

# **Cargill Financial Markets Limited**

**Report And Financial Statements**

*31 May 2016*

Rees Pollock  
Chartered Accountants



Cargill Financial Markets Limited

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**COMPANY INFORMATION**

<b>Directors</b>	P J R Bothamley C A Bottomley
<b>Company secretary</b>	D M Lo'Bue
<b>Registered number</b>	02496185
<b>Registered office</b>	Velocity V1 Brooklands Drive Weybridge Surrey KT13 0SL
<b>Independent auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW

**DIRECTORS' REPORT**  
**For the Year Ended 31 May 2016**

The directors present their report and the financial statements for the year ended 31 May 2016.

**Results and dividends**

The profit for the year, after taxation, amounted to \$732,000 (2015 - \$28,026,000).

The directors have not recommended a dividend (2015 - \$nil).

**Directors**

The directors who served during the year were:

P J R Bothamley (appointed 19 August 2015)  
C A Bottomley (appointed 19 August 2015)  
A I Chohan (resigned 19 August 2015)  
R D Thurston (resigned 19 August 2015)

**Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTORS' REPORT (CONTINUED)**  
For the Year Ended 31 May 2016

**Disclosure of information to auditors**


Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

The auditors, Rees Pollock, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 13 January 2017 and signed on its behalf.

  
C A Bottomley  
Director

**STRATEGIC REPORT**  
For the Year Ended 31 May 2016

**Business review**

The principal activity of the company focuses on its ownership of the shares of Endon Europe Power 5 Limited and its subsidiaries..

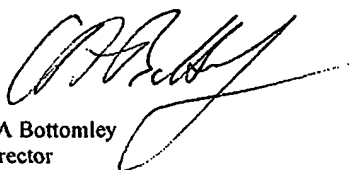
**Principal risks and uncertainties**

The company operates as part of a larger group and its risk is managed in the context of this wider group. The company continues to have significant intra-group receivables and payables some of which are denominated in non-functional currency. As such, the company is exposed to foreign currency risk. Foreign currency risk is managed through a group approach whereby it is hedged using a combination of forward FX transactions and outright FX trades. Hedge accounting has not been applied.

**Financial key performance indicators**

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.

This report was approved by the board on 13 January 2017 and signed on its behalf.



C A Bottomley  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CARGILL FINANCIAL MARKETS LIMITED**

We have audited the financial statements of Cargill Financial Markets Limited for the year ended 31 May 2016, set out on pages 5 to 14. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 on page 1, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council'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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those 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.

Catherine Kimberlin (Senior statutory auditor)

for and on behalf of

**Rees Pollock, Statutory Auditor**

16 January 2017

**STATEMENT OF INCOME AND RETAINED EARNINGS**  
For the Year Ended 31 May 2016

	<b>Note</b>	<b>2016 \$000</b>	<b>2015 \$000</b>
<b>Net trading expense</b>	2	(517)	(596)
Foreign exchange losses		(10)	(62)
Administrative expenses		(156)	(110)
<b>Operating loss</b>	3	(683)	(768)
Write back of impairment of loans		13	27,879
Interest receivable and similar income	5	1,585	897
<b>Profit before tax</b>		915	28,008
Tax on profit	6	(183)	18
<b>Profit after tax</b>		732	28,026
Retained earnings at the beginning of the year		484,982	456,956
Profit for the year		732	28,026
<b>Retained earnings at the end of the year</b>		485,714	484,982

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of income and retained earnings.

The notes on pages 7 to 14 form part of these financial statements.

**BALANCE SHEET**  
As at 31 May 2016

	Note	\$000	2016 \$000	\$000	2015 \$000
<b>Fixed assets</b>					
Investments	7		-		-
<b>Current assets</b>					
Debtors	8	1,206,046		1,233,941	
Cash and cash equivalents		261,551		259,941	
		<u>1,467,597</u>		<u>1,493,882</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(874,558)</u>		<u>(901,575)</u>	
<b>Net current assets</b>			<u>593,039</u>		<u>592,307</u>
<b>Total assets less current liabilities</b>			<u>593,039</u>		<u>592,307</u>
<b>Net assets</b>			<u>593,039</u>		<u>592,307</u>
<b>Capital and reserves</b>					
Called up share capital	11		107,325		107,325
Profit and loss account			485,714		484,982
			<u>593,039</u>		<u>592,307</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 January 2017.

  
C A Bottomley  
Director

The notes on pages 7 to 14 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

Cargill Financial Markets Limited is a private limited company incorporated in the UK.

The company's registered address is Velocity V1 Brooklands Drive, Weybridge, Surrey, England, KT13 0SL.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The company transitioned from United Kingdom Generally Accepted Accounting Practice to Financial Reporting Standard 102 as at 1 June 2014.

On transition to FRS 102 the directors have reviewed the terms of certain loan balances with group companies and determined that these should be reclassified from non-current to current. No other changes to the financial statements were considered necessary.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management do not consider there are any key accounting estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management are also required to exercise judgment in applying the company's accounting policies. Due to the straightforward nature of the business management consider that no critical judgements have been made in applying the company's accounting policies.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

**1.2 Going concern**

The directors have considered the financial position of the company and conclude that the company will have sufficient resources to meet all financial obligations as they fall due. Accordingly, they continue to adopt the going concern basis in the preparation of the report and accounts.

**1.3 Income recognition**

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 funds costs.

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

**1.4 Investments**

Investments in subsidiary undertakings are carried at cost less impairment.

**1.5 Other operating expense**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**1. ACCOUNTING POLICIES (continued)**

**1.6 Financial instruments**

The company only enters into basic financial instruments.

Loans to other group companies are initially recognised at the present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Balances repayable within one year are measured, initially and subsequently, at the undiscounted amount of the consideration expected to be received, net of any impairment.

Other debtors are initially recognised at transaction value, as none contain in substance a financing transaction. Thereafter other debtors are reviewed for impairment where there is objective evidence based on observable data that the balance may be impaired.

The company does not hold collateral against its receivable balances so its exposure to credit risk is the net balance of trade and other debtors after allowance for impairment.

The company's cash holdings comprise on demand balances. All cash is held with banks with strong external credit ratings.

Loans and other amounts owed to group undertakings raised for support of long term funding of the company's operations are recognised at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the profit and loss account on an accruals basis using the effective interest rate method and are included in creditors to the extent that they are not settled in the period in which they arose.

Trade and other creditors and accruals are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished.

Non-convertible preference shares are classified as debt instruments and are held in creditors at issue price. As the company only has short term receivables and payables, its net current asset position is a reasonable measure of its liquidity at any given time.

**1.7 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is USD.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**1. ACCOUNTING POLICIES (continued)**

**1.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

**1.9 Cash flow statement**

Under FRS 102 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.

**1.10 Related party transactions**

As the company is a wholly owned subsidiary of Cargill Inc, the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Cargill Inc, within which this company is included, are available to the public.

**2. NET TRADING EXPENSE**

	2016 \$000	2015 \$000
Trading gains / (losses)	76	(5)
Interest expense	(593)	(591)
	<u>(517)</u>	<u>(596)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**3. OPERATING LOSS**

The operating loss is stated after charging:

	2016 \$000	2015 \$000
Auditors' remuneration	8	8
Foreign exchange loss	10	62
	<u>18</u>	<u>70</u>

**4. STAFF COSTS**

The Company has no employees other than the directors, who did not receive any remuneration (2015 - \$NIL).

**5. INTEREST RECEIVABLE**

	2016 \$000	2015 \$000
Interest receivable from group companies	1,585	897
	<u>1,585</u>	<u>897</u>

**6. TAXATION**

	2016 \$000	2015 \$000
<b>Current tax</b>		
UK corporation tax on profits for the year	73	(46)
Adjustments in respect of previous periods	44	2
<b>Total current tax</b>	<u>117</u>	<u>(44)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	66	26
<b>Taxation on profit on ordinary activities</b>	<u>183</u>	<u>(18)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 May 2016**
**6. TAXATION (continued)****Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 - 20.83%). The differences are explained below:

	2016 \$000	2015 \$000
Profit on ordinary activities before tax	915	28,008
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.83%)	183	5,834
Effects of:		
Revaluation of tax liability due to foreign exchange differences	(1)	1
Adjustments to tax charge in respect of prior periods	44	2
Transfer pricing adjustments	(43)	(47)
Provision for impairment and bad and doubtful debt	(3)	(5,807)
Other timing differences	3	(1)
<b>Total tax charge / (credit) for the year</b>	<b>183</b>	<b>(18)</b>

**7. FIXED ASSET INVESTMENTS**

	<b>Investments in subsidiary companies \$000</b>
<b>Cost or valuation</b>	
At 1 June 2015 and 31 May 2016	60,692
<b>Impairment</b>	
At 1 June 2015 and 31 May 2016	60,692
<b>Net book value</b>	
At 31 May 2015 and 31 May 2016	-

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**7. FIXED ASSET INVESTMENTS (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Subsidiary undertaking</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Cargill Finance Limited	United Kingdom	Ordinary	100 %	Dormant
Endon Europe Power 5 Limited	United Kingdom	Ordinary	100 %	Investment company
Endon Europe Power 4 Limited *	United Kingdom	Ordinary	100 %	Investment company
Endon Europe Power 6 Limited *	United Kingdom	Ordinary	100 %	Investment company
Endon Europe Power 3 Limited *	United Kingdom	Ordinary	100 %	Investment company
		Preference	100 %	
Endon Europe Power 1 Limited *	United Kingdom	Ordinary	100 %	Investment company
		Preference	100 %	
Teesside Power Holdings Limited *	United Kingdom	Ordinary	100 %	Investment company
EEP Seven Limited *	United Kingdom	Ordinary	100 %	Investment company

\*Held by subsidiary undertaking.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 May 2016

**8. DEBTORS**

	2016 \$000	2015 \$000
Amounts owed by group undertakings	580,997	608,780
Other debtors	625,000	625,000
Tax recoverable	1	47
Deferred taxation	48	114
	<u>1,206,046</u>	<u>1,233,941</u>

Included within other debtors is a deposit of \$625m held by and due from another company within the Cargill group.

**9. DEFERRED TAX ASSET**

	2016 \$000	2015 \$000
At beginning of year	114	140
Charged to the profit or loss	(66)	(26)
At end of year	<u>48</u>	<u>114</u>

The deferred tax asset is made up as follows:

	2016 \$000	2015 \$000
Decelerated capital allowances	6	8
Withholding tax	42	106
	<u>48</u>	<u>114</u>

**10. CREDITORS: Amounts falling due within one year**

	2016 \$000	2015 \$000
Bank overdrafts	-	6
Amounts owed to group undertakings	874,485	901,469
Corporation tax	73	-
Accruals and deferred income	-	100
	<u>874,558</u>	<u>901,575</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 May 2016**
**11. SHARE CAPITAL**

	2016 \$000	2015 \$000
<b>Allotted, called up and fully paid</b>		
107,305,000 Ordinary \$ shares of \$1 each	107,305	107,305
<b>Allotted, called up and partly paid</b>		
50,000 Ordinary £ shares of £1 each, 25 pence paid	20	20

**12. CONTINGENT LIABILITIES**

In April 2008, Teesside Power Holdings Limited ('TPHL') sold 69% and other persons sold 31% of Teesside Power Ltd ('TPL'). As part of the sale, TPHL and the other sellers provided a tax indemnity to the buyers in relation to pre-sale contingent tax liabilities of TPL. Cargill Financial Markets Limited ('CFM') guaranteed TPHL's obligations. The tax treatment by TPL of certain transactions undertaken in 2006 and 2007 was the subject of an enquiry by HMRC. In August 2013, HMRC issued closure notices including proposed adjustments to TPL's taxable income for those two years. At the direction of the sellers, TPL appealed against the closure notices and the issue was referred to the First Tier Tribunal (Tax) which heard the case in April 2015. In August 2015, the tribunal decided the appeal in HMRC's favour. In October 2015, TPL appealed to the Upper Tribunal, and that appeal was heard in November 2016. The decision of the Upper Tribunal hearing is expected some time in the first half of 2017. On the basis of consultations with leading UK tax counsel and other UK tax advisers the Directors' opinion remains that it is not probable that HMRC will ultimately prevail in this matter. Accordingly, no provision has been made in these accounts.

In March 2015, following a law change, TPL was required to make an advance payment of the tax payable if, after all appeals, the case is concluded in HMRC's favour. In line with their obligations under the tax indemnity, the sellers made the advance tax payment on TPL's behalf. TPHL's share of this payment was £41.55m, and is included under 'Other Debtors' within that company's accounts.

**13. OTHER FINANCIAL COMMITMENTS**

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.

**14. CONTROLLING PARTY**

The company's immediate parent undertaking is Cargill Holdings, a company incorporated in the United Kingdom and registered in England & Wales.

The company's ultimate parent undertaking is Cargill, Inc., a company incorporated in the USA and is regarded by the directors as being the company's ultimate controlling party. Cargill, Inc., heads the smallest and largest group of companies for which consolidated accounts including the company's position and results are available. Copies of the consolidated accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.