

GLENCORE GRAIN UK LIMITED

Report and Financial Statements

31 December 1996



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



REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 1996.

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.

PROFIT AND DIVIDEND

The profit for the year after taxation amounted to £251,000 (1995 - loss of £553,000). The directors do not recommend a dividend (1995 - £nil). The profit (1995 -loss) has been transferred to/(from) reserves.

DIRECTORS

The directors of the company throughout the year were:

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

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

AUDITORS

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

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



S P PUJARA
Secretary

9 MAY 1997

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

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London EC4A 3TR

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AUDITORS' REPORT TO THE MEMBERS OF GLENCORE GRAIN UK LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1996 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
Hill House
1 Little New Street
London EC4A 3TR

12th May 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £'000	1995 £'000
TURNOVER - from continuing operations	3	388,418	385,608
Cost of sales		(384,424)	(382,605)
Gross profit		3,994	3,003
Administrative expenses		(3,911)	(3,680)
OPERATING PROFIT/(LOSS) - from continuing operations		83	(677)
Other interest receivable and similar income	4	391	482
Interest payable and similar charges	5	(331)	(567)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	143	(762)
Tax credit on profit/(loss) on ordinary activities	8	108	209
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		251	(553)
Profit and loss account brought forward		10,834	11,387
Profit and loss account carried forward		11,085	10,834

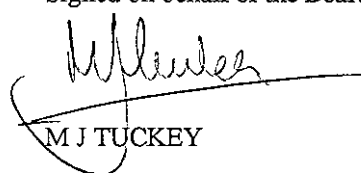
There are no recognised gains or losses, or movements in shareholders' funds, for the current financial year and preceding financial year other than as stated in the profit and loss account.

BALANCE SHEETS
31 December 1996

	Note	1996 Group £'000	1995 Group £'000	1996 Company £'000	1995 Company £'000
FIXED ASSETS					
Tangible assets	9	1,638	2,009	1,638	2,009
Investments	10	363	363	363	363
		<u>2,001</u>	<u>2,372</u>	<u>2,001</u>	<u>2,372</u>
CURRENT ASSETS					
Stocks	11	22,206	13,798	22,206	13,798
Debtors	12	21,544	16,577	21,544	16,577
Cash at bank and in hand		130	883	130	883
		<u>43,880</u>	<u>31,258</u>	<u>43,880</u>	<u>31,258</u>
CREDITORS: amounts falling due within one year	13	<u>(34,281)</u>	<u>(22,442)</u>	<u>(34,974)</u>	<u>(23,135)</u>
NET CURRENT ASSETS		<u>9,599</u>	<u>8,816</u>	<u>8,906</u>	<u>8,123</u>
CREDITORS: amounts falling due after more one year	14	(100)	-	(100)	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(61)</u>	<u>-</u>	<u>(61)</u>	<u>-</u>
TOTAL NET ASSETS		<u>11,439</u>	<u>11,188</u>	<u>10,746</u>	<u>10,495</u>
CAPITAL AND RESERVES					
Called up share capital	17	303	303	303	303
Revaluation reserve		51	51	-	-
Profit and loss account		11,085	10,834	10,443	10,192
TOTAL SHAREHOLDERS' FUNDS		<u>11,439</u>	<u>11,188</u>	<u>10,746</u>	<u>10,495</u>
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:					
Equity shareholders' funds		11,139	10,888	10,446	10,195
Non - equity shareholders' funds	17	300	300	300	300
		<u>11,439</u>	<u>11,188</u>	<u>10,746</u>	<u>10,495</u>

These financial statements were approved by the Board of Directors on 9 MAY 1997

Signed on behalf of the Board of Directors


M J TUCKEY

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Net cash (outflow)/ inflow from operating activities	18(i)		(10,176)		4,891
Returns on investments and servicing of finance					
Interest paid		(331)		(524)	
Interest received		412		494	
Dividends received from associated undertaking		13		21	
		<u>13</u>		<u>21</u>	
Net cash inflow/(outflow) from returns on investments and servicing of finance			94		(9)
Taxation					
Corporation tax paid			-		(388)
Investing activities					
Purchase of tangible fixed assets		(262)		(248)	
Disposal of tangible fixed assets		593		54	
		<u>593</u>		<u>54</u>	
Net cash inflow/(outflow) from investing activities			331		(194)
Financing					
Capital element of finance lease rental payments		(80)		-	
		<u>(80)</u>		<u>-</u>	
Net cash outflow from financing			(80)		-
(Decrease)/increase in cash and cash equivalents	18(iii)		<u>(9,831)</u>		<u>4,300</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

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 1996.

Associated undertaking

The associated undertaking is accounted for using the equity method.

Depreciation

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

Freehold land is not depreciated.

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

Stocks

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

Deferred taxation

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

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

Foreign currency translation

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. ACCOUNTING POLICIES (continued)

Finance leases

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

Rentals under operating leases

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

2. PROFIT AND LOSS ACCOUNT

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £251,000 (1995 loss - £553,000).

3. TURNOVER

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

The directors believe the provision of segmental information to be seriously prejudicial to the interests of the group and company.

All trading in the one class of business originates, and all assets are held, in the UK.

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £'000	1995 £'000
Interest receivable from other group companies	131	291
Other interest receivable	260	191
	<u>391</u>	<u>482</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £'000	1995 £'000
On bank loans and overdrafts repayable within five years	<u>331</u>	<u>567</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

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

	1996 £'000	1995 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
- Audit fees	34	33
- Other services	12	12
Depreciation of tangible assets		
- Owned assets	244	275
- Leased assets	58	-
Rentals under operating leases		
- Other operating leases	87	101
	<u>87</u>	<u>101</u>

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £'000	1995 £'000
Directors' emoluments		
Emoluments (including pension contributions)	242	252
Remuneration of the highest paid director (excluding pension contributions)	101	96
	No.	No.
Emoluments of the other directors, excluding pension contributions, were within the following scales:		
£ 0 - £5,000	2	2
£ 40,001 - £45,000	1	-
£ 65,001 - £70,000	-	2
£ 80,001 - £85,000	1	-
	<u>£'000</u>	<u>£'000</u>
Employee costs during the year		
Wages and salaries	1,715	1,581
Social security costs	152	153
Other pension costs	183	82
	<u>2,050</u>	<u>1,816</u>
	No.	No.
Average number of persons employed	79	77

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

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

	1996 £'000	1995 £'000
UK corporation tax at 33% (1995 - 33%) based on the profit/(loss) for the year	(160)	231
Deferred taxation	61	-
	<u>99</u>	<u>231</u>
Adjustment to prior years' tax provisions:		
Corporation tax	9	(22)
	<u>108</u>	<u>209</u>

There is a tax credit in the year due to the reversal of timing differences which were not recognised as a deferred tax asset in prior years.

9. TANGIBLE ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Office equipment, fixtures, fittings and motor vehicles £'000	Total £'000
GROUP AND COMPANY				
Cost:				
At 1 January 1996	1,720	2,437	1,056	5,213
Additions	161	-	331	492
Disposals	(590)	(169)	(184)	(943)
At 31 December 1996	<u>1,291</u>	<u>2,268</u>	<u>1,203</u>	<u>4,762</u>
Accumulated depreciation:				
At 1 January 1996	429	2,003	772	3,204
Charge for year	44	79	179	302
Disposals	(112)	(116)	(154)	(382)
At 31 December 1996	<u>361</u>	<u>1,966</u>	<u>797</u>	<u>3,124</u>
Net book value				
At 31 December 1996	<u>930</u>	<u>302</u>	<u>406</u>	<u>1,638</u>
At 31 December 1995	<u>1,291</u>	<u>434</u>	<u>284</u>	<u>2,009</u>

The net book value of the group's office equipment, fixtures, fittings and motor vehicles includes £173,000 (1995 - £nil) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

10. FIXED ASSET INVESTMENTS

	Subsidiaries £'000	Associated company £'000	Total £'000
GROUP AND COMPANY			
Cost:			
At 1 January and 31 December 1996	750	75	825
Provision for permanent diminution in value:			
At 1 January and 31 December 1996	462	-	462
Net book value:			
At 31 December 1995 and 1996	288	75	363

GROUP AND COMPANY

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

11. STOCKS

	1996 £'000	1995 £'000
GROUP AND COMPANY		
Goods held for resale	22,206	13,798

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

12. DEBTORS

	1996 £'000	1995 £'000
GROUP AND COMPANY		
Trade debtors	20,345	15,867
Amounts owed by ultimate parent company	-	186
Amounts owed by associated undertaking	670	13
Other debtors	479	446
Prepayments and accrued income	50	65
	21,544	16,577

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 Group £'000	1995 Group £'000	1996 Company £'000	1995 Company £'000
Bank loans and overdrafts	19,273	10,195	19,273	10,195
Obligations under finance leases and hire purchase contracts (note 15)	50	-	50	-
Trade creditors	13,836	10,279	13,836	10,279
Amounts owed to subsidiaries	-	-	693	693
Amounts owed to fellow subsidiaries	68	7	68	7
Other creditors	918	1,690	918	1,690
Corporation tax	-	10	-	10
Accruals and deferred income (note 20)	136	261	136	261
	<u>34,281</u>	<u>22,442</u>	<u>34,974</u>	<u>23,135</u>

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

	1996 £'000	1995 £'000
GROUP AND COMPANY		
Obligations under finance leases and hire purchase contracts (note 15)	<u>100</u>	<u>-</u>

15. OBLIGATIONS UNDER FINANCE LEASES

	1996 £'000	1995 £'000
GROUP AND COMPANY		
Obligations under finance leases fall due as follows:		
Between one and two years	50	-
Between two and five years	<u>50</u>	<u>-</u>
	100	-
 In one year or less	<u>50</u>	<u>-</u>
	<u>150</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

16. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND COMPANY	1996 £'000	1995 £'000
Deferred taxation	61	-
		Deferred taxation £'000
Balance at 1 January 1996		-
Current year charge		61
Balance at 31 December 1996		61

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

	Provided 1996 £'000	Provided 1995 £'000	Not provided 1996 £'000	Not provided 1995 £'000
Capital allowances in excess of depreciation	61	-	-	54
Other short term timing differences	-	-	-	(240)
	61	-	-	(186)

17. CALLED UP SHARE CAPITAL

	1996 £'000	1995 £'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

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

(iii) Rights on winding up

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

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

18. CASH FLOW STATEMENT

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

	1996 £'000	1995 £'000
Operating profit/(loss)	83	(677)
Depreciation of tangible fixed assets	302	275
Profit on disposal of tangible fixed assets	(32)	(22)
(Increase)/decrease in stocks	(8,408)	20
(Increase)/decrease in debtors	(4,904)	3,691
Increase in creditors	2,783	1,604
Net cash (outflow)/inflow from operating activities	<u>(10,176)</u>	<u>4,891</u>

(ii) Analysis of changes in cash and cash equivalents during the year:

	£'000
Balance at 1 January 1996	(9,312)
Net cash outflow	<u>(9,831)</u>
Balance at 31 December 1996	<u>(19,143)</u>

(iii) Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	1996 £'000	Change in year £'000	1995 £'000	Change in year £'000	1994 £'000
Cash at bank and in hand	130	(753)	883	346	537
Bank loans and overdrafts	<u>(19,273)</u>	<u>(9,078)</u>	<u>(10,195)</u>	<u>3,954</u>	<u>(14,149)</u>
	<u>(19,143)</u>	<u>(9,831)</u>	<u>(9,312)</u>	<u>4,300</u>	<u>(13,612)</u>

19. CONTINGENT LIABILITIES

GROUP AND COMPANY

Guarantees

	1996 £'000	1995 £'000
Guarantees in favour of the Intervention Board for Agricultural Produce	10,000	10,000
Other guarantees and bond	<u>2,500</u>	<u>3,350</u>
	<u>12,500</u>	<u>13,350</u>

Security

Bank loans and overdrafts include amounts of £12.5 million which are secured against certain stocks and debtors.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

20. GOVERNMENT GRANTS

GROUP AND COMPANY	£'000
Deferred credit at 1 January 1996	23
Transferred to profit and loss account	(9)
	<hr/>
Deferred credit at 31 December 1996	14
	<hr/>

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

21. PENSION COMMITMENTS

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

The pension charge for the year was £183,000 (1995 - £82,000), there is no prepayment or accrual at the year end (1995 - £nil).

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

22. OTHER FINANCIAL COMMITMENTS

At 31 December 1996 the company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1996 £'000	Other 1996 £'000	Land and buildings 1995 £'000	Other 1995 £'000
Leases which expire:				
Within one year	-	16	-	16
Within two to five years	-	61	-	30
After five years	49	-	49	-
	<hr/>	<hr/>	<hr/>	<hr/>

23. ULTIMATE PARENT COMPANY

During the year the company entered into transactions with related parties. All parties were group companies of the company's ultimate parent company, Glencore Holding AG, a company incorporated in Switzerland.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

Nature of transactions

All related party transactions were executed on normal commercial terms and conditions. The nature of the transactions with related parties were 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	£'000
Completed sales of physical commodities	87,121
Open sales of physical commodities	31,116
Completed purchases of physical commodities	30,270
Open purchases of physical commodities	1,008
Freight charges receivable	373
Freight charges payable	1,864
Interest receivable	131

Balances with related parties

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

	Group and Company 1996 £'000
Amount owed by fellow subsidiaries	670
Amount owed to fellow subsidiaries	68