Company Registration No. 961989

GLENCORE GRAIN UK LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche
London

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2002.

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 £823,000 (2001 loss – £1,809,000). The directors do not recommend payment of a dividend (2001 – £nil).

DIRECTORS

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

M J Tuckey (resigned 1 November 2002)
D N Dreyfuss
G P Williams
K L Davies
C J Mahoney (appointed 1 November 2002)

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, barley 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.

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

S P Pujara
Company secretary

16 April 2003

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; 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 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.

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

We have audited the financial statements of Glencore Grain UK Limited for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 22. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 transactions with the company is not disclosed.

We read the directors' report 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 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 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
London
16 April 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	3	106,797	99,385
Cost of sales		(102,653)	(99,012)
Gross profit		4,144	373
Administrative expenses		(3,318)	(3,236)
OPERATING PROFIT/(LOSS)	6	826	(2,863)
Share of operating profit in associate		53	53
Other interest receivable and similar income	4	268	314
Interest payable and similar charges	5	(29)	(74)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,118	(2,570)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(295)	761
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		823	(1,809)

All turnover and operating profit derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2002

	Note	2002 £'000	Restated 2001 £'000
Profit for the financial year		823	(1,809)
Share of associate's unrealised surplus on the Revaluation of freehold land and buildings		38	38
		861	(1,771)
Prior year adjustment on the adoption of FRS19, 'Deferred tax'	9	-	45
Total recognised gains and losses since last **annual report and financial statements**		861	(1,726)

BALANCE SHEETS
31 December 2002

	Note	Group 2002 £'000	Group Restated (note 9) 2001 £'000	Company 2002 £'000	Company Restated (note 9) 2001 £'000
FIXED ASSETS					
Tangible assets	10	650	808	650	808
Investments	11	475	451	363	363
		1,125	1,259	1,013	1,171
CURRENT ASSETS					
Stocks	12	5,540	11,832	5,540	11,832
Debtors	13	19,321	10,435	19,321	10,435
		24,861	22,267	24,861	22,267
CREDITORS: amounts falling due within one year	14	(15,451)	(13,852)	(16,144)	(14,546)
NET CURRENT ASSETS		9,410	8,415	8,717	7,721
TOTAL ASSETS LESS CURRENT LIABILITIES		10,535	9,674	9,730	8,892
CAPITAL AND RESERVES					
Called up share capital	15	303	303	303	303
Revaluation reserve	16	127	89	-	-
Profit and loss account	16	10,105	9,282	9,427	8,589
TOTAL SHAREHOLDERS' FUNDS	16	10,535	9,674	9,730	8,892
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:					
Equity shareholders' funds		10,235	9,374	9,430	8,592
Non – equity shareholders' funds	15	300	300	300	300
		10,535	9,674	9,730	8,892

The balance sheet at 31 December 2001 has been restated following the adoption of FRS 19, 'Deferred taxation'.

These financial statements were approved by the Board of Directors on 16th April 2003

Signed on behalf of the Board of Directors

Keith Davies

K L Davies

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Net cash (outflow)/inflow from operating activities	17(i)	(2,867)	1,894
Dividends received from associate		35	40
Returns on investments and servicing of finance			
Interest received		269	314
Interest paid		(28)	(74)
Net cash inflow from returns on investments and servicing of finance		241	240
Taxation		794	(113)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(42)	(59)
Receipts from sales of tangible fixed assets		-	2
Net cash outflow from capital expenditure and financial investment		(42)	(57)
Cash (outflow)/inflow before use of liquid resources and financing		(1,839)	2,004
Financing			
Capital element of finance lease rentals	17(iii)	-	(4)
Net cash outflow from financing		-	(4)
(Decrease)/increase in cash in the year	17(iii)	(1,839)	2,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. 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. In preparing the financial statements for the current year, the Company has adopted FRS 19, 'Deferred tax'. The impact of the adoption of FRS 19 is shown in note 9.

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 2002.

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
Office equipment, fixtures and fittings	5 years
Computers	3 years
Motor vehicles	4 years

Freehold land is not depreciated.

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any impairment 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 as the group's share of the net assets of the associated undertakings.

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, silo rental and cost of discharge where appropriate.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Deferred taxation

It is the first year of the implementation of FRS19, 'Deferred Tax'. Deferred tax is thus 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, or a right to pay less, tax in the future have occurred at the balance sheet date. Timing differences reverse over time and arise where the accounting treatment of costs and revenues differs in respect of their treatment for tax.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Previously deferred taxation was provided for in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. Comparative figures have been restated as required (see note 9).

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.

Pension costs

The company operates a defined benefit pension scheme. 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.

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, barley 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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 £838,000 (2001 loss – £1,809,000).

3. TURNOVER

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

	2002 £'000	2001 £'000
United Kingdom	84,838	77,962
Other European countries	21,959	21,423
	106,797	99,385

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Interest receivable from other group companies	56	113
Other interest receivable and similar income	212	201
	268	314

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank loans and overdrafts	29	28
Other interest payable	-	13
Finance leases	-	1
Interest payable to other group companies	-	32
	29	74

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
Operating profit/(loss) is after charging:		
Auditors' remuneration		
- Audit fees	51	39
- Other services	3	66
Depreciation of tangible assets		
- Owned assets	199	223
- Leased assets	-	6
Rentals under operating leases		
- Other operating leases – plant and machinery	60	68
Loss on foreign exchange	11	3

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
Remuneration	115	91

	No.	No.
Number of directors who are members of the defined benefit pension scheme	2	3

	£'000	£'000
Employee costs during the year		
Wages and salaries	1,623	1,457
Social security costs	147	141
Other pension costs	202	190
	1,972	1,788

	No.	No.
Average number of persons employed by the group in the year		
Trading activities	20	20
Service activities	13	15
Administrative activities	23	22
	56	57

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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

	2002 £'000	2001 £'000
UK corporation tax at 30% (2001 – 30%)	(336)	210
Adjustment in respect of prior years	60	10
Group relief	-	552
Company's total current year tax	(276)	772
Associated companies	(32)	(11)
Deferred taxation		
Timing differences	12	-
Adjustment in respect of prior periods	1	-
	(295)	761

Factors affecting tax charge

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	1,118	(2,570)
UK corporation tax at 30% (2001 – 30%)	(335)	771
Plus/(less) the effects of:		
Expenditure not deductible for tax purposes	(13)	(14)
Capital allowances in excess of depreciation	(9)	(6)
Movement in short term timing differences	(3)	(5)
Non-taxable income	7	-
Associated companies	16	16
Adjustment in respect of prior years	61	10
	(276)	772

The difference between the tax charge shown above and the amount in the profit and loss account is the deferred tax asset and associated company tax.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

9. DEFERRED TAX

	2002 £'000	Restated 2001 £'000
Asset at 1 January	45	-
Prior period adjustment	-	45
Credited to the profit and loss account	13	-
	58	45

If FRS 19, 'Deferred tax' had been adopted at 1 January 2001 the credit to the profit and loss account for the year ending 31 December 2001 would have been £18,000.

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

	2002 £'000	Restated 2001 £'000
Capital allowances in excess of depreciation	15	5
Short term timing differences	25	22
Capital losses	18	18
	58	45

10. TANGIBLE FIXED ASSETS

Group and Company	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment and fixtures and fittings £'000	Total £'000
Cost:					
At 1 January 2002	1,015	733	117	1,048	2,913
Additions	-	-	-	42	42
Disposals	-	-	-	(16)	(16)
At 31 December 2002	1,015	733	117	1,074	2,939
Accumulated depreciation:					
At 1 January 2002	498	655	114	838	2,105
Charge for the year	37	26	3	133	199
Disposals	-	-		(15)	(15)
At 31 December 2002	535	681	117	956	2,289
Net book value:					
At 31 December 2002	480	52	-	118	650
At 31 December 2001	517	78	3	210	808

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

11. FIXED ASSET INVESTMENTS

Group	Associated Company £'000
At 1 January 2002	451
Loss retained for the year	(14)
Share of increase in revaluation reserve	38
At 31 December 2002	475

Company	Subsidiaries £'000	Associated Company £'000	Total £'000
Cost:			
At 1 January and 31 December 2002	750	75	825
Provision for permanent impairment in value:			
At 1 January and 31 December 2002	(462)	-	(462)
Net book value:			
At 1 January and 31 December 2002	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
Grainman 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	2002 £'000	2001 £'000
Goods held for resale	5,540	11,832

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

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

13. DEBTORS

Group and Company	2002 £'000	Restated (note 9) 2001 £'000
Trade debtors	10,735	8,569
Amounts owed by group undertakings	7,906	976
Other debtors	567	783
Deferred taxation	58	45
Prepayments and accrued income	55	62
	19,321	10,435

All amounts are due within one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts	4,037	2,198	4,037	2,198
Trade creditors	9,868	3,953	9,868	3,951
Amounts owed to ultimate parent	-	6,172	-	6,172
Amounts owed to subsidiaries	-	-	693	693
Amounts owed to fellow subsidiaries	1	9	1	9
Other creditors	838	1,259	838	1,259
Taxation and other social security	327	-	327	-
Accruals and deferred income	380	261	380	264
	15,451	13,852	16,144	14,546

15. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised, allotted, called up 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

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. CALLED UP SHARE CAPITAL (continued)

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.

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	Issued share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at the beginning of the year as previously reported	303	89	9,237	9,629
Prior period restatement (note 9)	-	-	45	45
Restated balance at beginning of the year	**303**	**89**	**9,282**	**9,674**
Profit for the financial year	-	-	823	823
Revaluation of land and buildings	-	38	-	38
Balance at the end of the year	303	127	10,105	10,535

The increase in the revaluation reserve relates to an upward valuation of land and buildings by Tetbury Agricultural Merchants, the associated company.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

17. CONSOLIDATED CASH FLOW STATEMENT

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

	2002 £'000	2001 £'000
Operating profit/(loss)	826	(2,863)
Depreciation of tangible fixed assets	199	229
Loss/(profit) on disposal of tangible fixed assets	-	1
Decrease/(increase) in stocks	6,292	(3,384)
(Increase)/decrease in debtors	(9,616)	3,088
(Increase)/decrease in creditors	(568)	4,823
Net cash (outflow)/inflow from operating activities	(2,867)	1,894

(ii) Analysis of net debt

	At 1 January 2002 £'000	Cashflow £'000	At 31 December 2002 £'000
Overdrafts	(2,198)	(1,839)	(4,037)
Total	(2,198)	(1,839)	(4,037)

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

	2002 £'000	2001 £'000
(Decrease)/increase in cash in the year	(1,839)	2,000
Cash outflow from decrease in debt and lease financing	-	4
Change in net debt resulting from cashflows	(1,839)	2,004
Net debt at 1 January	(2,198)	(4,202)
Net debt at 31 December	(4,037)	(2,198)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

18. CONTINGENT LIABILITIES

Group and Company

Guarantees	**2002 £'000**	**2001 £'000**
Guarantees in favour of the Rural Payments Agency	11,507	10,633

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 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.

19. PENSION COMMITMENTS

The company operates a funded pension scheme providing benefits based on final pensionable pay. The policy for accounting for pensions is included in note 1. The assets of the scheme are held separately from those of the company, being invested with insurance companies.

Qualified actuaries carried out full SSAP 24 valuations on a triennial basis, the last one being to 1 October 2000, using the projected unit 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 7.4% per annum, that salary increases would average 4.4% 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 £202,440 (2001 – £190,000); there is no prepayment or accrual at the year end (2001 – £nil). The most recent actuarial valuation showed that the market value of the scheme's assets was £2,783,000 giving a funding level of 109%. 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 12.7% and 6% of earnings respectively.

FRS 17 Background
A new Financial Reporting Standard, 'FRS17 – Retirement Benefits', was issued in November 2000, replacing 'SSAP 24 – Accounting for Pension Costs'. Following a recent exposure draft, it will not be mandatory for the company to comply fully with FRS17 until the end of financial year 2005, pending the outcome of the Accounting Standards Board's review of the equivalent international standard. Phased transitional disclosures, however, are required and these are incorporated below. An independent qualified actuary carried out the most recent full actuarial valuation to 31 December 2002.

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

	2002 %	**2001 %**
Average discount rate for plan liabilities	5.5	5.75
Average rate of inflation	2.0	2.25
Average rate of increase in salaries	4.0	4.25
Average rate of increase of pensions in payment	2.0	2.25

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

Average long term rate of return on plan assets	6.0	7.0

19. PENSION COMMITMENTS (continued)

FRS 17 Balance sheet disclosure

	2002 Rate of return %	2002 Fair value £,000	2001 Rate of return %	2001 Fair value £'000
Equity	6.5	2,322	7.4	2,574
Bonds	4.5	753	5.4	716
Total market value of assets		3,075		3,290
Present value of scheme liabilities		(4,058)		(3,586)
(Deficit) in the pension plan		(983)		(296)
Deferred tax		295		89
Net pension liability		(688)		(207)

The increase in the deficit is believed to be due to the cyclical nature of the markets.

FRS 17 Profit and loss account disclosure

Had the company adopted FRS 17 early, amounts included in the consolidated profit and loss account for 2002 in respect of the defined benefit pension scheme would have been as follows;

	2002 £'000
Analysis of the amount charged to operating profit	
Current service cost	206
Total operating charge / (credit)	206
Analysis of the amount credited to other finance income	
Expected return on plan assets	237
Interest cost on plan liabilities	(206)
Net charge to other finance income	31
Total P&L charge	237

No comparative is presented as no formal valuation was carried out in the year to 31 December 2000 meaning the equivalent information was not available for the financial year to 31 December 2001.

If the company were making contributions on a FRS 17 basis these would be at 17.9% of earnings.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. PENSION COMMITMENTS (continued)

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the consolidated STRGL for 2002 in respect of the defined benefit plan would have been as follows;

	2002 **£'000**
Difference between actual and expected return on plan assets	(692)
Experience gains arising on plan liabilities	56
Effects of changes in assumptions underlying the plan liabilities	(42)
Total actuarial loss recognised in the STRGL	(678)

The difference of £692,000 between actual and expected return on plan assets is 22.5% of the plan assets as at 31 December 2002. The experience gains and losses of £56,000 arising on plan liabilities represent 1.4% of the present value of scheme liabilities at 31 December 2002. The total actuarial loss of £678,000 represents 16.7% of the present value of scheme liabilities as at 31 December 2002.

FRS 17 Analysis of movement in deficit during the year

	2002 **£'000**
As at 1 January 2002	(296)
Current service cost	(206)
Employer contributions	167
Other financial income	31
Actuarial loss	(679)
As at 31 December 2002	(983)

No comparative is presented as no formal valuation was carried out in the year to 31 December 2000 meaning the equivalent information was not available for the financial year to 31 December 2001.

20. OTHER FINANCIAL COMMITMENTS

At 31 December 2002 the company and the group have annual commitments under non-cancellable operating leases as follows:

	2002		**2001**	
	Land and buildings £'000	**Other £'000**	**Land and Buildings £'000**	**Other £'000**
Leases which expire:				
Within one year	-	-	-	13
Within two to five years	-	133	-	82
After five years	66	-	51	-
	66	133	51	95

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

22. RELATED PARTY TRANSACTIONS

(i) The transactions noted below were entered into with group companies as disclosed in notes 11 and 21. 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 intercompany current accounts.

Value of transactions

Type of transaction	2002 £'000	2001 £'000
Completed sales of physical commodities	8,722	12,162
Open sales of physical commodities	2,819	-
Completed purchases of physical commodities	3,184	791
Open purchases of physical commodities	-	2,015
Interest receivable	56	113
Interest payable	-	32

Balances with related parties

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

	Group and Company	
	2002 £'000	2001 £'000
Amount owed by group undertakings	7,906	976
Amount owed to ultimate parent	-	6,172
Amount owed to fellow subsidiaries	1	9

(ii) As described in note 11 the company has a 50% interest in Tetbury Agricultural Merchants Limited. A dividend of £35,000 (2001 – £35,000) was declared for the year.