



**Cargill Investor Services Limited**

**Directors' report and financial statements**

31 May 2000

Registered number 1598507



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## **Directors' report**

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

## **Statement of Directors' Responsibilities**

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## **Business Review**

The principal activity of the Company is as a broker for customers trading on European, U.S. and other recognised futures markets. The Company also offers brokerage services for customers trading Over - The -Counter products.

Profit on ordinary activities before taxation declined from £1,871,479 to £512,662 in 2000. Changes from the previous year can be attributed to increasingly competitive conditions on the international electronic exchanges and the strength of Sterling, which affected foreign earnings. Additionally CIS chose to move its London operations from the City to Surrey in late 1999. The Directors remain confident that future prospects for growth are positive and that the company is well positioned to take advantage of the electronic opportunities developing within the industry.

The transition to Year 2000 occurred with no disruption of trading activities and all systems were fully adapted to accommodate the date change. However, there may still be residual effects and we will continue to monitor the position.

## **Dividends**

The Directors do not recommend the payment of a dividend.

## Directors and Directors' Interests

The directors who held office during the year were as follows;

B. Dan (USA)  
J.M.R. Henry (Resigned 3<sup>rd</sup> of September 1999)  
C.Malo (USA)  
D.V. Pearce (Resigned 17<sup>th</sup> of August 2000)  
J C Reynolds  
P. A. Simons  
P. J. Tiller  
J. R. Waye (USA)

No director had a beneficial interest in the shares of the Company during the year. Details of the options granted to certain of the directors to buy shares in Cargill, Incorporated, the ultimate parent undertaking, are given in note 7.

## Charitable Contributions

Charitable contributions amounting to £ 3,850 (1999: £11,764) were made during the year.

## Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit PLC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**Philip Simons**  
Director

Knowle Hill Park  
Fairmile Lane  
Cobham  
Surrey  
KT11 2PD

30/8/2000

## **Report of the auditors to the members of Cargill Investor Services Limited**

We have audited the financial statements on pages 4 to 16.

### **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 affairs of the Company 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 £	1999 £
Turnover	2	32,853,606	38,220,415
Cost of Sales		(18,350,925)	(22,863,998)
<b>Gross Profit</b>		<b>14,502,681</b>	<b>15,356,417</b>
Administrative Expenses		(16,809,734)	(16,017,365)
Trading loss		(2,307,053)	(660,948)
Interest receivable and similar income	4	14,151,160	14,130,244
Interest payable and similar charges	5	(11,331,445)	(11,597,817)
<b>Profit on ordinary activities before taxation</b>	6	<b>512,662</b>	<b>1,871,479</b>
Tax on profit on ordinary activities	8	(420,788)	(697,440)
		<b>91,874</b>	<b>1,174,039</b>
Retained profit brought forward	21	19,128,665	17,954,626
<b>Retained profit carried forward</b>	21	<b>19,220,539</b>	<b>19,128,665</b>


The entire trading result is derived from continuing operations.

There were no recognised gains or losses other than the profit for the period. Accordingly a statement of total recognised gains and losses is not prepared as part of these financial statements

**Balance Sheet**  
as at 31 May 2000

	Notes	2000 £	1999 £
<b>Fixed Assets</b>			
Tangible Assets	9	541,436	948,029
Investments	10	596,910	741,912
		<hr/>	<hr/>
		1,138,346	1,689,941
<b>Current Assets</b>			
Debtors	11	149,650,341	226,298,678
Investments	12	4,352,189	2,807,235
Cash at bank and in hand		91,217,170	81,431,301
		<hr/>	<hr/>
		245,219,700	310,537,214
<b>Creditors:</b> amounts falling due in one year	13	(226,137,507)	(292,098,490)
		<hr/>	<hr/>
<b>Net current assets</b>		19,082,193	18,438,724
		<hr/>	<hr/>
<b>Net assets</b>		20,220,539	20,128,665
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account	21	19,220,539	19,128,665
		<hr/>	<hr/>
<b>Total equity and shareholders' funds</b>		20,220,539	20,128,665
		<hr/>	<hr/>

The Financial statements were approved by the Board of Directors on 30 / 8 / 2000, and  
were signed on its behalf by:

  
Philip Simon  
Director

The notes on pages 6 to 16 form an integral part of these financial statements

## Notes to the financial statements

### 1. Accounting policies

(a) **Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

(b) **Foreign currencies**

Transactions in foreign currencies are recorded using the appropriate month end rate of exchange. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Forward foreign currency transactions are recorded at market value.

(c) **Tangible fixed assets**

Depreciation is provided by the Company to write off cost less the estimated residual value of tangible assets using the direct line method:

Office refurbishment - 8 years

Other fixed assets - 3 - 6 years

(d) **Assets held under operating lease arrangements**

The rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

(e) **Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it will crystallise.

(f) **Pension costs**

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) **Commission and interest income**

The commission and interest earned is accounted for on an accruals basis.

(h) **Investments held as fixed assets**

*Investments other than loans represent unlisted investments comprising membership of exchanges and are shown at cost less any provisions for permanent diminution.*



## Notes to the financial statements

*Continued*

### 2. TURNOVER

Turnover represents commission and brokerage income generated from futures and options trading on world markets.

### 3. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows

	2000 No	1999 No
Management	8	11
Trading personnel	41	54
Clerical / Administrative	63	67
	----- 112	----- 132
	=====	=====

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	6,544,251	7,167,265
Social security costs	812,277	700,069
Other pension costs	569,409	415,885
	----- 7,925,937	----- 8,283,219
	=====	=====

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £	1999 £
Interest receivable and similar income	14,151,160	14,130,244
	=====	=====

Of the above amount £ 5,655,518 (1999: £4,815,617) was receivable from group undertakings.

## Notes to the financial statements

*Continued*

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000	1999
	£	£
Bank loans and overdrafts	116,751	108,610
Other debts including customer accounts (repayable within 5 years)	11,214,694	11,489,207
	<u>11,331,445</u>	<u>11,597,817</u>

Of the above amount **£ 4,252,107** (1999: £5,256,548) was payable to group undertakings.

### 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit before taxation is stated:

	2000	1999
	£	£
<b>After charging</b>		
Depreciation of tangible fixed assets	362,288	408,811
Operating lease rentals:		
On hire of plant and machinery	83,518	157,185
Other	206,328	399,360
Auditors' remuneration and expenses	24,000	24,300
Auditors' non statutory fees	6,000	6,000
Exchange (Gains) / Losses	(103,942)	73,892

## Notes to the financial statements

*Continued*

### 7. REMUNERATION OF DIRECTORS

	2000 £	1999 £
Directors' emoluments	606,774	844,982

The aggregate of emoluments and amounts receivable under the long-term incentive schemes of the highest paid director was **£291,555** (1999: £ 253,850). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, was **£26,268** (1999 £2,366).

Number of Directors	2000	1999
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Retirement benefits are accruing to the following number of directors under:

- Defined benefit schemes	5	6
---------------------------	---	---

No payments were made to past directors during the year.

The following directors hold options under the share option scheme as described below:

	2000		1999	
	Number of options granted in year	Number of options exercised in year	Number of options granted in year	Number of options exercised in year
J. Waye	800	0	1,800	0
B. Dan	4,000	0	3,000	0
C. Malo	2,500	0	2,000	0
D. Pearse	1,600	0	1,500	0

Certain directors receive options to buy shares in Cargill, Inc. which are exercisable between three and ten years from the date of granting. A provision is made for the difference between the notional market value and the exercise price of options in existence.

The following directors, P. Tiller and J. Reynolds also have interest in Cargill Inc. stock options. These are disclosed in the accounts of Cargill plc.

**Notes to the financial statements**  
*Continued*

**8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2000 £	1999 £
<b>UK taxation</b>		
Corporation tax - current year	391,594	620,220
Corporation tax - prior year	237,194	-
Deferred tax adjustment	(208,000)	77,220
	<u>420,788</u>	<u>697,440</u>

**9. TANGIBLE FIXED ASSETS**

	£
<b>Fixtures and Fittings</b>	
<b>Cost</b>	
1 June 1999	3,423,068
Additions	581,865
Disposals	(2,703,369)
	<u>1,301,564</u>
<b>At 31 May 2000</b>	
<b>Depreciation</b>	
As at 1 June 1999	2,475,039
Charge for the year	362,288
Disposals	(2,077,199)
	<u>760,128</u>
<b>At 31 May 2000</b>	
<b>Net book value</b>	
<b>At 31 May 2000</b>	<u>541,436</u>
<b>At 31 May 1999</b>	<u>948,029</u>

**Notes to the financial statements**  
*Continued*

**10. INVESTMENTS HELD AS FIXED ASSETS**

<b>Investments other than loans</b>	<b>£</b>
<b>Cost</b>	
At 1 June 1999	838,737
Disposal	(156,215)
	-----
At 31 May 2000	<b>682,522</b>
	=====
<b>Provisions</b>	
At 1 June 1999	96,825
Provision on disposal	(11,213)
	-----
At 31 May 2000	<b>85,612</b>
	=====
<b>Net book value</b>	
At 31 May 2000	<b>596,910</b>
	=====
At 31 May 1999	741,912
	=====

In the opinion of the Directors these investments are worth at least the amounts at which they are stated in the balance sheet.

## Notes to the financial statements

*Continued*

### 11. DEBTORS

	2000	1999
	£	£
Due within one year:		
Trade debtors	36,514,202	80,235,267
Amounts owed by parent and fellow subsidiary undertakings	108,420,489	140,943,225
Other debtors	3,450,664	4,329,409
Deferred tax asset	332,000	124,000
Prepayment and accrued income	932,986	666,777
	<u>149,650,341</u>	<u>226,298,678</u>

Amounts owed by trade debtors primarily represent deposits held as initial margin with clearing organisations and other brokers, and the unrealised gain or loss on open positions on futures contracts. These amounts are directly attributable to customers and are reflected in trade creditors.

### 12. INVESTMENTS (held as current assets)

	2000	1999
	£	£
Treasury bills at face value	<u>4,352,189</u>	<u>2,807,235</u>

The above investments are held on behalf of clients as collateral against initial margin requirements.

## Notes to the financial statements

*Continued*

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	11,871,073	5,388,817
Trade creditors	192,995,710	195,972,273
Amounts owed to parent and fellow subsidiary undertakings	15,870,589	86,704,171
Other creditors including taxation and social security	192,458	522,994
Accruals and deferred income	5,207,677	3,510,235
	<u>226,137,507</u>	<u>292,098,490</u>

Amounts owed to trade creditors and parent and fellow subsidiary undertakings include deposits by customers to margin their accounts, and the unrealised gains or losses on open positions on futures contracts.

### 14. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

## Notes to the financial statements

*Continued*

### 15. OPERATING LEASE COMMITMENTS

Amounts payable in the year to 31 May 2000 relate to commitments expiring as follows:

	2000 £	1999 £
<b>Property</b>		
Over 5 years	<u>0</u>	<u>435,000</u>
<b>Other</b>		
Within one year	<u>7,224</u>	<u>69,625</u>

### 16. PENSIONS

As explained in the accounting policies set out in note 1, the Company participates in one of the funded Cargill Group pension schemes providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company and amounted to **£569,409** (1999: £415,885). Contributions are based on pensions costs across the U.K. group as a whole. The level of contributions is determined by independent actuarial valuation. The most recent valuation was at 5th April 1997.

Details of the actuarial valuation of the Group schemes are contained in the financial statements of Cargill PLC, the Company's immediate holding Company.

Contributions amounting to **£430,185** (1999: £238,115) were payable to the fund and are included in creditors.



## Notes to the financial statements

*Continued*

### 17. ULTIMATE HOLDING COMPANY AND PARENT UNDERTAKING

The Company is a subsidiary of Cargill Incorporated, a company in the U.S.A.

The largest group in which the results of the Company are consolidated is that headed by Cargill Incorporated, U.S.A., 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 PLC, 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.

### 18. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Cargill PLC, for which consolidated financial statements are publicly available. As such, it is exempt from the disclosure requirements of FRS8 in respect of transactions with other group entities.

### 19. CASH FLOW STATEMENT

Under FRS1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking.

### 20. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	91,874	1,174,039
Opening shareholders' fund	20,128,665	18,954,626
Closing Shareholders' funds	<u>20,220,539</u>	<u>20,128,665</u>

**Notes to the financial statements**

*Continued*

**21. RESERVES**

	<b>Profit &amp; Loss Account £</b>
At 1 June, 1999	19,128,665
Retained profit for the year	91,874
	<hr/>
At 31 May 2000	<u>19,220,539</u>

**22. CONTINGENT LIABILITIES**

No contingent liabilities exist in relation to the year ending 31 May 2000.

**23. CAPITAL COMMITMENTS**

There were no capital commitments for future projects at 31 May 2000 and 31 May 1999.