

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu
International



Company Registration No. 961989

GLENCORE GRAIN UK LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1997

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DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are those of grain merchants and dealers. These activities continued throughout the year and are expected to remain at a similar level in the future.

RESULTS AND DIVIDEND

The loss for the year after taxation amounted to £1,974,000 (1996 profit - £251,000). The directors do not recommend a dividend (1996 - £nil).

DIRECTORS

The directors of the company during the year were:

M J Tuckey
D Dreyfuss
J Calder (resigned 7 March 1997)
G P Williams
K L Davies

None of the directors had any disclosable interests in the shares of the company, its subsidiaries or its associated company during the year.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

S P PUJARA
Secretary

22 April 1998

Glencore Grain UK Ltd.
Warren House
Bell Lane
Thame
Oxon OX9 3AL



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF GLENCORE GRAIN UK LIMITED

We have audited the financial statements on pages 4 to 18 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

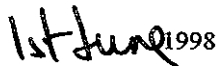
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants
and Registered Auditors


1st June 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 £'000	1996 £'000
TURNOVER - from continuing operations	3	294,573	388,418
Cost of sales		(292,933)	(384,424)
Gross profit		1,640	3,994
Administrative expenses		(3,627)	(3,911)
OPERATING (LOSS)/PROFIT - from continuing operations		(1,987)	83
Other interest receivable and similar income	4	128	391
Interest payable and similar charges	5	(386)	(331)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(2,245)	143
Tax credit on (loss)/profit on ordinary activities	8	271	108
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,974)	251
Profit and loss account brought forward		11,085	10,834
Profit and loss account carried forward		9,111	11,085

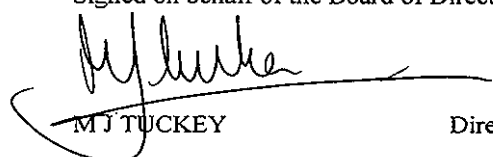
There are no recognised gains or losses, or movements in shareholders' funds, for the current financial year and preceding financial year other than as stated in the profit and loss account.

BALANCE SHEETS
31 December 1997

	Note	1997 Group £'000	1996 Group £'000	1997 Company £'000	1996 Company £'000
FIXED ASSETS					
Tangible assets	9	1,469	1,638	1,469	1,638
Investments	10	368	363	363	363
		<u>1,837</u>	<u>2,001</u>	<u>1,832</u>	<u>2,001</u>
CURRENT ASSETS					
Stocks	11	14,592	22,206	14,592	22,206
Debtors	12	14,820	21,544	14,820	21,544
Cash at bank and in hand		1	130	1	130
		<u>29,413</u>	<u>43,880</u>	<u>29,413</u>	<u>43,880</u>
CREDITORS: amounts falling due within one year	13	<u>(21,708)</u>	<u>(34,281)</u>	<u>(22,401)</u>	<u>(34,974)</u>
NET CURRENT ASSETS		<u>7,705</u>	<u>9,599</u>	<u>7,012</u>	<u>8,906</u>
TOTAL NET ASSETS LESS CURRENT LIABILITIES		<u>9,542</u>	<u>11,600</u>	<u>8,844</u>	<u>10,907</u>
CREDITORS: amounts falling due after more than one year	14	(77)	(100)	(77)	(100)
PROVISIONS FOR LIABILITIES AND CHARGES	16	-	(61)	-	(61)
TOTAL NET ASSETS		<u>9,465</u>	<u>11,439</u>	<u>8,767</u>	<u>10,746</u>
CAPITAL AND RESERVES					
Called up share capital	17	303	303	303	303
Revaluation reserve		51	51	-	-
Profit and loss account		9,111	11,085	8,464	10,443
TOTAL SHAREHOLDERS' FUNDS		<u>9,465</u>	<u>11,439</u>	<u>8,767</u>	<u>10,746</u>
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:					
Equity shareholders' funds		9,165	11,139	8,467	10,446
Non - equity shareholders' funds	17	300	300	300	300
		<u>9,465</u>	<u>11,439</u>	<u>8,767</u>	<u>10,746</u>

These financial statements were approved by the Board of Directors on 22nd April 1998

Signed on behalf of the Board of Directors


M J TUCKEY Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1997

	Note	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Net cash inflow/(outflow) from operating activities	18(i)		8,277		(10,163)
Returns on investments and servicing of finance					
Interest received		128		412	
Interest paid		(373)		(323)	
Interest element of finance lease rental payments		(9)		(8)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(254)		81
Taxation					
Corporation tax paid			(84)		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(112)		(262)	
Receipts from sales of tangible fixed assets		27		593	
Net cash (outflow)/inflow from capital expenditure and financial investment			(85)		331
			7,854		(9,751)
Financing	18(iii)				
Debt due within one year:					
Bank loans		(4,500)		7,000	
Capital element of finance lease rentals		(61)		(80)	
Net cash (outflow)/inflow from financing			(4,561)		6,920
Increase/(decrease) in cash	18(iii)		3,293		(2,831)

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries and the results of its associated undertaking for the year ended 31 December 1997.

Associated undertaking

The associated undertaking is accounted for using the equity method.

Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of goods supplied as grain merchants during the year.

Depreciation

Depreciation on tangible fixed assets is provided on the straight line basis to write off the cost of the assets over their expected useful lives which are as follows:

Freehold land is not depreciated.

Buildings	25 years
Plant and machinery	10 years
Office equipment, fixtures and fittings	5 years
Computers	3 years
Motor vehicles	4 years

Stocks

Stocks, consisting of grain and feed stuffs, are valued at the lower of cost, at a weighted average price, and net realisable value. Cost includes, where incurred, freight, import duties, silo rental and cost of discharge where appropriate.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Gains and losses arising from such translation are dealt with in the profit and loss account.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES (continued)

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost of the pensions over employees' working lives with the company.

Finance leases

Tangible fixed assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excesses of the lease payments over the recorded lease obligations are treated as finance charges which are authorised over each lease term.

Rentals under operating leases

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

2. PROFIT AND LOSS ACCOUNT

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £1,979,000 (1996 profit - £251,000).

3. TURNOVER

The directors consider there to be one class of business.

All trading originates in the United Kingdom.

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £'000	1996 £'000
Interest receivable from other group companies	11	131
Other interest receivable	117	260
	<u>128</u>	<u>391</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
On bank loans and overdrafts	375	322
Other interest payable	11	9
	<u>386</u>	<u>331</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

6. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £'000	1996 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
- Audit fees	35	34
- Other services	12	12
Depreciation of tangible assets		
- Owned assets	244	244
- Leased assets	64	58
Rentals under operating leases		
- Other operating leases	82	87
	<u> </u>	<u> </u>

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £'000	1996 £'000
Directors' emoluments		
Remuneration	<u>102</u>	<u>226</u>
	No.	No.
Number of directors who are members of the defined benefit pension scheme	<u>3</u>	<u>4</u>
	£'000	£'000
Employee costs during the year		
Wages and salaries	1,669	1,715
Social security costs	144	152
Other pension costs	137	183
	<u>1,950</u>	<u>2,050</u>
	No.	No.
Average number of persons employed	<u>83</u>	<u>79</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

8. TAX CREDIT ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK corporation tax at 31% (1996 - 33%)	(210)	(160)
Deferred taxation	(61)	61
	(271)	(99)
Adjustment to prior years' tax provisions:		
Corporation tax	-	(9)
	(271)	(108)

The tax credit is low due to tax losses in the year which are carried forward to offset against future profits of the same trade and for which no deferred tax asset has been recognised.

9. TANGIBLE ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Office equipment, fixtures, fittings and motor vehicles £'000	Total £'000
GROUP AND COMPANY				
Cost:				
At 1 January 1997	1,291	2,268	1,203	4,762
Additions	-	14	148	162
Disposals	-	(25)	(64)	(89)
At 31 December 1997	1,291	2,257	1,287	4,835
Accumulated depreciation:				
At 1 January 1997	361	1,966	797	3,124
Charge for year	46	75	187	308
Disposals	-	(23)	(43)	(66)
At 31 December 1997	407	2,018	941	3,366
Net book value				
At 31 December 1997	884	239	346	1,469
At 31 December 1996	930	302	406	1,638

The net book value of the group's office equipment, fixtures, fittings and motor vehicles includes £158,000 (1996 - £173,000) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

10. FIXED ASSET INVESTMENTS

	Associated company £'000
GROUP	
Cost:	
At 1 January and 31 December 1997	75
Share of the profits retained:	
At 1 January 1997	288
Profit retained for the year	5
At 31 December 1997	293
Net book value:	
At 31 December 1997	368
At 31 December 1996	363

	Subsidiaries £'000	Associated company £'000	Total £'000
COMPANY			
Cost:			
At 1 January and 31 December 1997	750	75	825
Provision for permanent diminution in value:			
At 1 January and 31 December 1997	462	-	462
Net book value:			
At 1 January and 31 December 1997	288	75	363

Subsidiaries	Country of registration	Description of holding	Proportion held	Nature of business
Ceres (U.K.) Limited	England and Wales	Ordinary shares	100%	Dormant
J. Milne & Sons Limited	England and Wales	Ordinary shares	100%	Dormant
Myhill Grain Limited	England and Wales	Ordinary shares	100%	Dormant
Associated company				
Tetbury Agricultural Merchants Limited	England and Wales	Ordinary shares	50%	Agricultural merchants

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

11. STOCKS

	1997 £'000	1996 £'000
GROUP AND COMPANY		
Goods held for resale	14,592	22,206

The replacement cost of stocks is not materially different from the above valuation.

12. DEBTORS

	1997 £'000	1996 £'000
GROUP AND COMPANY		
Trade debtors	14,016	20,345
Amounts owed by group companies	63	670
Other debtors	698	479
Prepayments and accrued income	43	50
	<u>14,820</u>	<u>21,544</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 Group £'000	1996 Group £'000	1997 Company £'000	1996 Company £'000
Bank loans and overdrafts	11,351	19,273	11,351	19,273
Obligations under finance leases and hire purchase contracts (note 15)	62	50	62	50
Trade creditors	9,637	13,836	9,637	13,836
Amounts owed to subsidiaries	-	-	693	693
Amounts owed to fellow subsidiaries	12	68	12	68
Other creditors	471	918	471	918
Accruals and deferred income (note 20)	175	136	175	136
	<u>21,708</u>	<u>34,281</u>	<u>22,401</u>	<u>34,974</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £'000	1996 £'000
GROUP AND COMPANY		
Obligations under finance leases and hire purchase contracts (note 15)	77	100

15. OBLIGATIONS UNDER FINANCE LEASES

	1997 £'000	1996 £'000
GROUP AND COMPANY		
Obligations under finance leases fall due as follows:		
Between one and two years	62	50
Between two and five years	15	50
	77	100
In one year or less	62	50
	139	150

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £'000	1996 £'000
GROUP AND COMPANY		
Deferred taxation	-	61
		£'000
Balance at 1 January 1997		61
Current year credit		(61)
Balance at 31 December 1997		-

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 1997 £'000	Provided 1996 £'000	Unprovided 1997 £'000	Unprovided 1996 £'000
Capital allowances in excess of depreciation	49	61	-	-
Other short term timing differences	(49)	-	(394)	-
	-	61	(394)	-

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

17. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised, allotted and fully paid:		
Equity - 300,000 ordinary shares of 1p each	3	3
Non-equity - 300,000 deferred shares of £1 each	300	300
	<u>303</u>	<u>303</u>

Rights attaching to deferred shares

(i) Dividend rights

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

(ii) Voting rights

Except only in respect of a Resolution varying the rights of such deferred shares, no right to receive notice of or to attend or vote at any general meeting of the company.

(iii) Rights on winding up

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

18. CASH FLOW STATEMENT

(i) Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Operating (loss)/profit		(1,987)		83
Depreciation of tangible fixed assets		308		302
Share of profit of associated company	(30)		-	
Dividend from associated company	<u>25</u>		<u>13</u>	
		(5)		13
Profit on disposal of tangible fixed assets		(4)		(32)
Decrease/(increase) in stocks		7,614		(8,408)
Decrease/(increase) in debtors		7,079		(4,904)
(Decrease)/increase in creditors		<u>(4,728)</u>		<u>2,783</u>
Net cash inflow/(outflow) from operating activities		<u>8,277</u>		<u>(10,163)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

18. CASH FLOW STATEMENT (continued)

(ii) Analysis of net debt

	At 1 January 1997 £'000	Cashflow £'000	Other non-cash changes £'000	At 31 December 1997 £'000
Cash at bank and in hand	130	(129)	-	1
Overdrafts	(6,773)	3,422	-	(3,351)
	<u>(6,643)</u>	<u>3,293</u>	<u>-</u>	<u>(3,350)</u>
Debt due within one year	(12,500)	4,500	-	(8,000)
Finance leases	(150)	61	(50)	(139)
	<u>(12,650)</u>	<u>4,561</u>	<u>(50)</u>	<u>(8,139)</u>
Total	<u>(19,293)</u>	<u>7,854</u>	<u>(50)</u>	<u>(11,489)</u>

(iii) Reconciliation of net cashflow to movement in net debt

	1997 £'000	1996 £'000
Increase/(decrease) in cash in the year	3,293	(2,831)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	<u>4,561</u>	<u>(6,920)</u>
Change in net debt resulting from cashflows	7,854	(9,751)
New finance leases	<u>(50)</u>	<u>(230)</u>
Movement in net debt in the year	7,804	(9,981)
Net debt at 1 January	<u>(19,293)</u>	<u>(9,312)</u>
Net debt at 31 December	<u>(11,489)</u>	<u>(19,293)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

19. CONTINGENT LIABILITIES

GROUP AND COMPANY

Guarantees

	1997 £'000	1996 £'000
Guarantees in favour of the Intervention Board for Agricultural Produce	15,000	10,000
Other guarantees and bond	-	2,500
	<u>15,000</u>	<u>12,500</u>

Security

Bank loans and overdrafts include amounts of £8 million (1996 - £12.5 million) which are secured against certain stocks and debtors.

20. GOVERNMENT GRANTS

GROUP AND COMPANY

	£'000
Deferred credit at 1 January 1997	14
Transferred to profit and loss account	(9)
	<u>5</u>
Deferred credit at 31 December 1997	<u>5</u>

The deferred credit is included under the heading "Accruals and deferred income" (note 13).

21. PENSION COMMITMENTS

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1 October 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 7% per annum and that a proportion of members would withdraw from service each year other than by retirement.

The pension charge for the year was £137,000 (1996 - £183,000), there is no prepayment or accrual at the year end (1996 - £nil).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,116,298. In the opinion of the actuary, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due based on contributions of the company and employees at 10.6% and 6% of earnings respectively.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

22. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1997 £'000	Other 1997 £'000	Land and buildings 1996 £'000	Other 1996 £'000
Leases which expire:				
Within one year	-	6	-	16
Within two to five years	-	73	-	61
After five years	51	-	49	-
	<u>51</u>	<u>-</u>	<u>49</u>	<u>-</u>

23. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Glencore Holding AG, a company incorporated in Switzerland.

24. RELATED PARTY TRANSACTIONS

(i) The transactions noted below were entered into with group companies. All these transactions were executed on normal commercial terms and conditions. The nature of the transactions was as follows:

- | | |
|--------------------------|--|
| (a) Trading activities | (i) sales and purchases of physical commodities |
| | (ii) sales and purchases of commodity futures |
| (b) Service activities | service fees receivable and payable for technical support and administration. |
| (c) Financial activities | interest receivable and payable on short term loans and intercompany accounts. |

Value of transactions

Type of transaction	1997 £'000	1996 £'000
Completed sales of physical commodities	84,809	87,121
Open sales of physical commodities	13,463	31,116
Completed purchases of physical commodities	14,431	30,270
Open purchases of physical commodities	2,639	1,008
Freight charges receivable	-	373
Freight charges payable	1,880	1,864
Interest receivable	11	131

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

24. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

The following were the balances with related parties at the end of the year.

	Group and Company	
	1997	1996
	£'000	£'000
Amount owed by fellow subsidiaries	63	670
Amount owed to fellow subsidiaries	12	68
	<u> </u>	<u> </u>

- (ii) As described in Note 10 the company has a 50% interest in Tetbury Agricultural Merchants Limited. A dividend of £25,000 (1996 - £13,000) was received during the year.