Company Registration No. 961989

Glencore Grain UK Limited

Report and Financial Statements

31 December 2004

Glencore Grain UK Limited

Report and financial statements 2004

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Glencore Grain UK Limited

Report and financial statements 2004

Officers and professional advisers

Directors

D N Dreyfuss
K L Davies
C J Mahoney

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 2004.

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 £811,000 (2003 loss – £1,203,000). During the year the directors declared an interim dividend of £nil (2003 - £6,000,000), they do not recommend the payment of a final dividend (2003 - £nil).

Directors

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

D N Dreyfuss
K L Davies
C J Mahoney

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

27 MAY 2005

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 2004 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement 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 2004 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 LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
27 MAY 2005

Glencore Grain UK Limited

Consolidated profit and loss account
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover	3	135,614	144,368
Cost of sales		(131,748)	(143,535)
Gross profit		3,866	833
Administrative expenses		(2,834)	(2,778)
Operating profit/(loss)	6	1,032	(1,945)
Other interest receivable and similar income	4	88	120
Interest payable and similar charges	5	(82)	(42)
Profit on sale of tangible fixed assets		9	61
Profit on sale of holding in associate company		-	152
Profit/(loss) on ordinary activities before taxation		1,047	(1,654)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(236)	451
Profit/(loss) on ordinary activities after taxation		811	(1,203)
Equity dividends paid		-	(6,000)
Profit/(loss) for the financial year		811	(7,203)

All turnover and operating profit derive from continuing operations.

There are no recognised gains or losses for the current year and the preceding year other than the losses disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

Glencore Grain UK Limited

Balance sheets
At 31 December 2004

	Note	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Tangible assets	10	695	709	695	709
Investments	11	-	-	-	-
		695	709	695	709
Current assets					
Stocks	12	9,513	10,577	9,513	10,577
Debtors	13	10,017	12,432	10,017	12,432
		19,530	23,009	19,530	23,009
Creditors: amounts falling due within one year	14	(16,209)	(20,513)	(16,209)	(20,513)
Net current assets		3,321	2,496	3,321	2,496
Total assets less current liabilities		4,016	3,205	4,016	3,205
Capital and reserves					
Called up share capital	15	303	303	303	303
Profit and loss account	16	3,713	2,902	3,713	2,902
Total shareholders' funds	16	4,016	3,205	4,016	3,205
Shareholders' funds are attributable to:					
Equity shareholder's funds		3,716	2,905	3,716	2,905
Non-equity shareholder's funds	15	300	300	300	300
		4,016	3,205	4,016	3,205

These financial statements were approved by the Board of Directors on 23/5/2005

Signed on behalf of the Board of Directors

K L Davies
Director

Glencore Grain UK Limited

Consolidated cash flow statement
Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	17(i)	2,115	4,427
Dividends received from associate		-	35
Returns on investments and servicing of finance			
Interest received		88	120
Interest paid		(84)	(40)
Net cash inflow from returns on investments and servicing of finance		4	80
Taxation		(33)	(108)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(117)	(226)
Receipts from sales of tangible fixed assets		10	61
Net cash outflow from capital expenditure and financial investment		(107)	(165)
Cash inflow before use of liquid resources and financing		1,979	4,269
Acquisitions and Disposals			
Sale of holding in associate company		-	500
Equity dividends paid		-	(6,000)
Increase/(decrease) in cash in the year	17(ii)	1,979	(1,229)

Glencore Grain UK Limited

Notes to the accounts
Year ended 31 December 2004

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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 December 2004.

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.

Deferred taxation

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, 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.

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.

Notes to the accounts
Year ended 31 December 2004

1. Accounting policies (continued)

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 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.

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 £1,047,000 (2003 loss – £525,000).

3. 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:

	2004 £'000	2003 £'000
United Kingdom	95,012	85,846
Other European countries	40,602	58,522
	135,614	144,368

The group does not believe it is practical to allocate its profit before tax and net assets by geographical analysis.

4. Other interest receivable and similar income

	2004 £'000	2003 £'000
Interest receivable from other group companies	-	18
Other interest receivable and similar income	88	102
	88	120

Notes to the accounts
Year ended 31 December 2004

5. Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable to Group companies	44	-
Bank loans and overdrafts	38	41
Other interest payable	-	1
	82	42

6. Operating profit/(loss)

	2004 £'000	2003 £'000
Operating profit/(loss) is after charging:		
Auditors' remuneration		
- Audit fees	44	43
- Other services	2	4
Depreciation of tangible assets		
- Owned assets	130	166
Rentals under operating leases		
- Plant and machinery	60	72
- Other operating leases	68	56
Profit/(loss) on foreign exchange	75	(34)

7. Information regarding directors and employees

	2004 £'000	2003 £'000
Directors' emoluments		
Emoluments	170	120
Pension costs	15	10
Remuneration of the highest paid director	170	120
Highest paid director's pension costs	15	10
	No.	**No.**
Number of directors who are members of the defined benefit pension scheme	1	1
	£'000	**£'000**
Employee costs during the year		
Wages and salaries	1,829	1,680
Social security costs	182	160
Other pension costs	200	200
	2,211	2,040

Notes to the accounts
Year ended 31 December 2004

7. ***Information regarding directors and employees (continued)***

Average number of persons employed by the group in the year

	No.	No.
Trading activities	19	18
Service activities	12	11
Administrative activities	19	22
	50	51

8. **Tax (charge)/credit on profit/(loss) on ordinary activities**

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003 – 30%)	(275)	417
Adjustment in respect of prior years	87	44
Company's total current year tax	(188)	461
Deferred taxation		
Timing differences	(48)	(10)
Adjustment in respect of prior periods	-	-
	(236)	451

Factors affecting tax charge

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before taxation	1,047	(1,654)
Tax (charge)/credit at 30% thereon	(314)	496
Effects of:		
Capital allowances in excess of depreciation	13	21
Movement in short-term timing differences	35	(28)
Utilisation of tax losses	-	18
Chargeable gains	-	(107)
Non-taxable income / (expenditure)	(9)	17
Adjustment in respect of prior years	87	44
	(188)	461

9. Deferred tax

Group and company (note 13)	2004 £'000	2003 £'000
Asset at 1 January 2004	48	58
Charged to the profit and loss account	(48)	(10)
As at 31 December 2004	-	48

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

	2004 £'000	2003 £'000
Capital allowances in excess of depreciation	-	(5)
Short term timing differences	-	53
	-	48

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 2004	1,015	733	186	891	2,825
Additions	-	-	-	117	117
Disposals	-	(4)	(37)	(26)	(67)
At 31 December 2004	1,015	729	149	982	2,875
Accumulated depreciation					
At 1 January 2004	571	698	96	751	2,116
Charge for the year	36	13	28	53	130
Disposals	-	(4)	(37)	(25)	(66)
At 31 December 2004	607	707	87	779	2,180
Net book value					
At 31 December 2004	408	22	62	203	695
At 31 December 2003	444	35	90	140	709

Notes to the accounts
Year ended 31 December 2004

11. Fixed asset investments

Company	Subsidiaries
Cost:	£
At 1 January 2004 and 31 December 2004	2

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

12. Stocks

Group and Company	2004 £'000	2003 £'000
Goods held for resale	9,513	10,577

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

13. Debtors

Group and Company	2004 £'000	2003 £'000
Trade debtors	8,225	10,056
Amounts owed by group undertakings	-	652
Other debtors	1,114	1,089
Group relief receivable	513	71
Deferred taxation (note 9)	-	48
Corporaton tax recoverable	120	467
Prepayments and accrued income	45	49
	10,017	12,432

All amounts are due within one year.

14. Creditors: amounts falling due within one year

Group and company	2004 £'000	2003 £'000
Bank loans and overdraft	3,287	5,266
Trade creditors	11,620	9,929
Amounts owed to fellow subsidiaries	875	5,007
Other creditors	115	120
Corporation tax payable	130	-
Accruals and deferred income	182	191
	16,209	20,513

Notes to the accounts
Year ended 31 December 2004

15. Called up share capital

	2004 £'000	2003 £'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

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 and company	Issued share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2004	303	2,902	3,205
Profit for the financial year	-	811	811
Balance at 31 December 2004	303	3,713	4,016

17. Notes to the consolidated cash flow statement

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

	2004 £'000	2003 £'000
Operating profit/(loss)	1,032	(1,945)
Depreciation of tangible fixed assets	130	166
Decrease/(increase) in stocks	1,064	(5,037)
Decrease in debtors	2,342	7,054
(Decrease)/increase in creditors	(2,453)	4,189
Net cash inflow from operating activities	2,115	4,427

Notes to the accounts
Year ended 31 December 2004

17. Consolidated cash flow statement (continued)

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

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	1,979	(1,229)
Change in net debt resulting from cashflows	1,979	(1,229)
Net debt at 1 January	(5,266)	(4,037)
Net debt at 31 December	(3,287)	(5,266)

18. *Contingent liabilities*

Group and Company

Guarantees	**2004 £'000**	**2003 £'000**
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 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 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.

The pension charge for the year was £200,061 (2003 – £199,986); there is no prepayment or accrual at the year end (2003 – £nil). The most recent actuarial valuation showed that the market value of the scheme's assets was £4,405,000 giving a funding level of 79%.

19. Pension commitments (continued)

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. 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 2004.

Actuarial assumptions

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

	2004 %	2003 %	2002 %
Average discount rate for plan liabilities	5.8	5.8	5.5
Average rate of inflation	2.75	2.3	2.0
Average rate of increase in salaries	4.75	4.3	4.0
Average rate of increase of pensions in payment	2.75	2.3	2.0
Average long term rate of return on plan assets	6.1	6.4	6.0

FRS 17 Balance sheet disclosure

	2004 Rate of return %	2004 Fair value £'000	2003 Rate of return %	2003 Fair value £'000	2002 Rate of return %	2002 Fair value £'000
Equity	6.5	3,245	6.8	2,977	6.5	2,322
Bonds	4.5	853	4.8	785	4.5	753
Property	6.5	256		-		-
Cash	4.75	51		-		-
Total market value of assets		4,405		3,762		3,075
Present value of scheme liabilities		(5,545)		(4,122)		(4,058)
Deficit in the pension plan		(1,140)		(360)		(983)
Deferred tax		342		108		295
Net pension liability		(778)		(252)		(688)

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

Notes to the accounts
Year ended 31 December 2004

19. Pension commitments (continued)

FRS 17 Profit and loss account disclosure

Had the company adopted FRS 17 early, amounts included in the consolidated profit and loss account for 2004 in respect of the defined benefit pension scheme would have been as follows;

	2004 £'000	2003 £'000
Analysis of the amount charged to operating profit		
Current service cost	201	248
Total operating charge	201	248
Analysis of the amount credited to other finance income		
Expected return on plan assets	249	193
Interest cost on plan liabilities	(248)	(223)
Net charge/(credit) to other finance income	1	(30)
Total P&L charge	202	218

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

FRS 17 Statement of total recognised gains and losses disclosure

Amounts included in the consolidated STRGL for 2004 in respect of the defined benefit plan would have been as follows;

	2004 £'000	2003 £'000
Difference between actual and expected return on plan assets	131	232
Experience gains arising on plan liabilities	62	405
Effects of changes in assumptions underlying the plan liabilities	(962)	89
Total actuarial gains and losses recognised in the STRGL	(769)	726

The difference of £131,000 between actual and expected return on plan assets is 3.0% of the plan assets as at 31 December 2004. The experience gains of £62,000 arising on plan liabilities represent 1.4% of the present value of scheme liabilities at 31 December 2004. The total actuarial loss of £769,000 represents 17.5% of the present value of scheme liabilities as at 31 December 2004.

Notes to the accounts
Year ended 31 December 2004

19. Pension commitments (continued)

FRS 17 Analysis of movement in deficit during the year

	2004 £'000	2003 £'000
As at 1 January 2004	(360)	(983)
Current service cost	(201)	(248)
Employer contributions	190	175
Other financial income	1	(30)
Actuarial (loss)/gain	(769)	726
As at 31 December 2004	(1,139)	(360)

20. Other financial commitments

At 31 December 2004 the company and the group have annual commitments under non-cancellable operating leases as follows:

	2004		2003	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	-	-	26
Within two to five years	-	58	-	51
After five years	66	-	66	-
	66	58	66	77

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

The transactions noted below were entered into with fellow 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 intercompany current accounts.

Value of transactions

Type of transaction	2004 £'000	2003 £'000
Completed sales of physical commodities	27,780	39,635
Open sales of physical commodities	3,833	680
Completed purchases of physical commodities	1,543	3,854
Open purchases of physical commodities	364	1,405
Interest receivable	-	18
Interest payable	44	-

Balances with related parties

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

	Group and Company	
	2004 £'000	2003 £'000
Amount owed by group undertakings	-	652
Group relief receivable	513	71
Amount owed to fellow subsidiaries	875	5,007