Company Registration No. 961989

Deloitte & Touche

GLENCORE GRAIN UK LIMITED

Report and Financial Statements

31 December 1999

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

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 1999.

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. The company's subsidiaries have not traded during the year.

RESULTS AND DIVIDEND

The profit for the year after taxation amounted to £655,000 (1998 profit - £771,000). The directors do not recommend a dividend (1998 - £nil).

DIRECTORS

The directors of the company during the year were:

M J Tuckey
D Dreyfuss
G P Williams
K L Davies

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

YEAR 2000 COMPLIANCE

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business, however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

THE EURO

All key operating systems of the Group were reviewed to ensure compatibility with the implementation of the Euro. No material financial costs were incurred, or are expected to be incurred in this respect.

DIRECTORS' REPORT

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

14 April 2000

Glencore Grain UK Limited
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.

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Deloitte & Touche

AUDITORS' REPORT TO THE MEMBERS OF GLENCORE GRAIN UK LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 and the group, 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 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants
and Registered Auditors

14 April 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £'000	1998 as restated (see note 3) £'000
TURNOVER – from continuing operations	4	158,349	178,198
Cost of sales		(154,173)	(173,797)
Gross profit		4,176	4,401
Administrative expenses		(3,449)	(3,692)
OPERATING PROFIT – from continuing operations		727	709
Share of operating profit in associate		44	59
Exceptional item:			
Share of associate – profit on disposal of land		53	-
Other interest receivable and similar income	5	150	345
Interest payable and similar charges	6	(84)	(289)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	890	824
Tax charge on profit on ordinary activities	9	(235)	(53)
PROFIT FOR THE FINANCIAL YEAR		655	771
Profit and loss account brought forward		9,882	9,111
Profit and loss account carried forward		10,537	9,882

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 1999

	Note	1999 Group £'000	1998 Group £'000	1999 Company £'000	1998 Company £'000
FIXED ASSETS					
Tangible assets	10	1,095	1,337	1,095	1,337
Investments	11	414	395	363	363
		1,509	1,732	1,458	1,700
CURRENT ASSETS					
Stocks	12	8,102	13,179	8,102	13,179
Debtors	13	13,145	16,317	13,145	16,317
Cash at bank and in hand		-	147	-	147
		21,247	29,643	21,247	29,643
CREDITORS: amounts falling due within one year	14	(11,861)	(21,123)	(12,554)	(21,816)
NET CURRENT ASSETS		9,386	8,520	8,693	7,827
TOTAL NET ASSETS LESS CURRENT LIABILITIES		10,895	10,252	10,151	9,527
CREDITORS: *amounts falling due after* more than one year	15	(4)	(16)	(4)	(16)
TOTAL NET ASSETS		10,891	10,236	10,147	9,511
CAPITAL AND RESERVES					
Called up share capital	18	303	303	303	303
Revaluation reserve		51	51	-	-
Profit and loss account		10,537	9,882	9,844	9,208
TOTAL SHAREHOLDERS' FUNDS		10,891	10,236	10,147	9,511
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:					
Equity shareholders' funds		10,591	9,936	9,847	9,211
Non – equity shareholders' funds	18	300	300	300	300
		10,891	10,236	10,147	9,511

These financial statements were approved by the Board of Directors on 14 April 2000

Signed on behalf of the Board of Directors

Keith Davies

K L Davies Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1999

	Note	1999 £'000	1999 £'000	1998 £'000	1998 £'000
Net cash inflow from operating activities	19(i)		1,082		6,779
Dividends received from associate			29		27
Returns on investments and servicing of finance					
Interest received		150		345	
Interest paid		(125)		(233)	
Interest element of finance lease rental payments		(10)		(11)	
Net cash inflow from returns on investments and servicing of finance			15		101
Taxation					
Corporation tax (paid)/received			(2)		251
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(140)		(157)	
Receipts from sales of tangible fixed assets		105		50	
Net cash outflow from capital expenditure and financial investment			(35)		(107)
Cash inflow before use of liquid resources and financing			1,089		7,051
Financing	19(iii)				
Repayment of borrowings		-		(8,000)	
Capital element of finance lease rentals		(62)		(61)	
Net cash outflow from financing			(62)		(8,061)
Increase/(decrease) in cash	18(iii)		1,027		(1,010)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

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 1999.

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

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the pre-tax profits and attributable taxation of the associated undertakings based on audited financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown at the Group's share of the net assets, excluding goodwill, of the associated undertakings.

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES (continued)

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.

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

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

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 profit for the financial year amounted to £636,000 (1998 profit - £744,000).

3. PRIOR PERIOD ADJUSTMENT

The prior period adjustment represents the effect of a change in the application of the accounting policy relating to Turnover where it impacts on "circle" and "difference" contracts (where only the margin between the purchase and sales contracts is settled between Glencore Grain UK Limited and a counterparty). In the prior period, both the underlying turnover and cost of sales on such contracts were recorded in the profit and loss account. The directors have changed the application of the accounting policy to record only the margin on such contracts in the profit and loss account to be consistent with the parent company's accounting treatment.

The change in accounting policy has resulted in a prior period adjustment to restate turnover and cost of sales for the year ended 31 December 1998 by £28,125,000. The effect on the current year of the change in accounting policy on both turnover and cost of sales is £30,805,000. Gross profit is unaffected both in the current year and the prior year by this change.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

4. TURNOVER

The directors consider there to be one class of business, being that of grain merchants. Turnover by destination was:

	1999 £'000	1998 as restated £'000
United Kingdom	98,411	123,851
Other European countries	59,938	54,347
	158,349	178,198

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £'000	1998 £'000
Interest receivable from other group companies	-	9
Other interest receivable	150	336
	150	345

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Bank loans and overdrafts	58	271
Other interest payable	-	7
Finance leases	10	11
Interest payable to other group companies	16	-
	84	289

7. OPERATING PROFIT

	1999 £'000	1998 £'000
Operating proft is after charging:		
Auditors' remuneration		
- Audit fees	43	36
- Other services	10	11
Depreciation of tangible assets		
- Owned assets	247	219
- Leased assets	70	70
Rentals under operating leases		
- Other operating leases	73	90
Gain on foreign exchange	(67)	(56)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999	1998
	£'000	£'000
Directors' emoluments		
Remuneration	103	96

	No.	No.
Number of directors who are members of the Defined benefit pension scheme	3	3

	£'000	£'000
Employee costs during the year		
Wages and salaries	1,567	1,716
Social security costs	139	146
Other pension costs	186	160
	1,892	2,022

	No.	No.
Average number of persons employed by the group in the year		
Trading activities	24	28
Service activities	21	24
Administrative activities	27	31
	72	83

9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£'000	£'000
UK corporation tax at 30% (1998 - 31%)	134	2
Associated companies	13	5
	147	7
Adjustment in respect of prior years	88	46
	235	53

The tax charge is low due to brought forward losses, although partially offset by a gain on rollover relief crystallising.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

10. 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 1999	1,291	2,174	1,146	4,611
Additions	-	4	136	140
Disposals	(115)	-	(92)	(207)
At 31 December 1999	1,176	2,178	1,190	4,544
Accumulated depreciation:				
At 1 January 1999	453	1,998	823	3,274
Charge for year	66	55	196	317
Disposals	(52)	-	(90)	(142)
At 31 December 1999	467	2,053	929	3,449
Net book value:				
At 31 December 1999	709	125	261	1,095
At 31 December 1998	838	176	323	1,337

The net book value of the group's office equipment, fixtures, fittings and motor vehicles includes £19,000 (1998 - £89,000) in respect of assets held under finance leases and hire purchase contracts.

11. FIXED ASSET INVESTMENTS

	Associated Company £'000
GROUP	
Cost:	
At 1 January and 31 December 1999	75
Share of profits retained:	
At 1 January 1999	320
Profit retained for the year	19
At 31 December 1999	339
Net book value:	
At 31 December 1999	414
At 31 December 1998	395

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

11. FIXED ASSET INVESTMENTS (continued)

	Subsidiaries £'000	Associated company £'000	Total £'000
COMPANY			
Cost:			
At 1 January and 31 December 1999	750	75	825
Provision for permanent diminution in value:			
At 1 January and 31 December 1999	462	-	462
Net book value:			
At 1 January and 31 December 1999	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%	Grain trader
J. Milne & Sons Limited	England and Wales	Ordinary shares	100%	Grain trader
Myhill Grain Limited	England and Wales	Ordinary shares	100%	Grain trader
Associated company				
Tetbury Agricultural Merchants Limited	England and Wales	Ordinary shares	50%	Agricultural merchants

12. STOCKS

GROUP AND COMPANY	1999 £'000	1998 £'000
Goods held for resale	8,102	13,179

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

13. DEBTORS

GROUP AND COMPANY	1999 £'000	1998 £'000
Trade debtors	9,020	14,977
Amounts owed by group companies	3,311	-
Other debtors	781	1,294
Prepayments and accrued income	33	46
	13,145	16,317

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 Group £'000	1998 Group £'000	1999 Company £'000	1998 Company £'000
Bank loans and overdrafts	3,333	4,507	3,333	4,507
Obligations under finance leases and hire purchase contracts (note 15)	12	62	12	62
Trade creditors	7,423	9,004	7,423	9,004
Amounts owed to subsidiaries	-	-	693	693
Amounts owed to fellow subsidiaries	12	5,795	12	5,795
Other creditors	881	1,522	881	1,522
Accruals and deferred income	200	233	200	233
	11,861	21,123	12,554	21,816

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

GROUP AND COMPANY	1999 £'000	1998 £'000
Obligations under finance leases and hire purchase contracts (note 15)	4	16

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

GROUP AND COMPANY	1999 £'000	1998 £'000
Obligations under finance leases and hire purchase contracts fall due as follows:		
Between one and two years	4	12
Between two and five years	-	4
	4	16
In one year or less	12	62
	16	78

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

17. PROVISIONS FOR LIABILITIES AND CHARGES

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

GROUP AND COMPANY	Provided 1999 £'000	Provided 1998 £'000	Unprovided 1999 £'000	Unprovided 1998 £'000
Capital allowances in excess of depreciation	-	-	(20)	27
Other short term timing differences	-	-	(22)	(186)
	-	-	(42)	(159)

18. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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
	303	303

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

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

(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.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

19. CASH FLOW STATEMENT

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

	1999 £'000	1998 £'000
Operating profit	727	709
Depreciation of tangible fixed assets	317	289
Profit on disposal of tangible fixed assets	(40)	(50)
Decrease in stocks	5,077	1,413
Decrease/(increase) in debtors	3,209	(1,797)
(Decrease)/increase in creditors	(8,208)	6,215
Net cash inflow from operating activities	1,082	6,779

(ii) Analysis of net debt

	At 1 January 1999 £'000	Cashflow £'000	At 31 December 1999 £'000
Cash at bank and in hand	147	(147)	-
Overdrafts	(4,507)	1,174	(3,333)
	(4,360)	1,027	(3,333)
Finance leases	(78)	62	(16)
Total	(4,438)	1,089	(3,349)

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

	1999 £'000	1998 £'000
Increase/(decrease) in cash in the year	1,027	(1,010)
Cash (outflow)/inflow from decrease in debt and lease financing	(62)	8,061
Change in net debt resulting from cashflows	965	7,051
Net debt at 1 January	(4,438)	(11,489)
Net debt at 31 December	(3,473)	(4,438)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

20. CONTINGENT LIABILITIES

GROUP AND COMPANY

Guarantees

	1999 £'000	1998 £'000
Guarantees in favour of the Intervention Board for Agricultural Produce	38,511	41,600
	38,511	41,600

Guarantees are lodged with the Intervention Board for Agricultural Produce in order to ensure that certain EU obligations are complied with. Guarantees are required for applications for import and export licences, advance payment, intervention and set-aside schemes.

Guarantees remain in place until the trader provides proof that the obligations have been met. Guarantees may be forfeit if any obligations are not met, including those related to time limits. In the event of a valid forfeit, the company is given 30 days to settle before the guarantor is required to pay.

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 1997. 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 £186,000 (1998 - £160,000), there is no prepayment or accrual at the year end (1998 - £nil).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,603,000. 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 13% and 6% of earnings respectively.

22. OTHER FINANCIAL COMMITMENTS

At 31 December 1999 the company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999 £'000	Other 1999 £'000	Land and Buildings 1998 £'000	Other 1998 £'000
Leases which expire:				
Within one year	-	3	-	16
Within two to five years	-	57	-	27
After five years	51	-	51	-

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

23. ULTIMATE PARENT COMPANY

The immediate parent company is Glencore Grain Holding AG, a company incorporated in Switzerland. The ultimate parent company is Glencore International 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	**1999**	**1998 as restated**
	£'000	**£'000**
Completed sales of physical commodities	45,572	36,221
Open sales of physical commodities	6,059	26,369
Completed purchases of physical commodities	374	1,075
Open purchases of physical commodities	1,474	4,802
Freight charges payable	741	1,070
Interest receivable	-	9
Interest payable	16	-

Balances with related parties

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

	Group and Company	
	1999	**1998**
	£'000	**£'000**
Amount owed by fellow subsidiaries	3,311	-
Amount owed to fellow subsidiaries	12	5,795

(ii) As described in Note 10 the company has a 50% interest in Tetbury Agricultural Merchants Limited. A dividend of £29,000 (1998 - £25,000) was received during the year.