

# **CARGILL FINANCIAL MARKETS PLC**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 May 2010**

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COMPANIES HOUSE

Registered Number 2496185

**CARGILL FINANCIAL MARKETS PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 May 2010**

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## **OFFICERS AND PROFESSIONAL ADVISORS**

### **Directors**

R G Ward

R D Thurston

### **Secretary**

R D Thurston

### **Auditor**

KPMG Audit Plc

15 Canada Square

London E14 5GL

### **Registered Office**

Knowle Hill Park

Fairmile Lane

Cobham

Surrey KT11 2PD

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 May 2010

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### **PRINCIPAL ACTIVITIES & BUSINESS REVIEW**

The Company's principal activity has continued to be the proprietary trading of fixed income and equity securities and related financial instruments. There has been no significant change in the Company's principal activities compared to previous years.

The principal uncertainties facing the Company in the coming year include the unpredictable nature of the general business and economic environment. The principal risk of the Company is market risk, to which all financial instruments are subject. Market risk is the potential change in value caused by changes in credit spreads, liquidity, or foreign exchange rates. Taking market risk is fundamental to the trading business. The Company's trading and risk management personnel seek to identify all such risks in the portfolio, so that those risks, which are not hedged, are the result of deliberate trading decisions. The risk management group operates independently of the trading groups and reports to Cargill's global Financial Risk Committee, which is based at the Cargill headquarters in Minneapolis.

Credit risk is the risk of loss due to non-performance by issuers, trading counterparties and other obligors. Credit risk is monitored against established strategy limits. Counterparty exposure is mitigated by performing know-your-client checks on counterparties or by passing the risk back to the counterparty as a result of ensuring relevant controls are performed during the closing process.

Liquidity risk is the risk that the company is unable or limited in its ability to liquidate certain of its trading and investment positions. Liquidity risk is assessed at the point of trade execution and monitored during the holding period of the asset.

Foreign exchange rate risk arises from trading instruments denominated in a number of emerging and developed market currencies. Where taking currency exposure is not part of the motivation for a trade, that exposure will be hedged by using forward FX transactions or by funding in the underlying currency of the assets involved. At times the company may enter trades specifically to take on currency exposure to hedge potential future profits. These are economic hedges and hedge accounting has not been applied.

The Company also manages valuation risk with regard to the various investments that it holds. Some prices are not readily available from independent sources, and therefore, controls and measures have been put in place to mitigate any risks caused by this inability to easily acquire independent prices (see "Valuation of current asset investments" under the Principal Accounting Policies).

The Company has recorded a profit for the financial year of \$8,458,000 (2009: loss \$1,880,973). Due to the Company's principal activities and the nature of its operations, the Directors do not separately monitor key performance indicators for the Company, as there are no such appropriate key performance indicators.

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### **DIVIDENDS**

The Directors do not recommend the payment of a dividend (2009: \$Nil)

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### **POLICY & PRACTICE ON PAYMENT OF CREDITORS**

The Company aims to pay all of its creditors promptly. It is the Company's policy to agree the terms of the payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations.

The Company had no purchases outstanding at 31 May 2010 (2009: nil)

## **DIRECTORS' REPORT**

### **DIRECTORS**

The Directors who held office during the year were

	<u>Appointed</u>
R G Ward	1 February 1999
R D Thurston	25 February 2005

None of the Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

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### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Company made no political contributions during the year (2009 \$Nil)

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### **DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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### **AUDITORS**

Pursuant to section 489 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By Order of the Board



R G Ward  
Director

Cargill Financial Markets Plc  
Knowle Hill Park  
Fairmile Lane, Cobham  
Surrey KT11 2PD  
11<sup>th</sup> October 2010

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARGILL FINANCIAL MARKETS PLC**

We have audited the financial statements of Cargill Financial Markets plc for the year ended 31 May 2010 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) ethical standards for auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



G R Simpson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

London

14 October 2010

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 May 2010

	<u>Notes</u>	<u>2010</u> <u>\$000</u>	<u>2009</u> <u>\$000</u>
<b>Net trading expense</b>	<b>2</b>	<b>(1,133)</b>	<b>(18,216)</b>
Group interest income		57,039	68,577
Foreign exchange gains		7,198	38,275
Administrative expenses		(476)	(131)
Loan impairment charges		(39,409)	(67,621)
Impairment of investment in subsidiaries		-	(4,962)
Other operating (expense) / income		<u>(20)</u>	<u>370</u>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>23,199</b>	<b>16,292</b>
Taxation on profit on ordinary activities	<b>6</b>	<b>(14,741)</b>	<b>(18,173)</b>
		<u>          </u>	<u>          </u>
<b>Retained profit / (loss) for the financial year</b>		<u><b>8,458</b></u>	<u><b>(1,881)</b></u>

The above income and expenditure has been derived from continuing activities

With the exception of financial instruments, accounted for under FRS 26, there are no material differences between the results as reported and the results that would have been reported on a historical cost basis. Accordingly no note of historical cost profit and losses has been prepared.

There were no recognised gains or losses other than the profit attributable to the shareholders of the company for the year ended 31 May 2010. Consequently no statement of recognised gains or losses has been prepared.

The notes on pages 8 to 19 form an integral part of these financial statements.

**BALANCE SHEET**  
at 31 May 2010

	<u>Notes</u>	<u>2010</u> <u>\$000</u>	<u>2009</u> <u>\$000</u>
<b>Fixed Assets</b>			
Investments	7	-	-
<b>Current assets</b>			
Cash at bank		553,421	512,163
Debtors	8	607,026	694,734
Investments	10	45,914	71,661
		<u>1,206,361</u>	<u>1,278,558</u>
<b>Creditors, amounts falling due within one year</b>	11	<u>(578,672)</u>	<u>(659,327)</u>
<b>Net current assets</b>		<u>627,689</u>	<u>619,231</u>
<b>Total assets less current liabilities</b>		<u>627,689</u>	<u>619,231</u>
<b>Creditors: amounts falling due after one year</b>	12	-	-
<b>Net Assets</b>		<u><u>627,689</u></u>	<u><u>619,231</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	107,325	107,325
Profit and loss account	14	520,364	511,906
<b>Shareholders' funds</b>	14	<u><u>627,689</u></u>	<u><u>619,231</u></u>

The notes on pages 8 to 19 form an integral part of these financial statements

The financial statements were approved by the Board of Directors and signed on its behalf on 11th October 2010



R G Ward (Director)

Registered Number 2496185

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### (a) Basis of preparation:

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, except as noted in (b) below

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Cargill Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Cargill Inc, within which this Company is included, are available to the public

Turnover, cost of sales and gross profit do not have any meaningful equivalent in a financial markets business and are therefore not included

Trading income comprises the net profit arising from positions held in securities carried at fair value, net interest and net dividends earned by those securities after charging funding costs

The directors consider that the functional currency of the Company is the US dollar The financial statements have therefore been prepared in that currency

#### (b) Valuation of current asset investments:

Current asset investments are accounted for on a trade date basis and are valued at the market price ruling at the balance sheet date, resultant profits or losses are taken to the profit and loss account Where independent prices are not available, market values may be determined by discounting the expected future cash flows using an appropriate interest rate adjusted for the credit risk of the counterparty In addition, adjustments are made for illiquid positions where appropriate, on investments where there is no market price

#### (c) Fixed Asset Investments

Investments in subsidiary undertakings are carried at cost less impairment

#### (d) Interest income and expense:

Interest income and expense are recognised on an accruals basis using the effective interest rate

#### (e) Other operating expense:

Other operating expense comprises management recharges which are recognised on an accrual basis

## NOTES TO THE FINANCIAL STATEMENTS

### Continued

**(f) Foreign currencies:**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date. Gains or losses on translation of trading assets are included within trading gains, gains or losses on all other monetary items are separately recorded in the profit and loss account. The company has selected the US dollar as its functional currency given that the majority of its assets and liabilities are denominated and settled in this currency.

**(g) Taxation:**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. A deferred tax asset is recognised to the extent it is regarded as recoverable.

**(h) Deferred compensation:**

Performance related compensation, including that deferred, is accrued in respect of the year of service to which it relates.

**(i) Financial instrument classification:**

As required by FRS 26, financial instruments are classified by management so as to enable logical categorisation for measurement and recognition purposes and to ensure accurate balance sheet presentation.

**NOTES TO THE FINANCIAL STATEMENTS**  
Continued

**2. NET TRADING EXPENSE**

	2010 \$000	2009 \$000
Trading losses	(1,651)	(18,867)
Dividend income	-	311
Interest income	568	684
Interest expense	(50)	(344)
<b>Net trading expense</b>	<b>(1,133)</b>	<b>(18,216)</b>

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The Company's Auditors were paid \$38,718 in respect of their audit of these financial statements (2009 \$41,000)

**4. DIRECTORS' EMOLUMENTS**

The aggregate of emoluments and amounts receivable under the long term incentive scheme of the highest paid director was \$103,419 (2009 \$83,585). He is a member of the defined benefit pension scheme. The accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was \$28,220 (2009 \$14,606).

	2010	2009
Retirement benefits are accruing to the following number of directors under defined benefit only schemes	<u>1</u>	<u>1</u>
Directors' emoluments	<u>103</u>	<u>84</u>
No directors benefited from qualifying third party indemnity provisions		

**5. SEGMENTAL ANALYSIS**

No segmental analysis is provided as the company has only one distinguishable class of business and operates in a market which is not limited by geographical bounds.

**NOTES TO THE FINANCIAL STATEMENTS**  
Continued

**6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

**a) Analysis of charge in period**

	2010 \$000	2009 \$000
UK corporation tax at 28% (2009 28%)		
Current tax on income for the period	16,445	17,068
Adjustments in respect of prior periods	(1,722)	(587)
<b>Total current tax [note 6(b)]</b>	<b>14,723</b>	<b>16,481</b>
Deferred tax		
Origination/ reversal of timing differences		
Current year	18	1,342
Prior year	-	350
<b>Tax on profit on ordinary activities</b>	<b>14,741</b>	<b>18,173</b>

Current year tax includes withholding tax suffered on foreign dividends of \$nil (2009 \$222,572)

**b) Factors affecting the tax charge for the current period**

The tax assessed for the year is higher than (2009 higher than) the standard rate of corporation tax in the UK (28%) (2009 28%) The differences are explained below

	2010 \$000	2009 \$000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	23,199	16,292
Current tax at 28% (2009 28%)	6,496	4,562
<i>Effects of</i>		
Capital allowances	-	(9)
Income not taxable	(243)	(1,342)
Transfer pricing adjustment	(842)	(5,611)
Provision for Impairment and bad and doubtful debts	11,034	19,468
Adjustments in respect of prior years	(1,722)	(587)
<b>Total current tax charge (see above)</b>	<b>14,723</b>	<b>16,481</b>

The adjustment to the prior year tax charge predominantly relates to a change in group tax policy for the cessation of payment relief claimed and an adjustment to prior year's transfer pricing

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 7 FIXED ASSET INVESTMENTS

	2010	2009
	\$000	\$000
<i>Participating interests</i>		
Unlisted Investments cost	4,962	4,962
Provision against investment	(4,962)	(4,962)
<b>Net book value</b>	<b>-</b>	<b>-</b>

The investment in EEP5 was fully provided for during the year ended 31 May 2009. This was due to the subsidiary not being a going concern and there being insufficient amounts to recover the investment.

The companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>			
Cargill Finance Limited	UK	Ceased trading	100%
Endon Europe Power 5 Limited	UK	Investment Company	100%
Endon Europe Power 4 Limited	UK	Investment Company	100%
Endon Europe Power 6 Limited	UK	Investment Company	100%
Endon Europe Power 3 Limited	UK	Investment Company	100%
Teeside Power Financing Ltd	Cayman Islands	Investment Company	100%
Endon Europe Power 1 Limited	UK	Investment Company	100%
Teeside Power Holdings Ltd	UK	Investment Company	100%
Magnolia Power Ltd	UK	Investment Company	100%
TPL Investments Ltd	UK	Investment Company	69.23%

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 8 DEBTORS

	2010 \$000	2009 \$000
<b>Amounts falling due within one year</b>		
Trade debtors	684	831
Amounts owed by group undertakings	605,748	683,010
Other debtors	494	672
Corporation tax	-	10,016
Prepayments and accrued income	-	87
	<u>606,926</u>	<u>694,616</u>
<b>Amounts falling due after more than one year</b>		
Deferred tax asset (Note 9)	100	118
	<u>607,026</u>	<u>694,734</u>

## 9 DEFERRED TAX ASSET

	2010 \$000	2009 \$000
Decelerated capital allowances	32	40
Withholding tax	68	78
	<u>100</u>	<u>118</u>
Balance brought forward	118	1,810
Prior DT assets released to profit and loss account	(18)	(1,692)
Balance carried forward	<u>100</u>	<u>118</u>

## 10 INVESTMENTS (HELD AS CURRENT ASSETS)

	2010 \$000	2009 \$000
Convertible bonds	462	794
Corporate bonds	21,247	22,827
Equity shares	3,646	2,528
Other corporate debt	20,559	45,512
	<u>45,914</u>	<u>71,661</u>

All investments are treated as trading items with fair value movements recognised through profit or loss. Assets with a market value, including interest, of \$nil (2009 \$nil) had been deposited with third parties as collateral for securities borrowed.

	2010 \$000	2009 \$000
Listed investments	37	9
Other investments	45,877	71,652
	<u>45,914</u>	<u>71,661</u>

At 31 May 2010 the market value of the listed investments was \$36,543 (2009 \$8,681)

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 \$000	2009 \$000
Amounts owed to group undertakings	566,994	658,215
Corporation tax payable	10,453	-
Other creditors	-	638
Accruals and deferred income	1,225	474
	<u>578,672</u>	<u>659,327</u>

Amounts owed to group undertakings include \$1,346,103 for tax group relief

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2010 \$000	2009 \$000
Accruals and deferred income	-	-

## 13 CALLED UP SHARE CAPITAL

	2010 \$000	2009 \$000
<b>Authorised</b>		
50,000 ordinary shares of £1 each	76	76
171,000,000 ordinary shares of US\$1 each (2009 171,000,000 ordinary shares of US\$1 each)	171,000	171,000
175,000,000 ordinary shares of US\$1 each (2009 175,000,000 ordinary shares of US\$1 each)	175,000	175,000
	<u>346,076</u>	<u>346,076</u>
<b>Allotted</b>		
50,000 ordinary shares of £1 each	76	76
107,305,000 ordinary shares of US\$1 each (2009 107,305,000 ordinary shares of US\$1 each)	107,305	107,305
	<u>107,381</u>	<u>107,381</u>
<b>Called up and paid</b>		
50,000 ordinary shares of £1 each, 25 pence paid	20	20
107,305,000 ordinary shares of US\$1 each (2009 107,305,000 ordinary shares of US\$1 each)	107,305	107,305
	<u>107,325</u>	<u>107,325</u>

## 14 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital \$000	Profit and loss account \$000	TOTAL \$000
Brought forward at 1 June 2009	107,325	511,906	619,231
Profit / (loss) for the financial year	-	8,458	8,458
Carried forward at 31 May 2010	<u>107,325</u>	<u>520,364</u>	<u>627,689</u>

NOTES TO THE FINANCIAL STATEMENTS  
Continued

**15 FINANCIAL INSTRUMENTS**

*Classification of financial assets and liabilities as at 31st May 2010*

Financial Assets 2010	Fair value through profit and loss (trading) \$000	Available for sale \$000	Loans and receivables \$000	Held to maturity \$000	TOTAL \$000
Trade debtors	-	-	684	-	684
Amounts owed by group undertakings	-	-	605,748	-	605,748
Other debtors	-	-	494	-	494
Current asset investments	45,914	-	-	-	45,914
<b>TOTAL</b>	<b>45,914</b>	<b>-</b>	<b>606,926</b>	<b>-</b>	<b>652,840</b>

Financial Liabilities 2010	Fair value through profit and loss (trading) \$000	Amortised cost \$000	TOTAL \$000
Amounts owed to group undertakings	-	566,994	566,994
<b>TOTAL</b>	<b>-</b>	<b>566,994</b>	<b>566,994</b>

*Classification of financial assets and liabilities as at 31st May 2009*

Financial Assets 2009	Fair value through profit and loss (trading) \$000	Available for sale \$000	Loans and receivables \$000	Held to maturity \$000	TOTAL \$000
Trade debtors	-	-	831	-	831
Amounts owed by group undertakings	-	-	683,010	-	683,010
Other debtors	-	-	672	-	672
Current asset investments	71,661	-	-	-	71,661
<b>TOTAL</b>	<b>71,661</b>	<b>-</b>	<b>684,513</b>	<b>-</b>	<b>756,174</b>

Financial Liabilities 2009	Fair value through profit and loss (trading) \$000	Amortised cost \$000	TOTAL \$000
Amounts owed to group undertakings	-	658,215	658,215
Other creditors	-	638	638
<b>TOTAL</b>	<b>-</b>	<b>658,853</b>	<b>658,853</b>

NOTES TO THE FINANCIAL STATEMENTS  
Continued

15 FINANCIAL INSTRUMENTS (CONTINUED)

*Fair value of financial instruments not measured at fair value*

Assets	2010		2009	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Trade debtors	684	684	831	831
Amounts owed by group undertakings	605,748	605,748	683,010	683,010
Other debtors	494	494	672	672
	<u>606,926</u>	<u>606,926</u>	<u>684,513</u>	<u>684,513</u>
Liabilities	2010		2009	
	Book value \$000	Fair value \$000	Book value \$000	Fair value \$000
Amounts owed to group undertakings	566,994	566,994	658,215	658,215
Other creditors	-	-	638	638
	<u>566,994</u>	<u>566,994</u>	<u>658,853</u>	<u>658,853</u>

**Basis for determining fair values**

*Current asset investments*

The fair value of financial assets at fair value through profit loss and available for sale financial assets is determined by the use of a notional bucketing method

All current asset investments are placed in either bucket 1, bucket 2, or bucket 3 depending on their specific nature

Bucket 1 - investments actively quoted and traded on open markets

Bucket 2 - less frequently traded investments, prices can be sought from external sources

Bucket 3 - investments specific in structure/type, not actively traded or quoted on open markets

Fair value is calculated for each notional bucket as follows

Bucket 1 - investments are valued based on recent bid prices on active open markets

Bucket 2 - valuation techniques are applied using broker price quotes as the primary input

Bucket 3 - valuation techniques are applied eg cash flow modelling, third party legal confirmations. The valuation of Bucket 3 is based on a number of factors. Examples of factors affecting the fair value in future include the outcome of litigation claims and the progress of liquidation proceedings. Based on our valuation there is a range of potential outcomes for several positions, which could affect the market value by an estimated range of \$(3,505k) decrease and \$+7,645k increase in asset value

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cashflows, discounted at the market rate of interest at the reporting date

*Non-derivative financial liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

*Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate constant credit spread, and were as follows

	2010	2009
Loans and borrowings	3% - 5%	3% - 5%

**NOTES TO THE FINANCIAL STATEMENTS**  
Continued

**16 CREDIT RISK**

The carrying amount of financial assets represents the maximum credit exposure  
At the year end the maximum credit exposure was

	Book value 2010 \$000	Book value 2009 \$000
Trade debtors	684	831
Amounts owed by group undertakings	605,748	683,010
Other debtors	494	672
Current asset investments		
Bucket 1	2,142	1,686
Bucket 2	3,056	7,861
Bucket 3	40,716	62,114
	<u>652,840</u>	<u>756,174</u>

**Impairment losses**

The ageing of trade debtors and intercompany receivables at the reporting date was

	2010 \$000 Gross	\$000 Impairment		2009 \$000 Gross	\$000 Impairment
	Trade debtors			Trade debtors	
Not past due	-	-		-	-
Past due 0-30 days	-	-		-	-
Past due 31-120 days	-	-		-	-
More than one year	928	(244)		920	(89)
	<u>928</u>	<u>(244)</u>		<u>920</u>	<u>(89)</u>

  

	2010 \$000 Gross	\$000 Impairment		2009 \$000 Gross	\$000 Impairment
	Intercompany receivables			Intercompany receivables	
More than one year					
Teesside Power Finance Ltd	2	-		-	-
Endon Europe Power 1	2,677	-		2,967	-
Endon Europe Power 3	560,545	-		588,108	-
Endon Europe Power 5	883	(883)		980	-
Endon Europe Power 6	148,585	(106,147)		158,576	(67,621)
Other related parties	87	-		-	-
	<u>712,778</u>	<u>(107,030)</u>		<u>750,631</u>	<u>(67,621)</u>

In assessing the recoverability of intercompany receivables from the Company's subsidiary undertakings, the ability of the Company to control the timing and nature of cashflows and the benefit of holding cash on behalf of subsidiaries has been taken into consideration

The movement in the allowance for impairment in respect of receivables during the year was as follows

	2010 \$000		2009 \$000	
	Intercompany receivables	Trade debtors	Intercompany receivables	Trade debtors
Balance at 1st June	(67,621)	(89)	-	(578)
Impairment (loss)/write back recognised	(39,409)	(155)	(67,621)	489
Balance at 31st May	<u>(107,030)</u>	<u>(244)</u>	<u>(67,621)</u>	<u>(89)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
Continued

**17 LIQUIDITY RISK**

*The following are the contractual maturities of financial liabilities including interest payments and excluding the impact of netting agreements*

2010	On demand \$000	up to 6 months \$000	6-12 months \$000	1-5 years \$000	> 5 years \$000	TOTAL \$000
Amounts owed to group undertakings	566,994	-	-	-	-	566,994
	566,994	-	-	-	-	566,994
2009	On demand \$000	up to 6 months \$000	6-12 months \$000	1-5 years \$000	> 5 years \$000	TOTAL \$000
Amounts owed to group undertakings	658,215	-	-	-	-	658,215
Other creditors	156	481	-	-	-	637
	658,371	481	-	-	-	658,852

**18 MARKET RISK**

*Currency risk*

A 10% strengthening of the US dollar against the following currencies at 31st May 2010 would have increased (decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	31st May 2010		31st May 2009	
	Equity \$000	Profit or (loss) \$000	Equity \$000	Profit or (loss) \$000
GBP sterling	7,410	7,410	10,760	10,760
Euro	(1,851)	(1,851)	(2,480)	(2,480)
Swiss franc	6	6	0	0
Danish krone	(159)	(159)	(267)	(267)

A 10% weakening of the US dollar against the above currencies at 31st May 2010 would have had an equal but opposite effect on equity and profit and loss, assuming that all other variables remain constant.

*Price risk*

The company is not directly exposed to any specific price risk. Only general 'systemic' market risk applies to this business.

*Interest rate risk*

As at 31 May 2010 the Company is not exposed to any significant interest rate risk, as it matches assets and liabilities where possible.

## NOTES TO THE FINANCIAL STATEMENTS

Continued

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### 19. CONTINGENT LIABILITIES

During the year, one of the Company's subsidiaries received notification of a potential material warranty claim against it totalling \$119,343,000 in relation to the sale of its interest in Teesside Power Limited. The Company had previously granted a guarantee to that subsidiary in respect of such claims. To date there is insufficient available information to enable the Directors to form a view as to the likelihood or potential quantum, if any, of a liability arising from this claim. Accordingly no provision has been made in these financial statements.

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### 20. COMMITMENTS

- (a) At 31 May 2010, the Company had entered in the normal course of its business into forward contracts for the purchase and sale of foreign currencies and securities.
- (b) As at 31 May 2010, the Company had no commitments under non-cancellable operating leases.
- (c) The Company had no capital commitments at the end of the financial year for which no provision has been made (2009 \$Nil).
- (d) The Company has, in the normal course of business, granted guarantees and warranties to certain subsidiary undertakings in respect of tax and other indemnities granted by those subsidiaries under third party sales agreements.

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### 21. ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Cargill Holdings, a Company incorporated in Great Britain and registered in England & Wales. Cargill, Incorporated is the ultimate parent undertaking of Cargill Financial Markets PLC, and is regarded by the directors as being the Company's ultimate controlling party.

The parent undertaking of the smallest and largest group into which the accounts of the Company are consolidated is Cargill, Incorporated. The consolidated financial statements of this group are lodged at Companies House, Crown Way, Cardiff, CF4 3UZ.