

CARGILL FINANCIAL MARKETS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2004



Registered Number 2496185

CARGILL FINANCIAL MARKETS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 May 2004

<u>Contents</u>	<u>Page</u>
Directors' report	1-2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-12

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

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 2004. 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 continued 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 \$42,083,000 (2003: \$26,892,000).

During the year a significant portion of the proprietary business carried out within the company was moved into a new asset management venture. This has resulted in a significant reduction in the activities carried out in Cargill Financial Markets Plc.

The company is regulated by the Financial Services Authority.

DIVIDENDS

An interim dividend of \$44,995,116 was paid (2003: \$Nil). The directors do not recommend the payment of a final dividend (2003: \$Nil).

BRANCH OFFICES

The company operated a branch office in Tokyo, Japan. The branch was closed with effect from 29th February 2004.

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 20 days purchases outstanding as at 31 May 2004 based on the average difference between invoice date and payment date during the year.

DIRECTORS' REPORT

Continued

DIRECTORS AND DIRECTORS' INTERESTS

The directors throughout the year and as at the date of this report are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D P L Corridan	30 April 1990	
J K Llewelyn	1 June 1998	
R G Ward	1 February 1999	
C J Kempenaar	30 November 2000	1 July 2004
J R S Brice	8 November 2002	
J S Drobný	6 December 2002	19 March 2004
J R Minshull	8 November 2002	1 July 2004
H L D Sarteau	8 November 2002	

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.

By Order of the Board



R G Ward
Director
25 August 2004

Knowle Hill Park
Fairmile Lane, Cobham
Surrey KT11 2PD

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CARGILL FINANCIAL MARKETS PLC**

We have audited the financial statements on pages 5 to 12.

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 auditor's 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

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 1985. 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 audit 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 2004 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

26 August 2004

PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2004

		2004	2003
	<u>Notes</u>	<u>\$000</u>	<u>\$000</u>
Net trading income	2	84,098	63,205
<i>Administrative expenses</i>		(30,728)	(35,507)
Other operating income		<u>5,933</u>	<u>10,453</u>
 Profit on ordinary activities before taxation	 3	 59,303	 38,151
Taxation on profit on ordinary activities	8	<u>(17,220)</u>	<u>(11,259)</u>
 Profit for the financial year	 15	 42,083	 26,892
 Dividend paid		 <u>(44,995)</u>	 <u>-</u>
 Retained profit/(loss) for the financial year		 <u>(2,912)</u>	 <u>26,892</u>

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

There were no recognised gains or losses other than the profit for the financial year. Consequently no Statement of Recognised Gains or Losses has been prepared.

The notes on pages 6 to 12 form an integral part of these financial statements.

BALANCE SHEET
at 31 May 2004

	Notes	2004 \$000	2003 \$000
Fixed Assets			
Investments	9	10,310	10,310
Current assets			
Debtors	10	230,768	2,050,562
Investments	11	157,408	2,217,686
Cash at bank and in hand		6,258	1,168
		<u>394,434</u>	<u>4,269,416</u>
Creditors: amounts falling due within one year	12	(91,600)	(3,918,324)
Net current assets		<u>302,834</u>	<u>351,092</u>
Total assets less current liabilities		<u>313,144</u>	<u>361,402</u>
 Creditors: amounts falling due after more than one year	13	(9,736)	(55,082)
 Net Assets		<u><u>303,408</u></u>	<u><u>306,320</u></u>
 Capital and reserves			
Called up share capital	14	261,325	261,325
Profit and loss account	15	42,083	44,995
Equity shareholders' funds	16	<u><u>303,408</u></u>	<u><u>306,320</u></u>

Approved by the Board of Directors and signed on its behalf on 25 August 2004.



R G Ward (Director)

The notes on pages 6 to 12 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 preparation:

- (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.
- (v) The company has taken advantage of the exemption granted under Section 228 of the Companies Act 1985, which permits the company not to prepare group accounts, as the company is a wholly-owned subsidiary of Cargill Holdings, a UK company which produces consolidated financial statements.

(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. This policy for recognising profits and losses is at variance with the requirements of the Companies Act 1985, 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) Fixed Asset Investments:

Investments in subsidiary undertakings are carried at cost less impairment for a permanent diminution in value.

(d) Interest income and expense:

Interest income and expense are recognised on an accruals basis.

(e) 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.

(f) Deferred taxation:

Provision is made for deferred taxation, using the liability method, on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is recognised to the extent it is regarded as recoverable.

(g) Pensions:

The charge to the profit and loss account in respect of pension and post retirement medical expenses is determined independently by actuarial valuation and spreads the cost over the service lives of the employees. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is included in the balance sheet as an asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. PRINCIPAL ACCOUNTING POLICIES continued

(h) **Deferred compensation:**

Performance related compensation is earned in respect of the year under which it is shown but is not paid until future years.

(i) **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.

(j) **Operating leases:**

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

2. NET TRADING INCOME

	2004 \$000	2003 \$000
Trading gains	69,630	46,741
Interest receivable and similar income	22,429	175,364
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	-	(1,018)
Interest payable on other loans	(7,961)	(157,882)
Net trading income	84,098	63,205

Interest receivable and similar income includes interest receivable from group undertakings of \$1,267,049 (2003: \$74,000).

Interest payable on other loans includes interest payable to group undertakings of \$4,121,746 (2003: \$1,038,000).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	2004 \$000	2003 \$000
Auditors Remuneration		
Audit work	27	96
Non-audit work	-	-
Rentals under operating leases		
Motor vehicles	39	44
Directors' emoluments	4,691	3,354
Directors' long term incentive scheme	3,221	1,926
Company contributions to director's pension scheme invested on a money purchase basis	40	-

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was 53 (2003:69).

The aggregate payroll costs of these persons were as follows:

	2004 \$000	2003 \$000
Wages and salaries	21,808	26,019
Social security costs	2,699	2,736
Other pension costs	800	864
	25,307	29,619

NOTES TO THE FINANCIAL STATEMENTS

continued

5. DIRECTORS' EMOLUMENTS

The aggregate of emoluments and amounts receivable under the long term incentive scheme of the highest paid director was \$5,016,865 (2003: \$4,251,000). 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 \$70,083 (2003: \$71,000).

	Number of Directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under defined benefit only schemes	4	5
Retirement benefits are accruing to the following number of directors under both defined benefit schemes and defined contribution schemes	1	-

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:

	2004 \$000	2003 \$000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	27	31
	<u>27</u>	<u>31</u>

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of tax charge

	2004 \$000	2003 \$000
United Kingdom corporation tax at 30% (2003:30%)		
Current year	16,237	10,769
Adjustments in respect of prior years	180	(42)
Total current tax [note 8 (b)]	16,417	10,727
Deferred taxation		
Origination and reversal of timing differences	803	532
Tax charge	<u>17,220</u>	<u>11,259</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES continued

b) Factors affecting tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2004 \$000	2003 \$000
Profit on ordinary activities before taxation	59,303	38,151
Taxation on profit on ordinary activities before taxation at a standard rate of 30% (2003 : 30%)	17,791	11,445
Expenses not deductible for tax	-	10
Capital allowances	(55)	(74)
Timing differences	(478)	(612)
Dividend received	(1,021)	-
Adjustments in respect of prior years	180	(42)
Current tax charge for the year	16,417	10,727

9. FIXED ASSET INVESTMENTS

	2004 \$000	2003 \$000
Investments in subsidiary undertaking (Cargill Finance Limited: wholly-owned subsidiary)	10,310	10,310

10. DEBTORS

	2004 \$000	2003 \$000
Amounts falling due within one year		
Trade debtors	12,175	53,496
Securities purchased with agreement to resell	6,543	1,729,472
Amounts owed by group undertakings	205,484	152,928
Other debtors	1,903	37,120
Prepayments and accrued income	1,466	29,976
Deferred tax	60	84
	227,631	2,003,076
Amounts falling due after more than one year		
Amounts owed by group undertakings	-	43,570
Deferred tax	3,137	3,916
	230,768	2,050,562
Deferred tax		
Decelerated capital allowances	166	222
Short-term timing differences	60	84
Long term incentive schemes	2,971	3,694
	3,197	4,000
Balance brought forward	4,000	4,532
Charged to profit and loss account	(803)	(532)
Balance carried forward	3,197	4,000

NOTES TO THE FINANCIAL STATEMENTS

continued

11. CURRENT ASSET INVESTMENTS

	2004 \$000	2003 \$000
Government bonds	-	1,562,216
Convertible bonds	1,476	167,883
Derivatives	517	8,227
Shares	3,190	181,135
Corporate bonds	54,028	209,167
Other corporate debt	98,197	89,058
	<u>157,408</u>	<u>2,217,686</u>
Included in the above:		
Listed on the London Stock Exchange	397	1,596
Listed elsewhere	2,560	179,539
Unlisted	154,451	2,036,551
	<u>157,408</u>	<u>2,217,686</u>

At 31 May 2004, assets, excluding cash, with a market value, including interest, of \$NIL (2003: \$430,568,000) were pledged as collateral for securities sold with agreement to repurchase. Assets with a market value including interest of \$19,324,192 (2003: \$113,228,367) had been deposited with third parties as collateral for securities borrowed.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 \$000	2003 \$000
Bank loans	-	68,058
Trading securities sold short	8,401	1,660,192
Securities sold under agreement to repurchase	17,824	2,064,006
Trade creditors	29,228	25,797
Amounts owed to group undertakings	9,102	47,281
Corporation tax payable	5,873	6,063
Other creditors	1,139	260
Accruals and deferred income	20,033	46,667
	<u>91,600</u>	<u>3,918,324</u>

Included in Amounts owed to group undertakings is a subordinated loan of \$Nil (2003: \$40,000,000)

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

	2004 \$000	2003 \$000
Bank loans repayable between one and two years	-	43,570
Accruals and deferred income	9,736	11,512
	<u>9,736</u>	<u>55,082</u>

14. CALLED UP SHARE CAPITAL

	2004 \$000	2003 \$000
Authorised:		
50,000 ordinary shares of £1 each	76	76
250,000,000 ordinary shares of US\$1 each	250,000	250,000
250,000,000 redeemable preferred ordinary shares of US\$1 each	250,000	250,000
	<u>500,076</u>	<u>500,076</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

14. CALLED UP SHARE CAPITAL continued

	2004 \$000	2003 \$000
Allotted:		
50,000 ordinary shares of £1 each	76	76
186,305,000 ordinary shares of US\$1 each	186,305	186,305
75,000,000 redeemable preferred ordinary shares of US\$1 each	75,000	75,000
	<u>261,381</u>	<u>261,381</u>
Called up and paid:		
50,000 ordinary shares of £1 each, 25 pence paid	20	20
186,305,000 fully paid up ordinary shares of US\$1 each	186,305	186,305
75,000,000 fully paid up redeemable preferred ordinary shares of US\$1 each	75,000	75,000
	<u>261,325</u>	<u>261,325</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.

15. RESERVES

	\$000
Profit and loss account	
Brought forward at 1 June 2003	44,995
Profit for the financial year	42,083
Dividend paid/declared	(44,995)
Carried forward at 31 May 2004	<u>42,083</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 \$000	2003 \$000
Opening shareholders' funds	306,320	279,428
Profit for the financial year	42,083	26,892
Dividend paid/declared	(44,995)	-
Retained (loss)/profit for the financial year	(2,912)	26,892
	<u>306,320</u>	<u>279,428</u>
Closing shareholders' funds	<u>303,408</u>	<u>306,320</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

17. PENSIONS

The company is a member of the Cargill Pension Plan, a funded defined benefit pension scheme for the benefit of employees within the Cargill Holdings group. The assets of the scheme are held in separate trustee administered funds. Particulars of the actuarial valuation of the Cargill Pension Plan are contained within the financial statements of Cargill Holdings.

The charge to the profit and loss account is based on providing for the cost of pensions on a systematic basis over the periods benefiting from the scheme members' services and amounts to \$368,304 (2003: \$863,746). A prepayment of \$165,919 (2003: an accrual of \$63,430) is included in the balance sheet relating to the Cargill Pension Plan.

FRS 17 Retirement benefits:

Whilst the company continues to account for pensions costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pensions Costs', under the Financial Reporting Standard: FRS 17 'Retirement benefits' transitional disclosures are required. The full transitional disclosures are included within the financial statements of the company's immediate parent Cargill Holdings.

As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 when the standard is fully adopted, the scheme will be accounted for as if it were a defined contribution scheme.

Based on the latest actuarial indications, there exists a deficit on the scheme of \$106,397,000 (2003: \$135,478,000). The group has no plans to recover any part of this deficit directly from the company, although contribution rates are likely to be reviewed.

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 5 April 2003 and updated to 31 May 2004 by a qualified independent actuary. The major assumptions used by the actuary were as follows (in nominal terms)

	2003	2004
Rate of increase in salaries	2.75%	3.25%
Rate of increase of pensions in payment	2.50%	3.00%
Discount rate	5.10%	5.80%
Inflation assumption	2.50%	3.00%

18. COMMITMENTS

At 31 May 2004, the company had entered in the normal course of its business into forward contracts for the purchase and sale of foreign currencies and securities.

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, Incorporated group, as it is a wholly owned subsidiary of Cargill Holdings, another company in the group, which produces publicly available consolidated financial statements.

20. ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING

The company's immediate parent is Cargill Holdings and its ultimate parent is 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.