Financial Statements

Pauls Malt Limited

For the Year Ended 30 June 2017

Registered number: 00088929

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Company Information

Directors	D R Wilkes J-F Loiseau (France) Y Schaepman (Belgium)
Company secretary	Goodbody Secretarial Northern Ireland Limited
Registered number	00088929
Registered office	24/25 Eastern Way Bury St Edmunds Suffolk IP32 7AD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Bankers	HSBC PLC 69 Pall Mall St James London SW1Y5E

Contents

Strategic Report

For the Year Ended 30 June 2017

Introduction

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

Business review

Global beer sales were estimated to have decreased by 1.8% in 2016 due to political and economic problems with notable reductions in South America (5.7%). This was driven by the crash in oil prices impacting the Venezuelan economy. Both European and North American markets continued to show strong growth mainly driven by strong craft beer sales.

Europe in general benefited from good malting barley crops in 2016 with the exception of the French crop. This put some pressure on the Western European supply and demand situation, however with a 56% increase in the Australian barley crop, this helped to maintain a very bearish global outlook.

The UK remains a top ten global beer producing nation with the greatest number of craft breweries per capita. The UK has more than 25 breweries per million people compared to 15 in the US and 16 in Germany. In common with other countries, the UK has benefited from the craft revolution and the number of UK brewers increased by 250 to 1950 in 2016. The US continues to lead the world as far as craft brewing is concerned with a growth of 6.2% in 2016 and 5301 brewers now accounting for 12.3% of the total US beer market share. Boortmalt Group has in response to this market segment developed four distinct craft brands, which are being progressively rolled out in 2017 to take advantage of the global craft phenomena.

The distilling industry remains a key market for the UK business and Pauls Malt has maintained and developed new markets globally driven by quality and service. This industry has seen significant growth in the past year with the launch of new global distilleries boosted by the craft phenomena. Attractive rates of exchange following the Brexit vote in 2016, helped distillers boost export sales by 4% in volume (£153 million) in 2016 alone to over £4 billion in total with single malt whisky accounting for over £1 billion for the first time ever.

Brexit continues to provide short term trading benefits with the UK becoming very attractive to the various export markets and as a result it is expected that our export volume will continue to grow in 2017. A depressed Sterling also increases the price of malt imports, which will further provide support for the UK industry malt supply and demand. The longer term consequences of Brexit are unknown particularly with respect to support for agriculture and the UK industry will continue making appropriate representations to the UK government through the Maltsters Association of Great Britain to ensure our raw material supply is adequately protected.

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:

Strategic Report (continued)
For the Year Ended 30 June 2017

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 tractability. 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 2017

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 2,667 tonnes in the financial period (2016 - 2,532 tonnes) and capacity utilisation was 91.3% in the financial period (2016 - 91.8%).

The consolidation of 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 increased. The proportion of sales tonnes to the three main sectors were - distilling 41% (2016 - 41%), brewing 38% (2016 - 41%), export 21% (2016 - 18%).

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 £20,649,000 (2016 - inflow of £12,319,000). The increase is a result of the new debtor financing agreement with HSBC.

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 36% (2016 - 24%).

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 2017

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 and signed on its behalf.

21/11/17

Y Schaepman (Belgium)
Director

Directors' Report
For the Year Ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Results and dividends

The profit for the year, after taxation, amounted to £11,711,000 (2016: £6,942,000).

Directors

The directors who served during the year were:

D R Wilkes
J-F Loiseau (France)
Y Schaepman (Belgium)
P Chaudru de Raynal (France) (resigned 31 May 2017)

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, Société Coopérative Agricole Axéréal, at 30 June 2017, and their interests are disclosed in that company's financial statements for the period ended 30 June 2017. There are no other interests requiring disclosure under the Companies Act 2006.

Directors' responsibilities statement

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

Company law requires the directors to prepare 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Charitable contributions

The company made charitable donations in the financial period of £Nil (2016: £Nil). The company made no political donations in the financial period (2016: £Nil).

Directors' Report (continued)
For the Year Ended 30 June 2017

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.

Post balance sheet events

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

Disclosure of information to auditor

The directors confirmed that:

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

Auditor

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 21/11/17 and signed on its behalf.

Y Schaepman (Belgium)
Director

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

Independent auditor's report to the members of Pauls Malt Limited Opinion

We have audited the financial statements of Pauls Malt Limited (the 'company') for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 30 June 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. 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.

Who we are reporting to

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.

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.

GrantThornton

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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.

Matter on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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.

Grant Thornton

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Gareth Norris ACA (Senior statutory auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date: 21 November 2017

Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 £000	2016 £000
Turnover	4	**108,052**	109,321
Cost of sales		**(82,756)**	(90,222)
Gross profit		**25,296**	19,099
Distribution costs		**(5,957)**	(5,694)
Administrative expenses		**(4,443)**	(4,033)
Operating profit	5	**14,896**	9,372
Interest receivable and similar income	9	**88**	182
Interest payable and expenses	10	**(831)**	(831)
Other finance income		**(165)**	(125)
Profit before tax		**13,988**	8,598
Tax on profit	12	**(2,277)**	(1,656)
Profit for the financial year		**11,711**	6,942
Other comprehensive income for the year			
Actuarial losses on defined benefit pension scheme		**218**	(3,229)
Movement of deferred tax relating to pension surplus		**(220)**	572
Current tax attributable to pension scheme deficit reduction contributions		**-**	74
Other comprehensive income for the year		**(2)**	(2,583)
Total comprehensive income for the year		**11,709**	4,359

All amounts relate to continuing activities.

All profits are attributable to the owners of the parent undertaking.

The notes on pages 13 to 31 form part of these financial statements.

Pauls Malt Limited
Registered number:00088929

Statement of Financial Position

As at 30 June 2017

	Note		2017 £000		2016 £000
Fixed assets					
Tangible assets	14		**35,993**		38,002
			35,993		38,002
Current assets					
Stocks	16	**7,871**		6,304	
Debtors: amounts falling due within one year	17	**22,307**		32,235	
Cash at bank and in hand	18	**9,693**		3,527	
		39,871		42,066	
Creditors: amounts falling due within one year	19	**(27,558)**		(28,624)	
Net current assets			**12,313**		13,442
Total assets less current liabilities			**48,306**		51,444
Creditors: amounts falling due after more than one year	20		**-**		(6,921)
Provisions for liabilities					
Deferred tax	22	**(2,261)**		(2,082)	
			(2,261)		(2,082)
Pension liability	26		**(4,784)**		(5,989)
Net assets			**41,261**		36,452
Capital and reserves					
Called up share capital	23		**1,081**		1,081
Share premium account	24		**988**		988
Profit and loss account	24		**39,192**		34,383
			41,261		36,452

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

21/11/17

Y Schaeppman (Belgium)
Director

The notes on pages 13 to 31 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2016	1,081	988	34,383	36,452
Comprehensive income for the year				
Profit for the year	-	-	11,711	11,711
Other comprehensive income for the year	-	-	(2)	(2)
Total comprehensive income for the year	-	-	11,709	11,709
Dividends: Equity capital	-	-	(6,900)	(6,900)
At 30 June 2017	1,081	988	39,192	41,261

Statement of Changes in Equity

For the Year Ended 30 June 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£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

The notes on pages 13 to 31 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2017

1. General information

Pauls Malt Limited is a private company limited by shares and registered in England and Wales. Its registered head office is located at 24/25 Eastern Way, Bury St Edmunds, Suffolk, IP32 7AD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 Société Coopérative Agricole Axéréal. 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 Axéréal Group as at 30 June 2017 and these financial statements may be obtained from SCA Axéréal, 36 Rue de la Manufacture - CS 40639, 45166 Olivet Cedex, France.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2017

2. Accounting policies (continued)

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 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 in associate undertakings held as fixed assets are shown at cost less provision for impairment.

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.

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. Accounting policies (continued)

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 debtors and creditors, 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 Statement of comprehensive income.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2017

2. Accounting policies (continued)

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.

2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income 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 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.16 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 Statement of Comprehensive income 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.

Defined benefit pension scheme

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 30 June 2017.

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 2017

2. Accounting policies (continued)

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.19 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 Statement of comprehensive income 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.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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.

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 Statement of Comprehensive income of the financial year 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. Turnover

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

	2017 £000	2016 £000
Malt - manufacture and sale	**101,576**	102,809
Barley drying and storage services	**6,476**	6,512
	108,052	109,321

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	**80,250**	86,716
Rest of Europe	**4,703**	5,378
Rest of the world	**967**	962
Africa	**8,102**	-
Asia	**14,030**	16,265
	108,052	109,321

Notes to the Financial Statements
For the Year Ended 30 June 2017

5. Operating profit

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

	2017 £000	2016 £000
Depreciation of tangible fixed assets - owned by the company	**3,271**	3,174
Profits on disposal of fixed assets	**(604)**	-
Exchange differences	**246**	1,018
Defined contribution pension cost	**359**	389

6. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**40**	40
The auditing of accounts of associates of the Company pursuant to legislation	**5**	5
All other services	**2**	10

7. Employees

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

	2017 £000	2016 £000
Wages and salaries	**4,368**	4,272
Social security costs	**466**	431
Cost of defined benefit scheme	**148**	107
Cost of defined contribution scheme	**359**	389
	5,341	5,199

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

	2017 No.	2016 No.
Production staff	**78**	83
Sales and administrative staff	**38**	41
	116	124

Notes to the Financial Statements
For the Year Ended 30 June 2017

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	**363**	327

The highest paid directors received remuneration of £363,014 (2016: £327,014).

During the year no directors (2016: none) participated in money purchase pension schemes.

9. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	**88**	182

10. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	**258**	301
Loans from group undertakings	**573**	530
	831	831

11. Other finance costs

	2017 £000	2016 £000
Net interest on net defined benefit liability	**(165)**	(125)

Notes to the Financial Statements
For the Year Ended 30 June 2017

12. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	**2,373**	1,703
Adjustments in respect of previous periods	**(56)**	(328)
	2,317	1,375
Total current tax	**2,317**	1,375
Deferred tax		
Origination and reveral of timing differences	**167**	350
Adjustment in respect of previous periods	**-**	314
Effect of changes in tax rates	**(207)**	(383)
Total deferred tax	**(40)**	281
Taxation on profit on ordinary activities	**2,277**	1,656

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.75% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	**13,988**	8,598
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	**2,763**	1,792
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**52**	233
Adjustments to tax charge in respect of prior periods	**(57)**	(13)
Items charged elsewhere	**(195)**	73
Income not taxable	**(79)**	(46)
Tax rate changes	**(207)**	(383)
Total tax charge for the year	**2,277**	1,656

Notes to the Financial Statements
For the Year Ended 30 June 2017

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 £Nil (2016: £73,600) has been recorded in the profit and loss reserve in respect of tax relief on pension scheme deficit repayment contributions.

13. Dividends

	2017 £000	2016 £000
Dividends paid	**6,900**	11,000

14. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Construction in progress £000	Total £000
Cost				
At 1 July 2016	7,113	88,366	481	95,960
Additions	-	-	1,656	1,656
Disposals	(380)	(1,470)	-	(1,850)
Transfers between classes	-	222	(222)	-
At 30 June 2017	6,733	87,118	1,915	95,766
Depreciation				
At 1 July 2016	2,536	55,422	-	57,958
Charge for the year on owned assets	113	3,158	-	3,271
Disposals	(127)	(1,329)	-	(1,456)
At 30 June 2017	2,522	57,251	-	59,773
Net book value				
At 30 June 2017	4,211	29,867	1,915	35,993
At 30 June 2016	4,577	32,944	481	38,002

Included in freehold property is land of £1,296,351 (2016: £1,366,860), which is not depreciated.

Notes to the Financial Statements
For the Year Ended 30 June 2017

15. Fixed asset investment

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal Activity
Multimalt Limited	1 Ordinary Share	20%	Handling of cereals and other agricultural products for export and import.

16. Stocks

	2017 £000	2016 £000
Raw materials and consumables	**618**	605
Work in progress	**1,477**	1,327
Finished goods and goods for resale	**5,776**	4,372
	7,871	6,304

Stock recognised in cost of sales during the year as an expense was £58,317,765 (2016: £65,208,366).

The was no stock provision in either 2016 or 2017.

17. Debtors

	2017 £000	2016 £000
Trade debtors	**3,472**	10,993
Amounts owed by group undertakings	**18,451**	20,735
Other debtors	**366**	422
Prepayments and accrued income	**18**	85
	22,307	32,235

18. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**9,693**	3,527
Less: bank overdrafts	**(2)**	(71)
	9,691	3,456

Notes to the Financial Statements
For the Year Ended 30 June 2017

19. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	**2**	71
Trade creditors	**23,572**	23,699
Amounts owed to group undertakings	**876**	2,182
Corporation tax	**1,101**	488
Social security and other taxation	**115**	116
Obligations under finance lease and hire purchase contracts	**1,198**	681
Accruals and deferred income	**694**	1,387
	27,558	28,624

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

	2017 £000	2016 £000
Amounts owed to group undertakings	**-**	6,921

During the year the amounts owed to group undertakings due in greater than one year were repaid in full.

21. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	**9,693**	3,527
Financial assets that are debt instruments measured at amortised cost	**22,289**	32,150
	31,982	35,677
Financial liabilities		
Financial liabilities measured at amortised cost	**(26,340)**	(34,261)

Financial assets measured at fair value through profit or loss comprise of cash.

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

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed by group, hire purchase obligations and accruals.

Notes to the Financial Statements
For the Year Ended 30 June 2017

22. Deferred taxation

	2017 £000	2016 £000
At beginning of year	**(2,082)**	(2,372)
Charged to profit or loss	**40**	(282)
Charged to other comprehensive income	**(219)**	572
At end of year	**(2,261)**	(2,082)

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Liability	**(2,261)**	(2,082)
	(2,261)	(2,082)

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

	2017 £000	2016 £000
Deferred tax excluding that relating to the pension disclosure	**(3,074)**	(3,282)
Pension liability	**813**	1,200
Total	**(2,261)**	(2,082)

23. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,081,000 Ordinary shares of £1 each	**1,081**	1,081

Notes to the Financial Statements
For the Year Ended 30 June 2017

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 2017 the Company had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	**346**	249

Notes to the Financial Statements
For the Year Ended 30 June 2017

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, situation at various locations within the UK.

The most recent full valuation by a qualified independent actuary was at 30 June 2017.

The valuation has been updated to 30 June 2017 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:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	21,186	17,356
Settlements	(166)	-
Interest cost	582	689
Actuarial losses	606	3,522
Contributions	(614)	(381)
At the end of the year	21,594	21,186

	2017 £000	2016 £000
Reconciliation of fair value of plan assets		
At the beginning of the year	15,197	14,228
Administrative expenses	(148)	(107)
Interest income	417	564
Actuarial gains	824	293
Contributions	1,300	600
Benefits paid	(614)	(381)
Settlements	(166)	-
At the end of the year	16,810	15,197

Notes to the Financial Statements

For the Year Ended 30 June 2017

26. Pension commitments (continued)

	2017 £000	2016 £000
Fair value of plan assets	**16,810**	15,197
Present value of plan liabilities	**(21,594)**	(21,186)
Net pension scheme liability	**(4,784)**	(5,989)

	2017 £000	2016 £000
Amounts recognised in the income statement		
Current service cost	**(148)**	(107)
New interest cost	**(165)**	(125)
Total	**(313)**	(232)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £21,177,000 (2016: £21,395,000).

The Company expects to contribute £850,000 to its Defined benefit pension scheme in 2018.

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

	2017 £000	2016 £000
Equities	**3,315**	3,051
Bonds and gilts	**3,443**	3,582
Diversified	**8,617**	8,564
Cash	**1,435**	-
	16,810	15,197

Notes to the Financial Statements

For the Year Ended 30 June 2017

26. Pension commitments (continued)

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

	2017	2016
	%	%
Discount rate	**2.60**	2.80
Future salary increases	**3.40**	3.00
Future pension increases	**3.40**	3.00
Proportion of employees opting for early retirement	**2.50**	2.20
Inflation assumption (CPI)	**2.60**	2.20
Mortality rates		
- for a male aged 65 now	**22.0**	22.1
- at 65 for a male aged 45 now	**23.3**	23.5
- for a female aged 65 now	**24.0**	24.4
- at 65 for a female member aged 45 now	**25.5**	25.9

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.

Defined benefit pension schemes

	2017	2016
	£000	£000
Defined benefit obligation	**(21,594)**	(21,186)
Scheme assets	**16,810**	15,197
Deficit	**(4,784)**	(5,989)

	2017	2016
Experience adjustments on scheme liabilities	**1,814**	(424)
Experience adjustments on scheme assets	**824**	293
	2,638	**(131)**

The before tax gross deficit is shown above, however, a deferred tax asset has been recognised in note 22. This is a long-term balance and there is not expected to be any material reversal in the next 12 months.

Notes to the Financial Statements

For the Year Ended 30 June 2017

27. Commitments under operating leases

At 30 June 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	125	98
Later than 1 year and not later than 5 years	267	208
	392	306

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 Boormalt UK Limited, a company incorporated in the United Kingdom. This company does not prepare consolidated financial statements.

The ultimate parent undertaking and controlling party is Société Coopérative Agricole Axéréal, a cooperative company incorporated in France. Société Coopérativé Agricole Axéréal is the largest group of undertakings for which group accounts have been drawn up. Copies of the consolidated financial statements of Société Coopéative Agricole Axéréal may be obtained from SCA Axéréal, 36 rue de la Manufacture – CS 40639, 45166 Olivet Cedex, France.