

CARGILL FINANCIAL MARKETS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2000



Registered Number 2496185

CARGILL FINANCIAL MARKETS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 May 2000

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DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the year ended 31 May 2000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that year.

The directors confirm that appropriate accounting policies have been agreed and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 May 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BUSINESS REVIEW

The company's principal activity continues to be the proprietary trading of fixed income and equity securities and related financial instruments. The company has had a successful year and has recorded a profit for the financial year of \$75,384,000 (1999: loss of \$182,438,000).

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The company uses financial instruments both to take on and to hedge risk in the normal course of its trading activities. Instruments traded include sovereign and corporate bonds, equities, exchange traded and over-the-counter (OTC) derivative instruments including swaps, forwards, futures, options and structured notes, and trade finance instruments. A number of these instruments have a risk of loss which exceeds their reported values in the company's balance sheet.

Some of the company's trading strategies are directional in nature whilst other strategies may be entered into to take advantage of perceived differences in the relative value of similar instruments where their prices are expected to converge or diverge.

DIRECTORS' REPORT

continued

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

The nature of the trading business is dynamic. The fixed/floating split and maturity profile of trading instruments is disclosed, but these instruments may be traded at any time in response to market fluctuations and perceived trading opportunities. The company does not impose specific limits on these aspects of its asset and liability profile; rather positions are subject to risk and debt utilisation limits.

Risk management

The Cargill financial markets division, of which the company is a part, employs a risk management group with staff in London, Minneapolis and Singapore, which is responsible for measuring and monitoring risk against limits determined by senior management. Limits are established for market risk, credit exposure and cross-border exposure, with sub-limits by geography and product type where appropriate. The risk management group operates independently of the trading groups and reports to the division's global Governance Committee, which is based at the division's headquarters in Minneapolis.

Market risk

All financial instruments are subject to market risk, the potential change in value caused by changes in interest rates, foreign exchange rates, credit spreads, liquidity or the market price of another underlying instrument. 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. Market risk limits are set and may only be exceeded with the approval of the Governance Committee.

Interest rate risk

Interest rate risk takes many different forms. In the company's trading activities outright interest rate risk arises from holding fixed rate assets and liabilities whose market value changes in line with prevailing market yields. In addition the company is exposed to other forms of interest rate risk, including yield curve risk (that is the relationship between yields of instruments of different maturity), swap spread risk (between yields of swaps and sovereign bonds of the same currency and maturity) and various basis risks (between yields of similar instruments, different instruments with similar properties, or a derivative product and its underlying instrument).

The company actively manages its interest rate risk through the use of interest rate futures, swaps, options and fixed rate financing. The company has not set explicit guidelines on the proportion of its assets and liabilities which may be floating rate; this proportion will vary depending on the instruments involved and management's expectation of interest rate movements. The interest rate risk profile of the company as at 31 May 2000 and 31 May 1999 is shown in note 21 (a) and (b).

DIRECTORS' REPORT

continued

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

Currency risk

Currency 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, where this is identified as a trading opportunity. The company's currency exposure as at 31 May 2000 and 31 May 1999 is shown in note 21 (c).

Credit risk

Credit risk is the risk of loss due to non-performance by issuers, trading counterparties and other obligors. All trading activity may only take place with approved counterparties. Where trading gives rise to, or may in the future give rise to, a credit exposure there must be a pre-established credit limit. The risk management group monitors credit exposures against limits. For off-balance sheet instruments the company also monitors potential future exposure, that is where an instrument with zero or negative value to the company may give rise to a positive value and consequent credit exposure due to market movements.

Cross-border risk

Cross-border risk arises where the company holds assets and liabilities in different countries, such that the company's ability to transfer assets across national borders or convert one currency for another may be restricted by sovereign action. The company imposes limits on its cross-border exposure to emerging market countries. On occasion the company may purchase or issue financial instruments which specifically mitigate or give rise to cross-border risk.

Liquidity risk

Under certain market conditions the company's ability to liquidate certain of its trading and investing positions may be limited. The company attempts to fund its trading and investing operations in such a way as to match the liquidity profile of its trading and investing assets. The maturity profile of the company's financial liabilities as at 31 May 2000 and 31 May 1999 is shown in note 21 (d) and the undrawn committed borrowing facilities available to the company as at those dates are shown in note 21 (e).

DIRECTORS' REPORT

continued

YEAR 2000

Whilst it is still possible that errors or failures related to the year 2000 issue may arise in the future, since 1 January 2000 *no issues have arisen and the business is continuing to function normally.*

DIVIDENDS

No dividends were paid or proposed during the year (1999: \$ Nil).

BRANCH OFFICES

The company operates a branch office in Tokyo, Japan.

AUDITORS

KPMG Audit Plc have expressed their willingness to continue in office as auditors. In accordance with Section 385 of the Companies Act 1985, a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

SUPPLIERS

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 18 days purchases outstanding as at 31 May 2000 based on the average daily amount invoiced by suppliers during the year.

DIRECTORS' REPORT

continued

DIRECTORS AND DIRECTORS' INTERESTS

The directors during the year were as follows:

	<u>Appointed</u>
J C Reynolds	26 April 1990
D P L Corridan	30 April 1990
P J Tiller	1 July 1993
J G M de Jong	4 December 1997
J K Llewelyn	1 June 1998
R G Ward	1 February 1999

According to the register of directors' interests, no director had a beneficial interest in the shares of the company nor of any group companies during the year. The company has taken advantage of the exemption granted under Section 324 of the Companies Act 1985, which permits the company not to disclose details of directors' long term incentive schemes.

By Order of the Board



R G Ward

Director

30 August 2000

Knowle Hill Park
Fairmile Lane
Cobham
Surrey KT11 2PD

**REPORT OF THE AUDITORS KPMG AUDIT PLC
TO THE MEMBERS OF CARGILL FINANCIAL MARKETS PLC**

We have audited the financial statements on pages 7 to 28

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 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 the company's affairs as at 31 May 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London, 30 August 2000

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2000

	Notes	2000 \$000	1999 \$000
Net trading profit/(loss)	2	104,366	(166,089)
Administrative expenses		(36,666)	(41,084)
Other operating income		11,301	13,158
Profit/(loss) on ordinary activities before			
taxation	5	79,001	(194,015)
Taxation on profit/loss on ordinary activities	8	(3,617)	11,577
Profit/(loss) for the financial year	14	75,384	(182,438)

The above income and expenditure has been derived from continuing activities.

There were no recognised gains and losses other than the profit for the financial year. Consequently no statement of recognised gains and losses has been prepared.

There were no acquisitions or disposals and no operations were discontinued during the year.

The notes on pages 9 to 28 form an integral part of these financial statements

BALANCE SHEET

at 31 May 2000

	Notes	2000 \$000	1999 \$000
Current assets			
Debtors			
Amounts falling due within one year	9	2,851,445	4,127,513
Amounts falling due in more than one year	9	1,882	3,251
		<u>2,853,327</u>	<u>4,130,764</u>
Securities	10	1,129,952	2,600,245
Cash at bank and in hand		38,792	7,438
		<u>4,022,071</u>	<u>6,738,447</u>
Creditors: amounts falling due within one year	11	<u>(3,809,387)</u>	<u>(6,599,784)</u>
Net current assets		212,684	138,663
Creditors: amounts falling due after more than one year	12	<u>(1,877)</u>	<u>(3,240)</u>
Net assets		<u>210,807</u>	<u>135,423</u>
 Capital and reserves			
Called up share capital	13	261,020	261,020
Profit and loss account	14	(60,213)	(135,597)
Other reserves	15	10,000	10,000
Shareholders' funds	16	<u>210,807</u>	<u>135,423</u>

Approved by the Board of Directors and signed on its behalf on 30 August 2000.



R G Ward (Director)

The notes on pages 9 to 28 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of these accounts.

(a) Basis of accounting:

- (i) The accounts have been prepared under the historical cost convention, except as noted in (b) below, and in accordance with applicable accounting standards.
- (ii) Turnover, cost of sales and gross profit (as prescribed in the Companies Act 1985) do not have any meaningful equivalents in a financial markets business and are therefore not included.
- (iii) Trading income comprises the net profit arising from positions held in securities, net interest and net dividends earned by those securities after charging funding costs.
- (iv) 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 securities, derivative instruments and financing instruments:

Securities are accounted for on a trade date basis. Trading securities, derivative instruments and financing instruments are valued at the market price ruling at the balance sheet date; resultant profits or losses are taken to the profit and loss account. This policy for recognising profits and losses is at variance with the requirements of the Companies Act for all amounts to be stated in the balance sheet at the lower of cost and net realisable value. However, the directors consider that this policy is necessary to satisfy the overriding requirement that the accounts show a true and fair view of the results of the company, since the performance of the company in any period is only properly measured by reference to market values. It is not practicable to quantify the effect on the accounts of these departures, since information on original cost, being of no continuing relevance to the business, is not readily available.

(c) Interest income and expense:

Interest income and expense are recognised on an accruals basis.

(d) Foreign exchange:

Transactions denominated in foreign currencies are translated into US dollars and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated into US dollars at the exchange rates ruling at the balance sheet date. Forward foreign exchange contracts, other than those relating to loans and deposits, are valued at market foreign exchange rates applicable to their respective maturities at the balance sheet date. Forward foreign exchange contracts relating to loans and deposits are valued at market interest rates applicable to their respective maturities at the balance sheet date. Unrealised exchange gains and losses are taken to the profit and loss account for the reasons set out in (b) above. Exchange gains and losses are not separately identified since they are an intrinsic component of net trading income and such disclosure would be meaningless.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(e) **Deferred taxation:**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

(f) **Pensions:**

The company participates in one of the Cargill Group pension schemes which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. 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.

(g) **Cash flow statement:**

The company has not prepared a cash flow statement as it is included in the consolidated accounts of Cargill Holdings, a company registered in England and Wales and which publishes a consolidated cash flow statement in its own financial statements.

(h) **Operating leases:**

Rentals paid under operating leases are charged to the profit and loss account as they fall due.

2. NET TRADING PROFIT/(LOSS)

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Trading gains/(losses)	105,064	(188,218)
Interest receivable and similar income	144,924	326,093
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(537)	(804)
Interest payable on other loans	<u>(145,085)</u>	<u>(303,160)</u>
Net trading profit/(loss)	<u>104,366</u>	<u>(166,089)</u>

Interest income includes interest receivable from group undertakings of \$3,496,000 (1999: \$2,461,000).

Interest expense includes interest payable to group undertakings of \$6,522,000 (1999: \$12,262,000).

NOTES TO THE FINANCIAL STATEMENTS

continued

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was 86 (1999:138), all of whom worked within the financial markets trading business.

The aggregate payroll costs of these persons were as follows:

	2000	1999
	\$000	\$000
Wages and salaries	20,152	16,750
Social security costs	2,146	922
Other pension costs	676	698
	<u>22,974</u>	<u>18,370</u>

4. DIRECTORS' EMOLUMENTS

The aggregate of emoluments and amounts receivable under the long term incentive scheme of the highest paid director was \$2,039,000 (1999: \$1,081,000). He is a member of a pension scheme having both defined benefit and defined contribution elements. The accrued pension (under the defined benefit scheme) to which he would be entitled from normal retirement date if he were to retire at the year end was \$17,000. Company contributions to defined contribution schemes made during the year on his behalf were \$5,000.

	Number of Directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under defined benefit schemes	3	3
Retirement benefits are accruing to the following number of directors under both defined benefit schemes and defined contribution schemes	1	2

NOTES TO THE FINANCIAL STATEMENTS

continued

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

The profit/(loss) on ordinary activities before taxation is after charging:

	2000	1999
	\$000	\$000
Auditors' remuneration:		
Audit work	110	110
Non-audit work	8	20
Rentals under operating leases:		
Motor vehicles	100	234
Other	95	97
	195	331
Directors' emoluments	5,081	1,709
Company contributions to director's pension scheme invested on a money purchase basis	5	5

6. 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.

7. OPERATING LEASES

Annual commitments under non-cancellable operating leases for motor vehicles and computer equipment are as follows:

	2000	1999
	\$000	\$000
Operating leases which expire:		
Within one year	-	125
In the second to fifth years inclusive	61	156
	61	281

NOTES TO THE FINANCIAL STATEMENTS

continued

8. TAXATION ON PROFIT/LOSS ON ORDINARY ACTIVITIES

	2000 \$000	1999 \$000
United Kingdom corporation tax at 30 % (1999:30.83 %)		
Amounts receivable from group companies in respect of current year tax losses surrendered for group relief	-	(12,299)
Adjustments to amounts receivable from group companies in respect of previous year tax losses surrendered for group relief	3,349	-
Adjustments to previous year	-	38
	3,349	(12,261)
Overseas taxation		
Current year	268	504
	3,617	(11,757)
Deferred taxation		
Current year	-	180
	3,617	(11,577)

As at 31 May 2000 the company has tax losses carried forward of \$90,347,000 (1999: \$160,767,000).

NOTES TO THE FINANCIAL STATEMENTS

continued

9. DEBTORS

	2000 \$000	1999 \$000
Amounts falling due within one year		
Counterparty debtors	178,990	288,200
Securities purchased with agreement to resell	2,638,372	3,758,381
Amounts owed by group undertakings	16,149	26,100
Other debtors	241	63
Prepayments and accrued income	17,693	54,769
	<u>2,851,445</u>	<u>4,127,513</u>
 Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>1,882</u>	<u>3,251</u>
 Deferred tax		
Balance brought forward	-	180
Charged to profit and loss account	-	(180)
Balance carried forward	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

10. SECURITIES

	2000	1999
	\$000	\$000
Government bonds	889,406	2,373,794
Convertible bonds	98,280	37,417
Warrants and options	9,228	2,759
Shares listed on recognised exchanges	61,152	45,093
Corporate bonds	43,688	93,310
Other corporate debt	25,997	42,453
Other securities	2,201	5,419
	<u>1,129,952</u>	<u>2,600,245</u>
Included in the above:		
Listed on the London Stock Exchange	2,824	5,407
Listed elsewhere	58,328	39,686
Unlisted	<u>1,068,800</u>	<u>2,555,152</u>
	<u>1,129,952</u>	<u>2,600,245</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	\$000	\$000
Bank loan	1,449	1,613
Trading securities sold short	1,069,299	3,920,016
Securities sold under agreement to repurchase	2,287,048	2,270,764
Counterparty creditors	335,306	189,602
Amounts owed to group undertakings	84,091	159,572
Corporation tax payable	-	207
Other creditors	167	2,279
Accruals and deferred income	<u>32,027</u>	<u>55,731</u>
	<u>3,809,387</u>	<u>6,599,784</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR *continued*

Amounts owed to group undertakings include \$36,000,000 (1999: \$66,000,000) drawdowns on a subordinated loan facility with Cargill Global Funding PLC.

The only event of default in relation to the subordinated debt is non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

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

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Bank loan repayable in less than five years	<u>1,877</u>	<u>3,240</u>

13. CALLED UP SHARE CAPITAL

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Authorised:		
50,000 ordinary shares of £1 each (1999: 50,000)	76	76
250,000,000 ordinary shares of US\$1 each (1999: 250,000,000)	250,000	250,000
250,000,000 redeemable preferred ordinary shares of US\$1 each (1999: 250,000,000)	<u>250,000</u>	<u>250,000</u>
	<u>500,076</u>	<u>500,076</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

13. CALLED UP SHARE CAPITAL continued

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Allotted:		
50,000 ordinary shares of £1 each (1999: 50,000)	76	76
186,000,000 ordinary shares of US\$1 each (1999: 186,000,000)	186,000	186,000
75,000,000 redeemable preferred ordinary shares of US\$1 each (1999: 75,000,000)	<u>75,000</u>	<u>75,000</u>
	<u><u>261,076</u></u>	<u><u>261,076</u></u>
Called up and paid:		
50,000 ordinary shares of £1 each, 25 pence paid (1999: 50,000)	20	20
186,000,000 fully paid up ordinary shares of US\$1 each (1999: 186,000,000)	186,000	186,000
75,000,000 fully paid up redeemable preferred ordinary shares of US\$1 each (1999: 75,000,000)	<u>75,000</u>	<u>75,000</u>
	<u><u>261,020</u></u>	<u><u>261,020</u></u>

The company may redeem the redeemable preferred ordinary shares at any time. Unless otherwise agreed by all the holders of the redeemable preferred ordinary shares at the relevant time, upon winding up, the assets of the company available for distribution shall be applied in paying to the holders of the redeemable preferred ordinary shares in priority to any payment to the holders of ordinary shares a sum equal to the capital paid up on those redeemable preferred ordinary shares.

14. PROFIT AND LOSS ACCOUNT

	<u>\$000</u>
Brought forward at 1 June 1999	(135,597)
Retained profit for the financial year	<u>75,384</u>
Carried forward at 31 May 2000	<u><u>(60,213)</u></u>

15. OTHER RESERVES

	<u>\$000</u>
Brought forward at 1 June 1999 and carried forward at 31 May 2000	<u><u>10,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

continued

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000 \$000	1999 \$000
Retained profit/(loss) for the financial year	75,384	(182,438)
Issue of equity shares	-	225,000
Opening shareholders' funds	135,423	92,861
Closing shareholders' funds	210,807	135,423

17. PENSIONS

Cargill Financial Markets PLC is a member of the Cargill Group pension scheme. The group operates a defined benefit pension scheme, the assets of which are held in separate trustee administered funds. Contributions are based on pension costs across the group as a whole. The level of contributions is determined by independent actuarial valuation. The last actuarial valuation was at 5 April 1997. The pension costs charged to the profit and loss account amount to \$676,000 (1999: \$698,000). Particulars of the actuarial valuation of the group schemes are contained in the financial statements of Cargill Holdings. A provision of \$120,000 (1999: \$125,000 prepayment) is included in creditors for the pension scheme.

18. CONTINGENT LIABILITIES

At 31 May 2000, the company had entered in the normal course of its business into interest rate swaps, financial futures and option contracts and forward contracts for the purchase and sale of foreign currencies and securities. At 31 May 2000, assets excluding cash with a market value, including interest, of \$830,061,000 (1999: \$2,222,658,000) were pledged as collateral under securities sold with agreement to repurchase. Assets with a market value including interest of \$32,059,000 (1999: \$20,594,000) had been deposited with third parties as collateral for securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS

continued

19. RELATED PARTY TRANSACTIONS

FRS 8 grants a partial exemption to subsidiary undertakings from its requirements, provided that 90% or more of the voting rights of the company are controlled within the group, and the subsidiary is included in publicly available consolidated financial statements.

The directors of the company have taken advantage of this exemption which permits non-disclosure of transactions with entities that are part of the Cargill Holdings Group, of which Cargill Financial Markets PLC is a subsidiary.

This exemption does not apply to the following transactions with related parties which were conducted on normal commercial terms.

	2000 \$000	1999 \$000
Expenses paid in respect of technical and management services received from related parties comprise:		
Cargill Financial Services Corporation	(663)	(885)
Cargill Enterprises, Inc.	(399)	(2,115)
Cargill AO	(456)	(837)
Other	(318)	(538)
	<u>(1,836)</u>	<u>(4,375)</u>
Recoveries recharged in respect of management services provided to related parties comprise:		
Cargill Financial Services International, Inc.	165	3,750
Cargill Financial Services Corporation	416	-
Other	741	395
	<u>1,322</u>	<u>4,145</u>
Interest income received from related parties comprises:		
Cargill RSA Holdings (Pty) Ltd	594	771
Other	-	24
	<u>594</u>	<u>795</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

19. RELATED PARTY TRANSACTIONS *continued*

Trades with a nominal value of \$71 million (1999: \$860 million) were transacted at market value, which are normal commercial terms, with related parties in the year. \$15 million (1999: \$192 million) of these trades were transacted with Cargill Financial Services Corporation, \$34 million (1999: \$112 million) with Cargill Financial Services International, Inc., \$0 million (1999: \$220 million) with A S Funding Ltd and \$0 million (1999: \$223 million) with CFSI Holdings Ltd.

Outstanding balances in relation to all of the related parties including balances with the Cargill Holdings Group as at 31 May 2000 and 31 May 1999 are disclosed separately in Notes 9 and 11.

Cargill Financial Services Corporation, Cargill Enterprises, Inc., Cargill AO, Cargill Financial Services International, Inc., Cargill RSA Holdings (Pty) Ltd, A S Funding Ltd and CFSI Holdings Ltd are subsidiaries of Cargill, Incorporated.

20. ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING

The company is a subsidiary of Cargill, Incorporated, a company incorporated in the USA. The largest group in which the results of the company are consolidated is that headed by Cargill, Incorporated whose consolidated financial statements are not available to the public. The smallest group in which the results of the company are consolidated is that headed by Cargill Holdings registered in England and Wales, whose consolidated financial statements are available to the public and may be obtained from the Registrar of Companies, Crown Way, Cardiff.

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

A discussion of the company's objectives and policies with regard to derivatives and other financial instruments is given in the directors' report on pages 1 to 3. The company has taken advantage of the exemption available for short-term debtors and creditors, therefore where these amounts have no material interest rate or currency risk associated with them they have been excluded from the following tables apart from note 21 (c).

In addition to the financial liabilities included in notes (a), (d) and (f) below the company has in issue \$75,000,000 redeemable preferred ordinary shares, the details of which are given in note 13. These shares do not attract interest. It is not practicable to estimate the fair value of the shares because the redemption date is unknown.

As it is the company's policy to manage its interest rate exposures on its financial instruments and the related funding and hedges, including swaps, futures and other derivatives, on a net basis, the interest rate profiles of the financial assets and liabilities are reported on that basis. Last year's comparatives have been restated on the same basis.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

(a) Interest rate profile of financial liabilities

The interest rate profile of the financial liabilities of the company as at 31 May 2000 was:

Currency	Total \$000	Floating rate financial liabilities \$000	Fixed rate financial liabilities \$000	Financial liabilities on which no interest is paid \$000
Euro	1,406,296	15,572	1,384,600	6,124
Sterling	631,972	-	631,205	767
Japanese yen	951,912	408,344	532,764	10,804
US dollar	20,676	4,388	7,715	8,573
Danish krone	61,190	-	61,181	9
Other	14,268	-	471	13,797
Total	3,086,314	428,304	2,617,936	40,074

Currency	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Euro	3.87	1.02	-
Sterling	5.66	0.62	-
Japanese yen	0.72	2.56	-
US dollar	7.92	5.69	-
Danish krone	4.03	0.04	-
Other	4.99	0.56	1.03
Total	3.68	1.23	1.03

Financial liabilities with no maturity date on which no interest is paid have been excluded from the weighted average period until maturity calculation. These amount to \$36,747,000 (1999: \$24,078,000).

The floating rate financial liabilities bear interest at rates determined by reference to LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

The interest rate profile of the financial liabilities of the company as at 31 May 1999 was:

Currency	Total \$000	Floating rate financial liabilities \$000	Fixed rate financial liabilities \$000	Financial liabilities on which no interest is paid \$000
Euro	1,639,671	6	1,626,191	13,474
Sterling	706,223	-	705,028	1,195
Japanese yen	2,293,951	1,224,969	1,063,991	4,991
US dollar	5,015	-	3,611	1,404
Other	11,784	-	254	11,530
Total	4,656,644	1,224,975	3,399,075	32,594

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
Currency	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Euro	3.13	2.32	0.14
Sterling	5.46	3.67	-
Japanese yen	1.60	3.18	-
US dollar	4.80	0.04	0.02
Other	3.21	0.79	1.30
Total	3.13	2.86	0.89

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

(b) Interest rate profile of financial assets

The interest rate profile of the financial assets of the company as at 31 May 2000 was:

Currency	Total \$000	Floating rate financial assets \$000	Fixed rate financial assets \$000	Financial assets on which no interest is paid \$000
Euro	1,127,259	25,481	1,036,906	64,872
Sterling	872,533	4,612	859,602	8,319
Japanese yen	1,472,591	253,363	1,210,669	8,559
US dollar	166,858	4,270	98,950	63,638
Danish krone	64,067	76	60,518	3,473
Other	61,828	3,650	20,011	38,167
Total	3,765,136	291,452	3,286,656	187,028

Currency	Fixed rate assets		Financial assets on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
Euro	3.87	1.04	7.12
Sterling	5.77	0.61	9.59
Japanese yen	(0.08)	1.24	-
US dollar	5.79	2.81	17.18
Danish krone	4.00	1.79	-
Other	6.41	0.53	3.26
Total	2.99	1.07	13.70

Financial assets with no maturity date on which no interest is paid have been excluded from the weighted average period until maturity calculation. These amount to \$123,025,000 (1999 \$111,584,000).

The floating rate financial assets bear interest at rates determined by reference to LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

The interest rate profile of the financial assets of the company as at 31 May 1999 was:

Currency	Total \$000	Floating rate financial assets \$000	Fixed rate financial assets \$000	Financial assets on which no interest is paid \$000
Euro	2,142,181	193,276	1,917,919	30,986
Sterling	808,803	57,708	742,256	8,839
Japanese yen	3,162,301	920,305	2,226,575	15,421
US dollar	95,521	28,929	37,208	29,384
Other	91,263	559	45,829	44,875
Total	6,300,069	1,200,777	4,969,787	129,505

Currency	Fixed rate assets		Financial assets on which no interest is paid
	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
	%	Years	Years
Euro	3.12	2.51	0.95
Sterling	6.11	5.02	-
Japanese yen	1.04	1.71	0.16
US dollar	8.12	3.86	18.78
Other	15.08	1.94	1.14
Total	2.78	2.53	8.14

The amounts shown in the tables above take into account the effect of any interest rate swaps, futures contracts and other derivatives entered into to manage these interest rate exposures.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(c) Currency exposures

The table below shows the company's currency exposure. Such exposures comprise the monetary assets and monetary liabilities of the company that are not denominated in US dollars.

	2000 \$000	1999 \$000
	Net assets/ (liabilities)	Net assets/ (liabilities)
Turkish lira	(12,948)	8,578
Polish zloty	373	19,021
Hungarian forint	8	14,766
Slovak koruna	155	10,301
Czech koruna	(1)	(10,480)
Japanese yen	(2,574)	(13,270)
Norwegian krone	4,692	(200)
Russian rouble	1,822	1,283
Sterling	(3,115)	(5,692)
Euro	10,893	(14,655)
Other	(1,544)	1,665
	<u>(2,239)</u>	<u>11,317</u>

The amounts shown in the table above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

(d) Maturity of financial liabilities

The maturity profile of the company's financial liabilities at 31 May 2000 and 31 May 1999 was as follows:

	2000 \$000	1999 \$000
In one year or less or on demand	2,677,339	3,347,068
In more than one year but not more than two	1,288	109,576
In more than two years but not more than five	35,044	111,272
In more than five years	372,643	1,088,728
	<u>3,086,314</u>	<u>4,656,644</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

(e) Borrowing facilities

The company has various borrowing facilities available to it. The undrawn committed facilities available at 31 May 2000 and 31 May 1999 in respect of which all conditions precedent had been met at that date were as follows:

Facilities available to the company only

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Expiring in one year or less	1,900,184	2,334,374
Expiring in more than one year but not more than two years	398	646
Expiring in more than two years	<u>625,253</u>	<u>126,274</u>
	<u>2,525,835</u>	<u>2,461,294</u>

Facilities available jointly to the company and other group companies

	2000	1999
	<u>\$000</u>	<u>\$000</u>
Expiring in one year or less	1,325,811	2,906,484
	<u>1,325,811</u>	<u>2,906,484</u>

The company, in conjunction with other group companies, was an issuer under a \$2,500,000,000 Euro-commercial paper programme until 31 May 2000. As at 31 May 1999 \$1,009,972,000 was in issue by other group companies.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(f) Fair values of financial assets and liabilities

All financial assets and liabilities are carried in the financial statements at fair value.

	Fair value and book value 2000 \$000	Fair value and book value 1999 \$000
Financial instruments held to finance the company's operations:		
Cash at bank	38,792	7,438
Securities purchased with agreement to resell	2,638,372	3,758,381
Securities sold with agreement to repurchase	(2,287,048)	(2,270,764)
 Financial instruments held for trading:		
Government bonds	(148,780)	(1,525,741)
Corporate bonds	43,688	93,310
Other corporate debt	25,997	42,453
Convertible bonds	98,280	37,417
Listed shares	30,039	27,595
Margin on exchange traded instruments	23,703	22,829
Other including net unrealised gains / (losses) on derivative instruments	30,162	(4,537)
	<u>493,205</u>	<u>188,381</u>
 Financial assets	 3,860,120	 6,402,392
Financial liabilities	(3,366,915)	(6,214,011)
	<u>493,205</u>	<u>188,381</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

(g) Gains and losses on financial assets and financial liabilities held for trading

The net gain / (loss) from trading in financial assets and financial liabilities shown in the profit and loss account for the periods to 31 May 2000 and 31 May 1999 can be analysed as follows:

	2000 \$000	1999 \$000
Futures	(2,080)	22,356
Shares	11,523	(5,978)
Warrants and options	3,212	1,642
Convertible bonds	12,476	(3,130)
Foreign exchange trades	(3,954)	(5,418)
Interest rate swaps	20,565	(19,892)
Bonds and debt	49,625	(173,725)
Other	13,697	(4,073)
	<u>105,064</u>	<u>(188,218)</u>