

**Company Registration No. 961989**

**Glencore Grain UK Limited**

**Report and Financial Statements**

**31 December 2005**



# **Glencore Grain UK Limited**

## **Report and financial statements 2005**

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# **Glencore Grain UK Limited**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

D N Dreyfuss (resigned 20 January 2006)  
K L Davies  
C J Mahoney  
E C B Mostert (appointed 20 January 2006)

#### **Secretary**

S P Pujara

#### **Registered Office**

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

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# Glencore Grain UK Limited

## Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2005.

### 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 £187,000 (2004 profit – £806,000). During the year the directors declared an interim dividend of £nil (2004 - £nil), they do not recommend a final dividend (2004 - £nil).

### Directors

The directors of the company who served throughout the year, except as noted, were:

D N Dreyfuss (resigned 20 January 2006)  
K L Davies  
C J Mahoney  
E C B Mostert (appointed 20 January 2006)

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

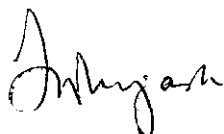
### Financial instruments

Derivative instruments utilised by the group are forward and futures commodity contracts for wheat and oil seed rape as well as forward currency contracts. Such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

### Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

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



S P Pujara  
Secretary

28/06/2006

## **Glencore Grain UK Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period and comply with UK GAAP and the Companies Act 1985. 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; and
- prepare the financial statements on the 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 the system of internal control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Glencore Grain UK Limited**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLENCORE GRAIN UK LIMITED**

We have audited the group and individual company financial statements (the "financial statements") of Glencore Grain UK Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of 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.

## Glencore Grain UK Limited

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

*28 June*

2006

# Glencore Grain UK Limited

## Consolidated profit and loss account Year ended 31 December 2005

	Notes	2005 £'000	2004 (restated) £'000
<b>Turnover</b>	4	157,981	135,614
Cost of sales		(154,814)	(131,748)
Gross profit		3,167	3,866
Administrative expenses		(3,086)	(2,842)
<b>Operating profit</b>		81	1,024
Other interest receivable and similar income	5	115	91
Interest payable and similar charges	6	(109)	(82)
Profit on sale of tangible fixed assets		180	9
<b>Profit on ordinary activities before taxation</b>		267	1,042
Tax charge on profit on ordinary activities	9	(80)	(236)
<b>Profit on ordinary activities after taxation and for the financial year</b>		187	806

All turnover and operating profit derive from continuing operations.

## Statement of total recognised gains and losses Year ended 31 December 2005

	2005 £'000	2004 (restated) £'000
Profit for the financial year	187	806
Loss on pension liability	(238)	(578)
Deferred tax associated with loss on pension liability	71	173
<b>Total recognised gains and losses relating to the year</b>	20	401



# Glencore Grain UK Limited

## Consolidated and company balance sheets At 31 December 2005

	Notes	Group and Company	
		2005 £'000	2004 (restated) £'000
<b>Fixed assets</b>			
Tangible assets	11	791	695
Investments	12	-	-
		<u>791</u>	<u>695</u>
<b>Current assets</b>			
Stocks	13	5,242	9,513
Debtors	14	13,390	10,017
		<u>18,632</u>	<u>19,530</u>
<b>Creditors: amounts falling due within one year</b>	15	(15,160)	(16,209)
<b>Net current assets</b>		<u>3,472</u>	<u>3,321</u>
<b>Net assets excluding pension liability</b>		4,263	4,016
Pension liability	20	(889)	(662)
<b>Net assets</b>		<u><u>3,374</u></u>	<u><u>3,354</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	303	303
Profit and loss account	17	3,071	3,051
<b>Total shareholders' funds</b>	17	<u><u>3,374</u></u>	<u><u>3,354</u></u>
<b>Shareholders' funds are attributable to:</b>			
Equity shareholder's funds		3,074	3,054
Non-equity shareholder's funds	16	300	300
		<u><u>3,374</u></u>	<u><u>3,354</u></u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

28<sup>th</sup> Jun 2006



K L Davies  
Director

# Glencore Grain UK Limited

## Consolidated cash flow statement Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Net cash (outflow)/inflow from operating activities	18(i)	(2,580)	2,115
<b>Returns on investments and servicing of finance</b>			
Interest received		115	88
Interest paid		(89)	(84)
		<u>26</u>	<u>4</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		26	4
<b>Taxation</b>		469	(33)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(308)	(117)
Receipts from sales of tangible fixed assets		278	10
		<u>(30)</u>	<u>(107)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		(30)	(107)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		(2,115)	1,979
<b>(Decrease)/increase in cash in the year</b>	18(ii)	<u>(2,115)</u>	<u>1,979</u>

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). Except as noted below they have all been applied consistently throughout the current and preceding years. 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 application of FRS 17.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 December 2005. No differences exist between the group and company balance sheets other than for investments in 100% owned subsidiaries of £3.

#### Changes in accounting policies

The Group has adopted Financial Reporting Standard 17: Retirement Benefits ("FRS 17") in full for the period ended 31 December 2005. For the period ended 31 December 2004 the Group accounted for retirement benefits under SSAP 24 "Pension costs" and gave disclosures in accordance with the FRS 17 transitional arrangements. The accounting policy for retirement benefits is described below and the effect of the restatement shown in note 2.

#### 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 buildings	25 years
Plant and machinery	10 years
Computers, equipment, fixtures and fittings	3-5 years
Motor vehicles	4 years

Freehold land is not depreciated.

#### Investments

Investments held as fixed assets are stated at cost.

#### Stocks

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

#### Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction. 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.

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not discounted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### Pension costs

The Group operates a defined benefit pension scheme. In accordance with FRS 17, the full service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service is charged to the profit and loss account. A charge equal to the expected increase in the present value of the scheme liabilities because the benefits are closer to settlement and a credit equivalent to the Group's long-term expected return on assets based on the market value of the scheme assets at the start of the period, are included in the profit and loss account with 'other interest receivable and similar income'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as a liability on the balance sheet, net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in note 20.

#### Rentals under operating leases

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

#### Financial instruments

Derivative instruments utilised by the group are forward and futures commodity contracts for wheat and oil seed rape as well as forward currency contracts. Such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date.

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 2. Prior year restatement

The full implementation of FRS 17 'Retirement Benefits' has required a change to the accounting treatment of pensions, with the prior year results being restated accordingly, as follows:

#### Group and Company balance sheets

	As previously reported at 31 December 2004 £'000	Adoption of FRS 17 £'000	Total shareholders' funds £'000
Group and company			
Pension liability	-	(662)	(662)

Under FRS 17, the difference between the market value of the assets of the pension fund and the present value of the accrued pension liabilities is shown as an asset or a liability on the balance sheet net of deferred tax and of provision for unfunded pension obligations.

#### Consolidated profit and loss account

	As previously reported at 31 December 2004 £'000	Adoption of FRS 17 £'000	Total shareholders' funds £'000
Administrative expenses	2,834	8	2,842
Finance income	(88)	(3)	(91)

The profit and loss charge, under SSAP 24, comprises a regular pension cost net of spreading of the surplus over the average remaining service lives of the relevant employees and a notional interest credit. Under FRS 17, three net items are included in the profit and loss account:

#### *Charged to operating profit*

- the full service cost of the pension provision relating to the period;

#### *Included in other interest receivable and similar income / other finance expenditure*

- a charge equal to the expected increase in the present value of the scheme liabilities because the benefits are closer to settlement; and netted against this;

- a credit equivalent to the Group's long-term expected return on assets based on market value of the scheme assets at the start of the period;

#### *Included in the statement of total recognised gains and losses*

- the difference between the expected return on pension assets and that actually achieved along with differences which arise from experience or assumption changes in pension liabilities.

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 3. 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 before tax for the financial year amounted to £267,000 (2004 profit – £1,042,000).

### 4. Turnover

The directors consider there to be one class of business, being that of grain merchants. All turnover is generated in the UK. Turnover by destination was:

	2005 £'000	2004 £'000
United Kingdom	95,433	95,012
Other European countries	62,548	40,602
	<u>157,981</u>	<u>135,614</u>

The group does not believe it is practical to provide a geographical analysis of its profit before tax and net assets.

### 5. Other interest receivable and similar income

	2005 £'000	2004 (restated) £'000
Other interest receivable and similar income	115	88
Other finance income (see note 20)	-	3
	<u>115</u>	<u>91</u>

### 6. Interest payable and similar charges

	2005 £'000	2004 £'000
Interest payable to Group companies	52	44
Bank loans and overdrafts	34	38
Other interest paid	3	-
Other finance expenditure (see note 20)	20	-
	<u>109</u>	<u>82</u>

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 7. Operating profit

	2005 £'000	2004 (restated) £'000
<b>Operating profit is after charging:</b>		
Auditors' remuneration		
- Audit fees	47	44
- Other services	18	24
Depreciation of tangible fixed assets	114	130
Rentals under operating leases		
- Plant and machinery	57	60
- Other operating leases	68	68
(Loss)/profit on foreign exchange	(61)	75

### 8. Information regarding directors and employees

	2005 £'000	2004 (restated) £'000
<b>Directors' emoluments</b>		
Emoluments	168	170
Pension costs	15	15
Remuneration of the highest paid director	168	170
Highest paid director's pension costs	15	15
	<b>No.</b>	<b>No.</b>
Number of directors who are members of the defined benefit pension scheme	1	1
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs during the year</b>		
Wages and salaries	1,712	1,829
Social security costs	169	182
Other pension costs	278	208
	2,159	2,219
<b>Average number of persons employed by the group in the year</b>		
	<b>No.</b>	<b>No.</b>
Trading activities	19	19
Service activities	11	12
Administrative activities	19	19
	49	50

# Glencore Grain UK Limited

## Notes to the accounts

Year ended 31 December 2005

### 9. Tax charge on profit on ordinary activities

	2005 £'000	2004 £'000
UK corporation tax at 30% (2004 – 30%)	(52)	(275)
Group relief receivable	-	(10)
Adjustment in respect of prior years	1	97
	<hr/>	<hr/>
Company's total current year tax	(51)	(188)
Deferred taxation		
Timing differences	(47)	(48)
Adjustment on FRS 17	18	-
	<hr/>	<hr/>
	(80)	(236)
	<hr/>	<hr/>

### Factors affecting tax charge

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	267	1,047
	<hr/>	<hr/>
Tax charge at 30% thereon	(80)	(314)
Effects of:		
Capital allowances in excess of depreciation	35	13
Movement in short-term timing differences	11	35
Proceeds in excess of cost on sale of qualifying assets	13	-
Adjustment in respect of FRS 17	(18)	-
Expenses not deductible for tax purposes	(13)	(9)
Adjustment in respect of prior years	1	87
	<hr/>	<hr/>
	(51)	(188)
	<hr/>	<hr/>



# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 10. Deferred tax

#### Group and company (note 15)

	2005 £'000	2004 £'000
Asset at 1 January	-	48
Charged to the profit and loss account	(47)	(48)
As at 31 December	(47)	-

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

	2005 £'000	2004 £'000
Capital allowances in excess of depreciation	(54)	-
Short-term timing differences	7	-
	(47)	-

### 11. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment and fixtures and fittings £'000	Total £'000
<b>Group and Company</b>					
<b>Cost</b>					
At 1 January 2005	1,015	729	149	982	2,875
Additions	-	91	22	195	308
Disposals	(157)	(54)	(85)	(5)	(301)
At 31 December 2005	858	766	86	1,172	2,882
<b>Accumulated depreciation</b>					
At 1 January 2005	607	707	87	779	2,180
Charge for the year	35	13	20	46	114
Disposals	(97)	(54)	(47)	(5)	(203)
At 31 December 2005	545	666	60	820	2,091
<b>Net book value</b>					
At 31 December 2005	313	100	26	352	791
At 31 December 2004	408	22	62	203	695

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 12. Fixed asset investments

Company	Subsidiaries
Cost:	£
At 1 January 2005 and 31 December 2005	3

Subsidiaries	Country of registration	Description of holding	Proportion held	Nature of business
Ceres (U.K.) Limited	England and Wales	Ordinary shares	100%	Non-trading
Grainman Limited	England and Wales	Ordinary shares	100%	Non-trading

### 13. Stocks

Group and Company	2005 £'000	2004 £'000
Goods held for resale	5,242	9,513

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

### 14. Debtors

Group and Company	2005 £'000	2004 (restated) £'000
Trade debtors	9,975	8,225
Amounts owed by group undertakings	690	-
Other debtors	2,669	1,114
Group relief receivable	-	513
Corporation tax recoverable	-	120
Prepayments and accrued income	56	45
	13,390	10,017

### 15. Creditors: amounts falling due within one year

Group and company	2005 £'000	2004 £'000
Bank loans and overdraft	5,402	3,287
Trade creditors	9,401	11,620
Amounts owed to fellow subsidiaries	2	875
Other creditors	139	115
Corporation tax payable	17	130
Deferred tax	47	-
Accruals and deferred income	152	182
	15,160	16,209

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 16. Called up share capital

	2005 £'000	2004 £'000
<b>Authorised, allotted, called up and fully paid</b>		
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

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.

(iv) Redemption Rights

There are no redemption rights held on these shares.

### 17. Reconciliation of movement in shareholders' funds

Group and company	Issued share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2005 (restated)	303	3,051	3,354
Profit for the financial year	-	187	187
Actuarial loss on pension liability net of deferred taxation	-	(167)	(167)
Balance at 31 December 2005	<u>303</u>	<u>3,071</u>	<u>3,374</u>

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 18. Notes to the consolidated cash flow statement

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

	2005 £'000	2004 (restated) £'000
Operating profit	81	1,024
Depreciation of tangible fixed assets	114	130
Decrease in stocks	4,271	1,064
(Increase)/decrease in debtors	(4,006)	2,342
Decrease in creditors	(3,098)	(2,453)
Increase in net pension liability	58	8
Net cash (outflow)/ inflow from operating activities	(2,580)	2,115

#### (ii) Reconciliation of net cashflow to movement in net debt

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the year	(2,115)	1,979
Change in net debt resulting from cashflows	(2,115)	1,979
Net debt at 1 January	(3,287)	(5,266)
Net debt at 31 December	(5,402)	(3,287)

### 19. Contingent liabilities

#### Group and Company

	2005 £'000	2004 £'000
<b>Guarantees</b>		
Guarantees in favour of the Rural Payments Agency	12,000	12,000
VAT deferment guarantee	1,000	1,000

Guarantees are lodged with the Rural Payments Agency (previously the Intervention Board for Agricultural Produce) and the Irish Intervention Agency 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 forfeited 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.

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 20. Pension commitments

The company has adopted FRS 17 during the year, which has required a change in the method of accounting for retirement benefits. Full details of the impact on the current and prior year results is given in note 2. The company operates a funded 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.

Qualified actuaries carry out full SSAP 24 valuations on a triennial basis, the last one being to 31 December 2003, using the projected unit credit method. 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 6.4% per annum, that salary increases would average 4.3% per annum and that a proportion of members would withdraw from service each year other than by retirement.

#### *Actuarial assumptions*

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below:

	2005 %	2004 %	2003 %
Average discount rate for plan liabilities	4.8	5.3	5.8
Average rate of inflation	2.7	2.6	2.3
Average rate of increase in salaries	4.7	4.6	4.3
Average rate of increase of pensions in payment	2.9	2.8	2.3
Average long-term rate of return on plan assets	5.8	6.1	6.4

#### *FRS 17 Balance sheet disclosure*

	2005 Rate of return %	2005 Fair value £'000	2004 Rate of return %	2004 Fair value £'000	2003 Rate of return %	2003 Fair value £'000
Equity	6.1	4,302	6.5	3,245	6.8	2,977
Bonds	4.1	766	4.5	853	4.8	785
Property	6.1	233	6.5	256		-
Cash	4.5	180	4.75	51		-
Total market value of assets		5,481		4,405		3,762
Present value of scheme liabilities		(6,751)		(5,351)		(4,122)
Deficit in the pension plan		(1,270)		(946)		(360)
Deferred tax		381		284		108
Net pension liability		(889)		(662)		(252)

The increase in the deficit is due to the continuing decline in the bond rate, which is used to discount scheme liabilities to their present value.

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 20. Pension commitments (continued)

#### *FRS 17 Profit and loss account disclosure*

	2005 £'000	2004 £'000
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	258	201
Total operating charge	258	201
<b>Analysis of the amount charged / (credited) to other interest</b>		
Expected return on plan assets	(273)	(251)
Interest cost on plan liabilities	293	248
Net charge/(credit) to other interest	20	(3)
Total charge to the profit and loss account	278	198

#### *FRS 17 Statement of total recognised gains and losses disclosure*

Amounts included in the consolidated STRGL for 2005 in respect of the defined benefit plan are as follows:

	2005 £'000	2004 £'000
Difference between actual and expected return on plan assets	531	128
Experience gains arising on plan liabilities	37	65
Effects of changes in assumptions underlying the plan liabilities	(806)	(771)
Total actuarial gains and losses recognised in the STRGL	(238)	(578)

The difference of £531,000 between actual and expected return on plan assets is 9.7% of the plan assets as at 31 December 2005. The experience gains of £37,000 arising on plan liabilities represent 0.1% of the present value of scheme liabilities at 31 December 2005. The total actuarial loss of £806,000 represents 11.9% of the present value of scheme liabilities as at 31 December 2005.

#### *FRS 17 Analysis of movement in deficit during the year*

	2005 £'000	2004 £'000
As at 1 January	(946)	(360)
Current service cost	(258)	(201)
Employer contributions	192	190
Other interest (expense)/income	(20)	3
Actuarial loss	(238)	(578)
As at 31 December	(1,270)	(946)

# Glencore Grain UK Limited

## Notes to the accounts Year ended 31 December 2005

### 20. Pension commitments (continued)

#### History between the expected and actual return on scheme assets:

	2005 £000	2004 £000	2003 £000	2002 £000
<b>Difference between the expected and actual return on scheme assets</b>				
Amount (£'000)	531	128	232	(692)
Percentage of scheme assets	9.7%	2.9%	6.2%	(22.5%)
<b>Experience gains and losses on scheme liabilities</b>				
Amount (£'000)	37	65	405	55
Percentage of the present value of the scheme liabilities	0.5%	1.2%	9.8%	1.4%
<b>Total amount recognised in statement of total recognised gains and losses</b>				
Amount (£'000)	(238)	(578)	726	(679)
Percentage of the present value of the scheme liabilities	(3.5%)	(10.8%)	17.6%	(16.7%)

### 21. Other financial commitments

At 31 December 2005 the company and the group have annual commitments under non-cancellable operating leases as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	22	-	-
Within two to five years	-	6	-	58
After five years	66	-	66	-
	<u>66</u>	<u>28</u>	<u>66</u>	<u>58</u>

### 22. Ultimate parent company and controlling party

The ultimate parent company and controlling party is Glencore International AG, a company incorporated in Switzerland.

# Glencore Grain UK Limited

## Notes to the accounts

Year ended 31 December 2005

### 23. Related party transactions

The transactions noted below were entered into with fellow group companies, Glencore International AG and Glencore Espana SA. 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; and
  - (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 intercompany current accounts.

#### Value of transactions

Type of transaction	2005 £'000	2004 £'000
Completed sales of physical commodities	45,093	27,780
Open sales of physical commodities	2,556	3,833
Completed purchases of physical commodities	5,397	1,543
Open purchases of physical commodities	-	364
Interest payable	52	44
	<u>52</u>	<u>44</u>

#### Balances with related parties

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

	Group and Company	
	2005 £'000	2004 £'000
Amount owed by group undertakings	690	-
Group relief receivable	-	513
Amount owed to fellow subsidiaries	2	875
	<u>692</u>	<u>1,388</u>