and traceability. There are systems in place for hygiene, health and safety and environmental controls. The systems are reviewed regularly by the senior management team who also review customer audits.

Financial

Through the group's treasury function, the company uses forward exchange contracts to hedge exchange exposures arising from forecast receipts and purchases in foreign currencies.

The company policy is for all sales and purchase contracts to be hedged at the time the contract is made and therefore avoid the risks of speculation.

The company's defined benefit pension fund is exposed to the risk of changes in interest rates and the market values of investments as well as inflation and the increasing longevity of scheme members.

The risk is mitigated by paying appropriate contributions into the fund and through a balanced investment strategy to avoid a material worsening of the current deficit. The defined benefit scheme is closed to new members.

Further details on financial risk management objectives and policies are given below.

Strategic Report (continued)

For the Year Ended 30 June 2016

Systems

A significant IT failure could adversely impact on the business.

Robust IT disaster recovery plans and system backup processes are in place.

Financial key performance indicators

The company considers as part of its management accounting process the following measures to be indicators of the underlying performance of the business:

Operational efficiency is key to the business succeeding and two measures of this are tonnes of malt produced per employee and capacity utilisation. Malt produced per employee was 2,532 tonnes in the financial period (2015 - 2,518 tonnes) and capacity utilisation was 92% in the financial period (2015 - 90%).

Increasing market share in the higher margin distilling sector was achieved, which benefited average margin, as deliveries into the lower margin brewing sector were decreased. Deliveries into export markets were maintained. The proportion of sales tonnes to the three main sectors were - distilling 41% (2015 - 40%), brewing 41% (2015 - 41%), export 18% (2015 - 19%).

Free cash flow is an important indicator of the company's performance in maximising cash generation. The net cash inflow from operations in the financial period was £12,319,000 (2015 - inflow of £12,689,000).

Return on investment is measured using the company's operating profit, excluding property sales, against the average total of shareholders' funds invested in the business. The return in the financial period was 24% (2015 - 25%).

Financial management objectives and policies

The company is exposed to a variety of financial risks including interest rate, foreign currency, liquidity and credit risk. These financial risks are managed under policies approved by the ultimate holding company. The company uses forward currency contracts to manage the financial risk associated with selling and buying in currencies other than sterling. The company does not use derivative financial instruments for trading and speculative purposes.

Interest rate risk

Funding is provided by the ultimate holding company, which has policies in place to optimise the interest cost and reduce volatility in reporting earnings. This is managed by reviewing the debt profile regularly and by selectively using interest rate swaps to limit the level of floating interest rate exposure.

Foreign currency risk

The company trades internationally and uses forward exchange contracts to hedge exchange exposures arising from forecast receipts and payments in foreign currencies.

Liquidity risk

Funding is provided by the ultimate holding company, which has a policy to ensure that there is always sufficient long term and committed bank facilities in place to meet foreseeable peak borrowing requirements. There is also a prudent approach to liquidity risk management by spreading the maturities of debt from short-term to long-term.

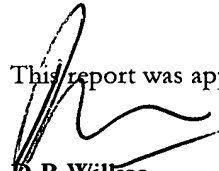
Strategic Report (continued)

For the Year Ended 30 June 2016

Credit risk

The company derives a significant proportion of its revenue from sales to a limited number of major customers. Sales to individual customers can be of significant value and the failure of any such customer to honour its debts could materially impact on the company's results. The company manages the risk by regularly reviewing the credit history and rating of all significant customers.

This report was approved by the board on 9 January 2017 and signed on its behalf.



D R Wilkes
Directors

Directors' Report

For the Year Ended 30 June 2016

The directors present their report and the financial statements for the year ended 30 June 2016.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments and accounting 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.

Results and dividends

The profit for the year, after taxation, amounted to £6,942 thousand (2015 - £7,379 thousand). The directors proposed and paid a dividend of £11 million (2015- £nil).

Directors

The directors who served during the year were:

D R Wilkes
J-F Loiseau (France)
Y Shaepman (Belgium)
P Chaudru de Raynal (France)

The directors and their spouses and minor children have no interest in the shares of the company. J-F Loiseau and Y. Shaepman were also directors of the company's ultimate parent undertaking, Societe Cooperative Agricole Axereal, at 30 June 2016, and their interests are disclosed in that company's financial statements for the period ended 30 June 2016. There are no other interests requiring disclosure under the Companies Act 2006.

Charitable contributions

The company made charitable donations in the financial period of £nil (2015 - £374). The company made no political donations in the financial period (2015 - £nil).

Directors' Report

For the Year Ended 30 June 2016

Employees

During the financial period, the company gave full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes when related to any suitable opportunities available.

Company policy provides that existing employees who become disabled shall continue employment with the company if at all possible, subject to any appropriate retraining.

Training, career development and promotion apply equally to all employees, taking into consideration their aptitudes and abilities.

Matters of interest and concern are regularly circulated to employees. Meetings are held at various staff levels on a regular basis to discuss matters of mutual interest and the views of employees are taken into account when making decisions that are likely to affect their interests.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

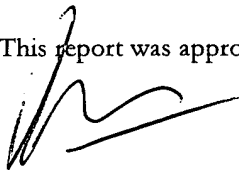
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 January 2017 and signed on its behalf.



D R Wilkes
Directors

Independent Auditor's Report to the Members of Pauls Malt Limited

We have audited the financial statements of Pauls Malt Limited for the year ended 30 June 2016, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in 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, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 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.

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 and the directors' report has been prepared in accordance with applicable legal requirements.



Independent Auditor's Report to the Members of Pauls Malt 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.

A handwritten signature in black ink, appearing to read "Timothy Lincoln", written over a horizontal line.

Timothy Lincoln (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Bristol

Date: 7 February 2017

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	4	109,321	121,193
Cost of sales		(90,222)	(103,496)
Gross profit		19,099	17,697
Distribution costs		(5,694)	(6,031)
Administrative expenses		(4,033)	(1,584)
Operating profit	5	9,372	10,082
Interest receivable and similar income	9	182	413
Interest payable and expenses	10	(831)	(1,100)
Other finance income		(125)	48
Profit before tax		8,598	9,443
Tax on profit	12	(1,656)	(2,064)
Profit for the year		6,942	7,379
Other comprehensive income for the year			
Actuarial losses on defined benefit pension scheme		(3,229)	(1,650)
Movement of deferred tax relating to actuarial losses		572	225
Current tax attributable to pension scheme deficit reduction contributions		74	116
Other comprehensive income for the year		(2,583)	(1,309)
Total comprehensive income for the year		4,359	6,070

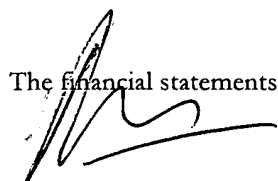
The notes on pages 12 to 33 form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	14	38,002	37,800
		<u>38,002</u>	<u>37,800</u>
Current assets			
Stocks	16	6,304	5,154
Debtors: amounts falling due within one year	17	32,235	24,313
Cash at bank and in hand	18	3,527	15,551
		<u>42,066</u>	<u>45,018</u>
Creditors: amounts falling due within one year	19	(28,624)	(28,268)
Net current assets		<u>13,442</u>	<u>16,750</u>
Total assets less current liabilities		<u>51,444</u>	<u>54,550</u>
Creditors: amounts falling due after more than one year	20	(6,921)	(5,957)
Provisions for liabilities			
Deferred tax	22	(2,082)	(2,372)
		<u>(2,082)</u>	<u>(2,372)</u>
Pension liability		(5,989)	(3,128)
Net assets		<u>36,452</u>	<u>43,093</u>
Capital and reserves			
Called up share capital	23	1,081	1,081
Share premium account	24	988	988
Profit and loss account	24	34,383	41,024
		<u>36,452</u>	<u>43,093</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 January 2017



D R Wilkes
Directors

The notes on pages 12 to 33 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2016

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2015	1,081	988	41,024	43,093
Comprehensive income for the year				
Profit for the year	-	-	6,942	6,942
Actuarial losses on defined benefit pension scheme	-	-	(2,657)	(2,657)
Current tax attributable to pension scheme deficit reduction contributions	-	-	74	74
Other comprehensive income for the year	-	-	(2,583)	(2,583)
Total comprehensive income for the year	-	-	4,359	4,359
Dividends: Equity capital	-	-	(11,000)	(11,000)
At 30 June 2016	1,081	988	34,383	36,452

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2014	1,081	988	34,954	37,023
Comprehensive income for the year				
Profit for the year	-	-	7,379	7,379
Actuarial losses on defined benefit pension scheme	-	-	(1,425)	(1,425)
Current tax attributable to pension scheme deficit reduction contributions	-	-	116	116
Other comprehensive income for the year	-	-	(1,309)	(1,309)
Total comprehensive income for the year	-	-	6,070	6,070
At 30 June 2015	1,081	988	41,024	43,093

The notes on pages 12 to 33 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

1. General information

The company is limited by shares and is incorporated in England and Wales. The registered office address is 24/25 Eastern Way, Bury St Edmunds, Suffolk, IP32 7AD.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 ("FRS 102") for the year ended 30 June 2016.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 July 2014.

An explanation of how transition to FRS 102 has affected the reported financial position is given in note 31.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 31.

The company's functional and presentational currency is GBP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The company is part of the financial arrangements of the Societe Cooperative Agricole Axereal. The group manages its finance centrally and provides its trading subsidiaries with the necessary funds to meet its operational/business needs. The directors of the company have received confirmation from the group that it will provide them with the necessary funds to meet its operational/business needs for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Axereal Group as at 30 June 2016 and these financial statements may be obtained from the Axereal Group website.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.4 Revenue

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

Freehold property	- 2% per annum on cost
Plant & machinery	- 3.33%-25% per annum on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

Freehold land and assets under construction are not depreciated. The company does not capitalise finance costs.

2.6 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Where appropriate, costs include raw materials, freight and direct labour expenses, along with related production and other overheads. Net realisable value is the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

The company acts as a disclosed purchasing agent on behalf of Utexam Logistics Limited, a company that operates in the commodity supply industry. The company recognises raw material costs and the related liabilities in its accounts when the title to the raw materials passes to it from Utexam Logistics Limited.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company predominantly enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

The only non-basic financial instruments transactions entered into by the Company are forward foreign exchange contracts.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.10 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currencies

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, or where appropriate, the forward contract rate (the company uses forward contracts to hedge its foreign exchange exposure in respect of foreign customers).

Exchange gains and losses are recognised in the Statement of comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.13 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

Pensions (continued)

Defined benefit pension plan

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 30 June 2013.

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Accounting policies (continued)

2.16 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements

For the Year Ended 30 June 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Judgements in applying accounting policies

The directors must judge whether all of the conditions required for revenues to be recognised in the income statement of the financial year, as set out below, have been met.

Sources of estimation uncertainty

Depreciation rates are based on estimates of the useful lives and residual values of the assets involved. Pension valuation is based on the value of assets and liabilities based on the estimated discount rate provided by the actuary.

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Malt - manufacture and sale	102,809	115,966
Barley drying and storage services	6,512	5,227
	<u>109,321</u>	<u>121,193</u>

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	86,716	94,254
Rest of Europe	5,378	5,552
Rest of the world	962	806
Africa	-	56
Asia	16,265	20,525
	<u>109,321</u>	<u>121,193</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

5. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the company	3,174	2,764
Foreign exchange differences	1,018	(961)
Other operating lease rentals	712	844
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	40	39
The auditing of accounts of associates of the Company pursuant to legislation	5	5
All other services	10	1
	<u> </u>	<u> </u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	4,272	4,190
Social security costs	431	418
Cost of defined benefit schemes	107	89
Cost of defined contribution scheme	389	248
	<u> </u>	<u> </u>
	5,199	4,945
	<u> </u>	<u> </u>

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

	2016 No.	2015 No.
Number of production staff	83	82
Number of sales and administrative staff	41	40
	<u> </u>	<u> </u>
	124	122
	<u> </u>	<u> </u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

8. Directors' remuneration

	2016 £000	2015 £000
Remuneration	327	326

The highest paid directors received remuneration of £327,014 (2015 - £325,951).

9. Interest receivable

	2016 £000	2015 £000
Interest receivable from group companies	182	394
Share of joint ventures' interest receivable	-	12
Other interest receivable	-	7
	182	413

10. Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	301	333
On loans from group undertakings	530	767
	831	1,100

11. Other finance costs

	2016 £000	2015 £000
Net interest on net defined benefit liability	(125)	48
	(125)	48

Notes to the Financial Statements

For the Year Ended 30 June 2016

12. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	1,703	1,623
Adjustments in respect of previous periods	(328)	44
	<u>1,375</u>	<u>1,667</u>
Total current tax	<u>1,375</u>	<u>1,667</u>
Deferred tax		
Origination and reversal of timing differences	350	431
Adjustment in respect of previous periods	314	8
Effect of changes in tax rates	(383)	(7)
Adjustment in respect of prior year - Pension	-	(35)
	<u>281</u>	<u>397</u>
Total deferred tax	<u>281</u>	<u>397</u>
Taxation on profit on ordinary activities	<u>1,656</u>	<u>2,064</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>8,598</u>	<u>9,443</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	1,792	1,960
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	233	94
Adjustments to tax charge in respect of prior periods	(13)	52
Items charged elsewhere	73	-
Other differences leading to an increase (decrease) in the tax charge	-	(35)
Income not taxable	(46)	-
Tax rate changes	(383)	(7)
Total tax charge for the year	<u>1,656</u>	<u>2,064</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

12. Taxation (continued)**Factors that may affect future tax charges**

In addition to the above current tax charge for the year recorded within the profit and loss account, a credit of £73,600 (2015 - £115,996) has been recorded in the profit and loss reserve in respect of tax relief on pension scheme deficit repayment contributions.

13. Dividends

	2016 £000	2015 £000
Dividends paid	11,000	-

14. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Construction in progress £000	Total £000
Cost or valuation				
At 1 July 2015	7,203	86,217	2,293	95,713
Additions	-	-	3,684	3,684
Disposals	(90)	(3,347)	-	(3,437)
Transfers between classes	-	5,496	(5,496)	-
At 30 June 2016	7,113	88,366	481	95,960
Depreciation				
At 1 July 2015	2,504	55,409	-	57,913
Charge owned for the period	117	3,057	-	3,174
Disposals	(85)	(3,044)	-	(3,129)
At 30 June 2016	2,536	55,422	-	57,958
Net book value				
At 30 June 2016	4,577	32,944	481	38,002
At 30 June 2015	4,699	30,808	2,293	37,800

Notes to the Financial Statements

For the Year Ended 30 June 2016

15. Fixed asset investments**Associates**

Name	Country of incorporation	Class of shares	Holding	Principal activity
Multimalt Limited	Nigeria	Ordinary 1 Naira share	20%	Handling of cereals and other agricultural products for export and import.

16. Stocks

	2016	2015
	£000	£000
Raw materials and consumables	605	549
Work in progress	1,327	1,333
Finished goods and goods for resale	4,372	3,272
	6,304	5,154

17. Debtors

	2016	2015
	£000	£000
Trade debtors	10,993	15,453
Amounts owed by group undertakings	20,735	7,960
Other debtors	422	780
Prepayments and accrued income	85	120
	32,235	24,313

18. Cash and cash equivalents

	2016	2015
	£000	£000
Cash at bank and in hand	3,527	15,551
Less: bank overdrafts	(71)	(786)
	3,456	14,765

Notes to the Financial Statements

For the Year Ended 30 June 2016

19. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank loan and overdrafts	71	786
Trade creditors	23,699	24,800
Amounts owed to group undertakings	2,182	663
Corporation tax	488	589
Taxation and social security	116	150
Tangible fixed asset purchases	681	1,955
Accruals and deferred income	1,387	(675)
	<u>28,624</u>	<u>28,268</u>

20. Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Amounts owed to group undertakings	<u>6,921</u>	<u>5,957</u>

The amount owed to group undertakings is repayable on 26 March 2025.

21. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets measured at fair value through profit or loss	3,527	15,551
Financial assets that are debt instruments measured at amortised cost	<u>32,150</u>	<u>24,193</u>
	<u>35,677</u>	<u>39,744</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(34,261)</u>	<u>(31,531)</u>
	<u>(34,261)</u>	<u>(31,531)</u>

Financial assets measured at amortised cost comprise, cash, trade debtors, amounts owed by group and other debtors.

Financial Liabilities measured at amortised cost comprise, overdrafts, trade creditors, amounts owed by group and accruals.

Notes to the Financial Statements

For the Year Ended 30 June 2016

22. Deferred taxation

	2016 £000	2015 £000
At beginning of year	(2,372)	(2,624)
Charged to the profit or loss	(282)	(379)
Charged to other comprehensive income	572	645
Utilised in year	-	(14)
At end of year	(2,082)	(2,372)

The provision for deferred taxation is made up as follows:

Comprising:

Liability	(2,082)	(2,372)
	(2,082)	(2,372)

The balance of the deferred taxation account consists of the tax effect of timing difference in respect of:

	2016 £000	2015 £000
Deferred tax excluding that relating to the pension disclosure	3,282	3,000
Pension liability	(1,200)	(628)
Total	2,082	2,372

23. Share capital

	2016 £000	2015 £000
Authorised, allotted, called up and fully paid		
1,081,000 Ordinary shares shares of £1 each	1,081	1,081

Notes to the Financial Statements

For the Year Ended 30 June 2016

24. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account

The profit and loss account comprises all current and prior period retained profits and losses, less dividends declared and paid.

25. Capital commitments

At 30 June 2016 the Company had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	249	326

Notes to the Financial Statements

For the Year Ended 30 June 2016

26. Pension commitments

The Company operates a funded, defined benefit scheme in the UK which is closed for future accrual of benefits. The scheme is comprised of approximately half office based and half manufacturing based employees, situated at various locations within the UK.

The most recent full valuation by a qualified independent actuary was at 30 June 2013.

The valuation has been updated to 30 June 2016 by the actuary.

The Company operates a Defined benefit pension scheme.

The assets of the schemes are held separately from those of the Company.

Reconciliation of present value of plan liabilities:

	2016 £000	2015 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	17,356	14,966
Interest cost	689	677
Actuarial gains/losses	3,522	1,898
Contributions	(381)	(185)
At the end of the year	21,186	17,356

	2016 £000	2015 £000
At the beginning of the year	14,228	12,929
Current service cost	(107)	(89)
Interest income	564	582
Actuarial gains/losses	293	391
Contributions	600	600
Benefits paid	(381)	(185)
At the end of the year	15,197	14,228

Notes to the Financial Statements

For the Year Ended 30 June 2016

26. Pension commitments (continued)

	2016 £000	2015 £000
Fair value of plan assets	15,197	14,228
Present value of plan liabilities	(21,186)	(17,356)
Net pension scheme liability	(5,989)	(3,128)
	2016 £000	2015 £000
Current service cost	(107)	(89)
Interest on obligation	(125)	48
Total	(232)	(41)

Net interest on pension scheme obligation:

	2016 £000	2015 £000
Interest on pension scheme liabilities	125	(48)
Net interest:	125	(48)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £21,395,000 (2015 - £18,166,000).

The Company expects to contribute £600,000 to its Defined benefit pension scheme in 2017.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2016 £000	2015 £000
Equities	3,051	2,893
Bonds and gilts	3,582	3,088
Diversified	8,564	8,247
	15,197	14,228

Notes to the Financial Statements

For the Year Ended 30 June 2016

26. Pension commitments (continued)

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	2.80	4.00
Future salary increases	3.00	3.30
Future pension increases	3.00	3.30
Proportion of employees opting for early retirement	2.20	2.50
Inflation assumption	2.20	2.50
Mortality rates		
- for a male aged 65 now	22.1	22.0
- at 65 for a male aged 45 now	23.5	23.4
- for a female aged 65 now	24.4	24.3
- at 65 for a female member aged 45 now	25.9	25.8

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the asset distribution at the start of the period to develop the expected long-term rate of return on assets assumption for the portfolio.

Scheme assets are measured at market value. Pension liabilities are measured using the projected unit method discounted to present value. Amounts for the current and previous four periods are as follows:

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Defined benefit obligation	(21,186)	(17,356)	(14,966)	(13,904)	(12,800)
Scheme assets	15,197	14,228	12,929	12,055	10,308
Defecit	(5,989)	(3,128)	(2,037)	(1,849)	(2,492)
Experience adjustments on scheme liabilities	(424)	(1,898)	(637)	(1,113)	(306)
Experience adjustments on scheme assets	293	248	(56)	208	(591)

Notes to the Financial Statements

For the Year Ended 30 June 2016

27. Commitments under operating leases

At 30 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	98	72
Later than 1 year and not later than 5 years	208	134
Total	306	206

28. Other financial commitments

The company has no financial commitments apart from the foreign exchange contracts disclosed within financial instruments.

29. Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption provisions under FRS 102 section 33 from disclosing transactions with other members of the group.

30. Controlling party

On 26 March 2010, 100% of the share capital of Pauls Malt Limited was purchased by Boortmalt UK Limited.

The immediate parent undertaking of this company is Boortmalt UK Ltd, a company incorporated in the United Kingdom. This company does not prepare consolidated financial statements.

The ultimate parent undertaking and controlling party is Societe Cooperative Agricole Axereal, a co-operative company incorporated in France. Societe Cooperative Agricole Axereal is the largest group of undertakings for which group accounts have been drawn up. Copies of the consolidated financial statements of Societe Cooperative Agricole Axereal may be obtained from SCA Axereal, 36 rue de la Manufacture - CS 40639, 45166 Olivet Cedex, France.

Pauls Malt Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

31. First time adoption of FRS 102

	As previously stated 1 July 2014 £000	Effect of transition 1 July 2014 £000	FRS 102 (as restated) 1 July 2014 £000	As previously stated 30 June 2015 £000	Effect of transition 30 June 2015 £000	FRS 102 (as restated) 30 June 2015 £000
Note						
Fixed assets	35,031	-	35,031	37,800	-	37,800
Current assets	34,934	(319)	34,615	45,284	(265)	45,019
Creditors: amounts falling due within one year	(22,545)	871	(21,674)	(29,261)	993	(28,268)
Net current assets	12,389	552	12,941	16,023	728	16,751
Total assets less current liabilities	47,420	552	47,972	53,823	728	54,551
Creditors: amounts falling due after more than one year	(6,712)	-	(6,712)	(5,957)	-	(5,957)
Provisions for liabilities	(4,236)	-	(4,236)	(5,500)	-	(5,500)
Net assets	36,472	552	37,024	42,366	728	43,094
Capital and reserves	36,472	552	37,024	42,366	728	43,094

Notes to the Financial Statements

For the Year Ended 30 June 2016

31. First time adoption of FRS 102 (continued)

	Note	As previously stated 30 June 2015 £000	Effect of transition 30 June 2015 £000	FRS 102 (as restated) 30 June 2015 £000
Turnover		121,018	175	121,193
Cost of sales		(103,496)	-	(103,496)
		17,522	175	17,697
Distribution expenses		(6,031)	-	(6,031)
Administrative expenses		(1,584)	-	(1,584)
Operating profit		9,907	175	10,082
Interest receivable and similar income		413	-	413
Interest payable and similar charges		(1,100)	-	(1,100)
Other finance income		48	-	48
Taxation		(2,064)	-	(2,064)
Profit on ordinary activities after taxation and for the financial year		7,204	175	7,379

Explanation of changes to previously reported profit and equity:

- 1 Recognition of foreign exchange swap (financial instrument) which also resulted in the restatement of trade debtors. This transition adjustment resulted in adjustments to the opening and closing reserves.