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Report and Consolidated Financial Statements



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COMPANIES HOUSE

GLENCORE

UK LTD

**Report and Consolidated
Financial Statements**

2011

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Officers and professional advisers

Directors

W Strothotte (resigned 25 May 2011)

A Beard

A Gibson

Secretary

E Diliworth

Registered Office

50 Berkeley Street

London

W1J 8HD

Auditor

Deloitte LLP

Chartered Accountants

London, England

Company registration number

1170825

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011

Principal activities

The Company is a wholly owned subsidiary of Glencore International AG, a company incorporated in Switzerland

During the year under review the principal activities of the Company and of the Group continued to be that of acting as international commodity traders (oil and oil products, natural gas and sugar) and providing services to other group companies. The directors are not aware, at the date of this report, of any likely changes in the activities of the Company or of the Group in the next year

Business review

As shown in the consolidated profit and loss account on page 12, the Group's profit for the year after taxation was \$ 115 695 000 (2010 \$ 30 095 000).

Gross profit on trading activities has increased by 53% in the year. This increase is attributable to higher margins achieved due to market volatility

Administrative expenses have increased by 23%

The directors recommend that no equity dividend be paid (2010 \$ nil) and that the profit be transferred to reserves.

The Company seeks to employ the best staff in each of its departments, from trading and operations through to finance and IT. Employees are integral to the success of the Company and performance is recognised accordingly. Please refer to Note 3 for further details.

There have been no significant events since the balance sheet date that require disclosure or would cause any of the assets or liabilities reported in these financial statements to be restated.

Principal risks and risk governance

The Board of Directors are responsible for approving risk management principles and policies, and ensuring that the Group's management maintains an effective system of internal controls. They are responsible for the management of risk within the framework of risk management principles and policies approved by the Board.

Risk management organisation

Compliance with all limits and control procedures is monitored by the Risk Management and Credit Management departments, which report directly to the Board. The Risk Management and Credit Management departments are responsible for reviewing and approving pricing and risk management models, and for reporting market and credit risk exposures.

Principal risks and risk governance (continued)

Market risks

All market risks are represented on the Group's balance sheet and the positions are recorded and monitored in separate trading books as appropriate

The Group uses mark-to-market accounting for positions where there is an observable market, in accordance with UK GAAP. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same

Credit risk

The Group's business is concentrated in the global oil and oil products, natural gas and sugar sectors and, consequently, its trade receivables and market exposure are predominantly with international oil and gas companies, financial institutions and other trading companies. The Group has implemented robust credit risk management policies overseen by the Board of Directors, with the portfolio being assessed on an ongoing basis for credit quality. Exposures which exceed authorised levels are minimised through the use of letters of credit, credit insurance, bank payment guarantees and cash collateral. To date, the Group has not suffered any significant credit loss.

The Group also trades under standard industry agreements such as International Swaps and Derivatives Association (ISDA) agreements for swap transactions. Whilst these industry agreements and terms normally include netting and default provisions, Glencore establishes cross commodity netting terms for its major counterparts, which as well as providing netting benefits, also standardise material adverse change and default provisions. The Group also obtains collateral against exposures where appropriate, including the execution of margining agreements.

Operational and other risks

Operational risk is the exposure to losses that may occur as a consequence of carrying out physical operations, and from inadequate internal processes and systems. The Group assesses the level of operational risk in its various business processes and has implemented a series of checks and backup systems based on the risk assessment. Our procedures are designed to prevent the occurrence of operational errors and, should an error occur, quickly detect its occurrence in order to minimise its impact. Any failure in business process results in a revised risk assessment and review of relevant procedures. Operational risk is considered by the Board of Directors when approving new activities and business ventures.

The Group is party to a derivative contract with a related party to eliminate all risk of loss on its trading book whilst enabling it to earn a commercial return.

Principal risks and risk governance (continued)

Our legal advisors provide essential advice and guidance to senior management on all business issues to ensure that our business is conducted in a manner that complies with all legal and regulatory requirements

Liquidity risk management

Liquidity management within Glencore has two principal purposes. Firstly, to ensure that sufficient cash is available to meet all contractual commitments as they fall due and, secondly, to ensure that we have sufficient funding to withstand stressed market conditions or an extreme event.

Liquidity is assessed by the Treasury Department based on criteria approved by the Board of Directors.

The Group maintains adequate funding lines with banks and its parent company to ensure sufficient liquidity to meet all financial requirements on a timely basis.

Going concern

Glencore's forecasts and projections, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, indicate it is appropriate to adopt the going concern basis in preparing these financial statements.

As is customary with commodity trade finance, many bank facilities are uncommitted in nature and, consistent with prior years, are expected to continue uninterrupted for the foreseeable future, and we continue to enjoy a strong relationship with the banking community.

Interest rate and foreign exchange risk

The Group monitors its interest rate risk, considering any material exposures.

The Group is exposed to the risks of changes in foreign currency exchange rates with regard to its trading activities. The US dollar is the functional currency of the Group, as the majority of transactions are denominated in US dollars. Trading activities transacted in currencies other than US dollars (principally euros and pounds sterling) are hedged through forward foreign exchange contracts.

Directors

The directors who held office during the year and subsequently are shown on page 5.

Directors' interests in shares and contracts

The directors had, and continue to have, no disclosable interests under UK legislation in either the share capital or any contracts of the Company or any related companies in the Group.

Employee involvement

Regular contact and exchanges of information between managers and staff are maintained through a variety of channels. These mainly take the form of departmental meetings.

Disabled persons

The Group's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuing of employment, training, development and promotion.

Charitable donations

The Group made donations for charitable purposes amounting to \$ 227 000 (2010 \$ 143 000).

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year which remain in force at the date of this report.

Auditor

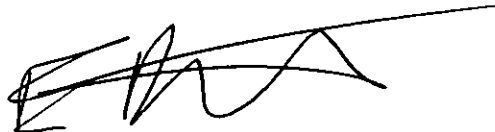
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s386 of the Companies Act 1985, as in force at that time, an elective resolution was passed on 11 August 1995 dispensing with the requirement to appoint the auditor annually. Accordingly Deloitte LLP have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors and signed on behalf of the Board



E Dilworth

Secretary

1 March 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group 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 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 Group 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 of the Group 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 of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLENCORE UK LIMITED

We have audited the financial statements of Glencore UK Limited for the year ended 31 December 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the notes thereto. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit 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.

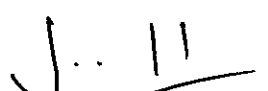
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.


James Leigh (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, England

1 March 2012

Financial statements

Consolidated profit and loss account

Year ended 31 December 2011

\$'000

Note	2011	2010	
2	59 845 812	45 707 701	Turnover
	(59 619 405)	(45 559 956)	Cost of sales
	<u>226 407</u>	<u>147 745</u>	Gross profit on trading activities
	51 434	45 520	Service fees charged to group companies
	(46 002)	(40 367)	Cost of service fees
	<u>5 432</u>	<u>5 153</u>	Profit on service activities
4	5 436	13 447	Interest receivable
5	(7 939)	(12 576)	Interest payable
19	(1 910)	(1 876)	Other finance costs
	<u>227 426</u>	<u>151 893</u>	Profit on trading and service activities after Interest and finance charges
2	(128 511)	(104 697)	Administrative expenses
2	<u>205</u>	<u>2 563</u>	Other operating income
2	99 120	49 759	Profit on ordinary activities before taxation
6	16 575	(19 664)	Tax credit/(charge) on profit on ordinary activities
	<u>115 695</u>	<u>30 095</u>	Profit on ordinary activities after taxation
15	<u>115 695</u>	<u>30 095</u>	Profit for the financial year transferred to reserves

All activities derive from continuing operations

Consolidated statement of total recognised gains and losses
Year ended 31 December 2011

\$'000

Note	2011	2010	
	115 695	30 095	Profit for the financial year
8	1 163	(128)	Revaluation of fixed asset investments
19	(17,412)	(10 833)	Actuarial loss relating to the pension scheme
	4 527	3 033	UK deferred tax attributable to the actuarial loss
	(1 022)	0	Impact on opening deferred tax asset of change in tax rate
			Total recognised gains and losses relating to the year and total recognised gains and losses since the last annual report and financial statements
	<u>102 951</u>	<u>22 167</u>	

No note of historical cost profits has been prepared as there are no differences between reported profits and historical cost profits

Company Registration Number 1170825

Consolidated balance sheet

31 December 2011

\$'000

Note	2011	2011	2010	2010	
					Fixed assets
7		5 116		5 265	Tangible assets
8		16 645		14 011	Investments
		<u>21 761</u>		<u>19 276</u>	
					Current assets
9	1 225 628		1 742 457		Stocks
10	7 235 802		5 398 257		Debtors
	<u>67 219</u>		<u>69 065</u>		Cash at bank and in hand
	8 528 649		7 209 779		
11	<u>(8 131 328)</u>		<u>(6 926 882)</u>		Creditors amounts falling due within one year
		<u>397 321</u>		<u>282 897</u>	Net current assets
		419 082		302 173	Total assets less current liabilities excluding pension liability
19		<u>(48 474)</u>		<u>(36 796)</u>	Pension liability
		<u>370 608</u>		<u>265 377</u>	Net assets
					Capital and reserves
14		457		457	Called up share capital
21		2 280		0	Capital contribution reserve
15		<u>367 871</u>		<u>264 920</u>	Profit and loss account
16		<u>370 608</u>		<u>265 377</u>	Shareholders' funds

These financial statements were approved by the Board of Directors on 1 March 2012.

Signed on behalf of the Board of Directors



A Gibson

Director

Company Registration Number 1170825

Company balance sheet

31 December 2011

\$'000

Note	2011	2011	2010	2010	
					Fixed assets
7		5 116		5 265	Tangible assets
8		4 235		2 447	Investments
		9 351		7 712	
					Current assets
10	279 831		132 193		Debtors
	4 398		1 105		Cash at bank and in hand
	284 229		133 298		
11	(120 447)		(14 459)		Creditors: amounts falling due within one year
		163 782		118 839	Net current assets
		173 133		126 551	Net assets
					Capital and reserves
14		457		457	Called up share capital
15		172 676		126 094	Profit and loss account
16		173 133		126 551	Shareholders' funds

These financial statements were approved by the Board of Directors on 1 March 2012.

Signed on behalf of the Board of Directors



A Gibson

Director

Consolidated cash flow statement

Year ended 31 December 2011

\$'000

Note	2011	2010	
A	(252 354)	5 716	Net cash (outflow)/inflow from operating activities
	(7 992)	(27 608)	Taxation
B	(3 079)	354 275	Capital expenditure and financial investment
	(263 425)	332 383	Cash (outflow)/inflow before movements on debt
			Financing
C	200 000	(357 646)	Increase/(decrease) in short-term borrowings
	(63 425)	(25 263)	(Decrease) in cash in the year
			Reconciliation of net cash flow to movement in net debt
	(63 425)	(25 263)	(Decrease) in cash in the year
	(200 000)	357 646	Cash (inflow)/outflow from (increase)/decrease in debt
	(263 425)	332 383	Change in net debt resulting from cash flows
	37 337	(295 046)	and movement in net debt in the year
			Net funds/(debt) at beginning of year
C	(226 088)	37 337	Net (debt)/funds at end of year

Notes to the consolidated cash flow statement

Year ended 31 December 2011

A Reconciliation of operating profit to net cash inflow from operating activities

2011 \$'000	2010 \$'000	
99 120	49 759	Profit on ordinary activities before taxation
2 280	0	Increase in capital contribution reserve
1 753	1 588	Depreciation of tangible fixed assets
3	(48)	Loss/(gain) on sale of tangible fixed assets
516 829	217 587	Decrease in stocks
(1 795 527)	(1 783 085)	Increase in debtors
926 200	1 523 690	Increase in creditors
(3 012)	(3 775)	Adjustment for pension funding
<u>(252 354)</u>	<u>5 716</u>	Net cash (outflow)/inflow from operating activities

B Capital expenditure and financial investment

(1 671)	(2 566)	Purchase of tangible fixed assets
(1 471)	(868)	Increase in trade investments
63	63	Disposal of tangible fixed assets
0	357 646	Loans repaid by parent and fellow subsidiaries
<u>(3 079)</u>	<u>354 275</u>	Net cash (outflow)/inflow for capital expenditure and financial investment

C Analysis of net debt

2011 \$'000	Cash flow \$'000	2010 \$'000	
67 219	(1 846)	69 065	Cash at bank and in hand
(93 307)	(61 579)	(31 728)	Overdrafts
	(63 425)		Decrease in cash in the year
(200 000)	(200 000)	0	Debt due within one year – short-term borrowings
<u>(226 088)</u>	<u>(263 425)</u>	<u>37 337</u>	Total

Notes to consolidated financial statements

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice ("UK GAAP") The particular accounting policies adopted are described below.

The Group has taken advantage of the exemption from complying with FRS 29 provided within that standard for subsidiary companies

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the inclusion of financial instruments and fixed asset investments at fair value

Basis of consolidation

The consolidated financial statements incorporate the accounts of Glencore UK Ltd, its wholly owned subsidiaries The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

Going concern

Glencore's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review

Glencore's forecasts and projections, taking into account reasonably possible changes in performance and the impact of the risks and uncertainties outlined above, indicate it is appropriate to adopt the going concern basis in preparing these financial statements.

As is customary with commodity trade finance, many bank facilities are uncommitted in nature and, consistent with prior years, are expected to continue uninterrupted for the foreseeable future, and we continue to enjoy an excellent relationship with the banking community

Currency of financial statements

As both the Group and the Company undertake the majority of their trading transactions in US dollars, these financial statements have been prepared in that currency

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other related taxes.

All charges for purchases, including delivery and hedging on terminal markets and all credits for sales and other charges to customers (with the exception of foreign exchange gains and losses, which are dealt with in accordance with the policy on foreign currencies below) are recognised when all significant risks and rewards of ownership of the assets sold are transferred from the seller to the buyer

All traded instruments are evaluated with reference to market prices prevailing at the balance sheet date Unrealised gains and losses on valuation of traded instruments are recognised in the profit and loss account All assets and liabilities have been disclosed gross unless the Group has legal right of offset

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation

Depreciation is calculated to write off the cost of tangible fixed assets in equal annual instalments on the following bases

Motor vehicles	25% per annum
Furniture, fittings and equipment	5-33 1/3% per annum

Stocks

Stocks, consisting entirely of commodities held for resale, are held at fair value

Cost includes purchase costs, delivery charges, interest and other direct expenses, and net realisable value takes hedging contracts into account, where applicable.

Trade receivables and trade payables

Trade receivables and trade payables (including amounts owed by and to group companies) are measured at fair value. Appropriate allowances for estimated irrecoverable receivable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired. Certain bank loans are secured upon an eligible pool of the receivables, the balances are not offset

Derivative financial instruments

The Group uses derivative financial instruments, both with third parties and related parties, for trading purposes and to hedge exposures to financial risks, such as foreign exchange and commodity price risks. All derivative instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date. Movements in fair value of derivative instruments are recognised in the profit and loss account. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. Where derivatives, particularly those with related parties, cannot be valued by reference to the liquid market, the fair value is determined by performing an economic analysis to determine a fair commercial valuation.

Derivative financial instruments receivable and payable (including amounts owed by and to group companies) are measured at fair value. Receivables and payables are offset and the net amount presented in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and either intends to settle on a net basis, or to realise the receivable and settle the payable simultaneously

Foreign currencies

Transactions during the year in currencies other than US dollars are translated into US dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Exchange adjustments are dealt with in the profit and loss account in the year in which they arise

1 Accounting policies (continued)

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Operating leases

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

Fixed asset investments

Investments are classified as available-for-sale. Listed investments are measured at fair value which is determined by reference to quoted market prices. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss account.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. Otherwise the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Equity-settled share-based payments

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date, fair value excludes the effect of non market based vesting conditions. The fair value is charged to the statement of income and credited to retained earnings (unless the share based payments are settled by the Parent Company in Parent Company equity in which case it is credited as a capital contribution by the Parent Company) on a straight-line basis over the period the estimated number of awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings (or capital contribution as appropriate).

2 Turnover and operating profit

The Group's principal activities are to act as international commodity traders and to provide services to other group companies. Turnover represents the invoiced value of delivered commodity contracts excluding value added tax.

All trading and the provision of services is carried out from the United Kingdom, apart from trades carried out by the U.S.A. and Singapore branches of Glencore Commodities Ltd which are carried out from those countries.

In the opinion of the directors, disclosure of segmental reporting information relating to the Group's geographical markets would be seriously prejudicial to the interests of the Group and has therefore not been provided.

2011 \$'000	2010 \$'000	
0	1 118	Group operating profit is stated after charging/(crediting):
1 753	1 588	Branch and field office expenses
		Depreciation
		Auditor's remuneration for audit services
127	110	Company
1 393	1 430	Subsidiaries
1 520	1 540	Total auditor's remuneration for audit services
		Auditor's remuneration for non-audit services
320	133	Taxation
122	183	Other services
442	316	Total auditor's remuneration for non-audit services
5 000	4 647	Operating lease rental in respect of property
		Exchange gain in respect of FRS 17 pension
(729)	(1 314)	adjustments (included in other operating income) (note 19)

3 Information regarding directors and employees

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
94 304	75 156	75 130	58 189	Staff costs
13 256	7 713	10 035	6 262	Wages and salaries
4 578	3 183	7 781	6 762	Social security costs
112 138	86 052	92 946	71 213	Other pension costs (note 19)
No	No.	No	No	Average number of persons employed
44	42	0	0	Trading activities
202	198	202	198	Service activities
102	104	102	104	Administrative activities
348	344	304	302	

Additional information is contained in Note 21.

3 Information regarding directors and employees (continued)

2011	2010
\$'000	\$'000

		Staff costs include the following:
3 118	6 310	Remuneration in respect of directors'
115	107	emoluments (excluding pension contributions)
		Contribution to defined benefit scheme

2011	2010
No	No.

2	2	Number of directors who are members
		of the defined benefit scheme (note 19)

\$'000	\$'000
--------	--------

2 194	5 443	Highest paid director's remuneration
50	45	Emoluments (excluding pension contributions)
		Contribution to defined benefit scheme

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of \$ 63 000 under the scheme at the end of the year (2010: \$ 57 000) There is no accrued lump sum

4 Interest receivable and similar income

2011	2010
\$'000	\$'000

1 501	1 443	Interest receivable from banks
2 406	10 788	Interest receivable from parent and fellow subsidiaries
1 529	1 216	Interest receivable from others
5 436	13 447	

5 Interest payable and similar charges

2011	2010
\$'000	\$'000

6 852	289	Interest payable on overdrafts and bank loans repayable
910	12 226	within one year
177	61	Interest payable to parent and fellow subsidiaries
7 939	12 576	Interest payable to others

6 Tax on profit on ordinary activities

2011 \$'000	2010 \$'000	
16 595	15 611	UK corporation tax at 28%/26% (2010: 28%) based on the profit for the year
3 440	2 393	Foreign tax
(669)	2 872	Prior year adjustments relating to UK corporation tax
55	160	Prior year adjustments relating to foreign tax
(3 440)	(2 393)	Double taxation relief
15 981	18 643	Current tax charge for the year
(32 556)	1 021	Deferred tax – current year
(16 575)	19 664	Tax (credit)/charge for the year

Factors affecting current tax charge for the year

The tax assessed for the year is different from that resulting from applying the standard rate of corporation tax in the UK of 28%/26% (2010: 28%). The differences are explained below

2011 \$'000	2010 \$'000	
99 120	49 759	Profit on ordinary activities before tax
26 245	13 932	Tax at 28%/26% (2010: 28%) thereon
		Effects of:
2 135	2 791	Permanent differences
(71)	(55)	Difference between capital allowances and depreciation
(10 930)	0	Utilisation of tax losses
(783)	(1 057)	FRS 17 adjustments
55	0	Higher tax on overseas earnings
(670)	3 032	Adjustments relating to prior years
15 981	18 643	Current tax charge for the year

The tax losses utilised in the period arose primarily on the crystallisation of certain charges arising in the year as a result of employee equity awards

The 2011 Budget (delivered on 23 March 2011) announced a reduction in the UK corporation tax rate to 26% effective from 1 April 2011. A further decrease in corporation tax rate to 25% effective from 1 April 2012 was substantively enacted on 5 July 2011.

7 Tangible fixed assets

Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000	
			Group and Company
			Cost
265	20 554	20 819	At 1 January 2011
99	1 572	1 671	Additions
(191)	(309)	(500)	Disposals
173	21 817	21 990	At 31 December 2011
			Depreciation
116	15 438	15 554	At 1 January 2011
44	1 709	1 753	Charge for the year
(125)	(308)	(433)	Disposals
35	16 839	16 874	At 31 December 2011
			Net book value
138	4 978	5 116	At 31 December 2011
149	5 116	5 265	At 31 December 2010

8 Investments

Subsidiaries \$'000	Other unlisted \$'000	Guarantee fund \$'000	Listed Investments \$'000	Exchange seats \$'000	Total investments \$'000	
						Group
0	1 111	9 751	2 949	200	14 011	At 1 January 2011
0	0	1 471	0	0	1 471	Additions
0	0	0	0	0	0	Reductions
0	1 784	0	(621)	0	1 163	Revaluations
0	2 895	11 222	2 328	200	16 645	At 31 December 2011
						Company
959	1 111	0	377	0	2 447	At 1 January 2011
0	0	0	0	0	0	Additions
0	0	0	0	0	0	Reductions
0	1 784	0	4	0	1 788	Revaluations
959	2 895	0	381	0	4 235	At 31 December 2011

Listed investments are stated at fair value

Guarantee fund represent cash on deposit, linked to the Group's memberships of the ICE Clear Europe Ltd , with no fixed term and interest accrued at variable market rates. Guarantee fund contributions of the member following termination of its membership of the Clearing House will be returned on the first date of next guarantee fund period

Additional information on principal subsidiaries

Name	Country of Incorporation	Activity	Class of share	Equity held %
Glencore Commodities Ltd	Great Britain	Energy derivatives trading	Ordinary	100
Glencore Energy UK Ltd	Great Britain	Energy physical trading	Ordinary	100
Glencore Shipping Ltd	Great Britain	Freight trading	Ordinary	100
Rokola Investments Ltd	British Virgin Islands	Dormant company	Ordinary	100

9 Stocks

Group	Group	Company	Company	
2011	2010	2011	2010	
\$'000	\$'000	\$'000	\$'000	
1 225 628	1 742 457	0	0	Stock at fair value
1 225 628	1 742 457	0	0	

There is no material difference between the balance sheet value of stocks and their replacement cost.

Carrying amount of stocks pledged as security is \$ 298 469 000
(2010 \$ 507 338 000)

10 Debtors

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
5 827 996	3 985 676	0	0	Trade debtors
239 022	81 891	215 859	114 357	Amounts owed by group companies
783 901	881 479	0	0	Derivative financial instruments – third parties (note 12)
253 435	372 901	0	0	Derivative financial instruments – group companies (note 12)
16 729	8 013	4 242	38	Corporation tax (note 6)
34 232	930	34 232	930	Deferred tax (note 13)
74 644	63 031	20 800	13 076	Other debtors
5 843	4 336	4 698	3 792	Prepayments and accrued income
7 235 802	5 398 257	279 831	132 193	

11 Creditors, Amounts falling due within one year

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
93 307	31 728	0	0	Bank loans and overdrafts
200 000	0	0	0	Other loans
4 367 580	4 223 492	0	0	Trade creditors
2 344 348	1 222 141	109 918	3 451	Amounts owed to group companies
911 621	1 285 532	0	0	Derivative financial instruments – third parties (note 12)
110 642	107 291	0	0	Derivative financial instruments – group companies (note 12)
41 239	24 401	2 671	3 530	Corporation tax (note 6)
550	721	0	0	Deferred tax (note 13)
5 308	4 254	5 308	4 254	Other taxation and social security
56 733	27 322	2 550	3 224	Accruals and deferred income
8 131 328	6 926 882	120 447	14 459	

There are no bank loans secured on the assets of the Company (2010: \$nil)

Details of parent company guarantees in respect of bank loans are given in note 20

Other loans are secured against specified trade debtors in the amount of \$ 455 188 000 (2010: \$ nil) with no further recourse to any other assets of the Group.

All loans and payables are due for repayment within one year.

12 Derivative financial instruments

The Group currently utilises derivative financial instruments including forward foreign exchange contracts, commodity trading contracts, commodity futures and options, and commodity swaps. The fair value of the derivative financial instruments at the balance sheet date is as follows.

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000
307	353	0	0
164 571	54 703	0	0
454 711	422 606	0	0
164 312	403 817	0	0
253 435	372 901	0	0
1 037 336	1 254 380	0	0

Debtors

Forward foreign exchange contracts
Commodity trading contracts
Commodity futures and options
Commodity swaps
Derivative financial instruments – group companies

Group: of the \$ 1 037 336 000 above, \$ 926 255 000 is due to mature within one year (2010: \$ 1 105 858 000), with the remaining \$ 111 081 000 maturing after one year (2010: \$ 148 522 000)
Company: \$ nil balance for the year (2010: \$ nil)

61	869	0	0
118 114	51 734	0	0
568 046	953 152	0	0
225 401	279 777	0	0
110 642	107 291	0	0
1 022 264	1 392 823	0	0

Creditors: Amounts falling due within one year

Forward foreign exchange contracts
Commodity trading contracts
Commodity futures and options
Commodity swaps
Derivative financial instruments – group companies

Group: of the \$ 1 022 264 000 above, \$ 891 668 000 is due to mature within one year (2010: \$ 1 301 447 000), with the remaining \$ 130 596 000 maturing after one year (2010: \$ 91 376 000)
Company: \$ nil balance for the year (2010: \$ nil)

There is no difference between fair value and the value at which the Group could have settled their financial assets and liabilities at year end.

Quoted market values, as adjusted to take into account such factors as exchange closing prices and over the counter quotations, have been used to determine the fair value of derivative financial instruments at the balance sheet date. Where no active market exists for a derivative financial instrument, fair value is determined using valuation techniques, including use of recent arm's length transactions and reference to the market value of another instrument which is substantially the same.

12 Derivative financial instruments (continued)

The following changes in the fair value of derivative financial instruments, including forward foreign exchange contracts, commodity trading contracts, commodity futures and options, and commodity swaps have been charged to profit or loss in the year

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
				Profit/(loss)
762	(757)	0	0	External forward foreign exchange contracts
43 488	(34 962)	0	(49 167)	External commodity trading contracts
417 211	(215 984)	0	83 705	External commodity futures and options
(185 129)	85 421	0	0	External commodity swaps
<u>(122 817)</u>	<u>186 524</u>	<u>0</u>	<u>(1 334)</u>	Derivative financial instruments with group companies

13 Deferred tax

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	Movement on deferred tax balance in the year
209	173	930	928	Opening debtor
33 473	36	33 302	4	Debit to profit and loss account
<u>33 682</u>	<u>209</u>	<u>34 232</u>	<u>930</u>	Closing debtor
				Analysis of deferred tax balance
33 639	0	33 660	0	Tax losses not utilised
343	343	343	343	Capital allowances in excess of depreciation
199	557	199	557	Short term timing differences on spread pension payment
(499)	(691)	30	30	Revaluation of investments
<u>33 682</u>	<u>209</u>	<u>34 232</u>	<u>930</u>	Deferred tax debtor

A deferred tax asset has been recognised as at 31 December 2011 on short term timing differences on spread pension payments, on depreciation taken in excess of capital allowances, tax losses carried forward and on revaluation of investments. The directors are of the opinion that, based on recent and forecast activities, there will be sufficient taxable profits available in the Group and in the Company to recover the asset in the future.

14 Called up share capital

2011 \$'000	2010 \$'000	
<u>457</u>	<u>457</u>	Authorised, allotted and fully paid: 250 000 ordinary shares of £ 1 each

15 Movement in reserves

Group \$'000	Company \$'000	
264 920	126 094	At 1 January 2011
115 695	44 794	Profit on ordinary activities after taxation
(12 744)	1 788	Other recognised losses in the year
2 280	0	Capital contribution reserve
370 151	172 676	At 31 December 2011

The Company has taken advantage of the exemption from presenting its own profit and loss account, as provided by Section 408 of the Companies Act 2006

2011 \$'000	2010 \$'000	
416 345	301 716	Group Profit and loss reserve excluding pension liability
(48 474)	(36 796)	Defined benefit pension liability net of related deferred tax
367 871	264 920	Profit and loss reserve including pension liability

16 Reconciliation of movement in shareholders' funds

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
115 695	30 095	44 794	7 588	Profit for the financial year
(12 744)	(7 928)	1 788	(14)	Other recognised (losses)/gains in the year
2 280	0	0	0	Capital contribution reserve
105 231	22 167	46 582	7 574	Net addition to shareholders' funds
265 377	243 210	126 551	118 977	Opening shareholders' funds
370 608	265 377	173 133	126 551	Closing shareholders' funds

17 Guarantees, bonds and letters of credit

Group and Company

Guarantees, bonds and letters of credit given in the normal course of business and outstanding at the balance sheet date amounted to \$ 3 263 566 000 (2010: \$ 3 757 647 000)

The Company has guaranteed the bank facilities of its subsidiary, Glencore Commodities Ltd. These facilities had not been utilised by the subsidiary at 31 December 2011 (2010 not utilised)

18 Lease commitments

The commitments of the Group and of the Company during the next year under operating leases in respect of land, buildings and office equipments are as follows:

2011 \$'000	2010 \$'000	
		Operating leases which expire
0	67	Within one year
77	0	Within two to five years
5 217	4 572	After five years
5 294	4 639	

19 Pension commitments

The Group operates a pension scheme in the UK, which has both a defined benefit section and a defined contribution section. This disclosure is only in respect of the defined benefit section of the scheme. A full actuarial valuation was carried out at 31 December 2007 and updated to 31 December 2011 by a qualified independent actuary.

The major assumptions used for the actuarial valuation were (in nominal terms)

2011	2010	
3.5%	5.7%	Rate of increase in salaries
5.0%/2.9%	5.0%/3.5%	Rate of increase in pensions in payment¹
5.0%/2.2%	5.0%/3.2%	Rate of increase in pensions in deferment¹
4.7%	5.3%	Discount rate
2.2%	3.7%	Inflation assumption

¹ The rate of pension increases granted by the scheme was reduced for all future accruals from 1 May 2002. For members who joined the scheme prior to 1 September 2001, the scheme guarantees to increase pensions in payment and pensions in deferment by 5% p.a. for all services prior to 1 May 2002. For pensions accrued after 1 May 2002 and for all new joiners after 1 September 2001, pensions will increase in line with inflation, limited to a maximum of 5% p.a. For pensions in deferment, the 5% cap applies over the whole period from leaving to retirement, whereas for pensions in payment, the 5% cap applies each year.

The Group contribution rate for 2011 was 18.1% (2010: 18.1%) of pensionable salaries, together with an additional contribution of \$ 391 000 per month (2010: \$ 375 000 per month).

The agreed contribution rates for the next five years are 18.1% of pensionable salaries, together with additional contributions of \$ 391 000 per month, as agreed between the Trustees and the Company after actuarial advice.

19 Pension commitments (continued)

The fair value of the assets in the scheme, the present value of the liabilities and the expected rate of return at each balance sheet date were

2011 %	2011 \$'000	2010 %	2010 \$'000	
27.0%	22 933	31.0%	24 693	Equities
27.0%	22 933	21.0%	16 728	Fixed interest bonds
27.0%	22 933	28.0%	22 304	Broad bonds
14.0%	11 891	16.0%	12,744	Absolute return funds
4.0%	3 398	4.0%	3 186	Loan funds
1.0%	849	0%	0	Other
	84 937		79 655	Total market value of assets
	(150 443)		(130 761)	Present value of liabilities
	(65 506)		(51 106)	Deficit in the scheme
	17 032		14 310	Related deferred tax asset
	(48 474)		(36 796)	Net pension liability

Analysis of the amount charged to operating profit

2011 \$'000	2010 \$'000	
2 688	2 119	Current service cost
0	0	Past service cost
2 688	2 119	Total operating charge

Analysis of the amount charged to net finance charges

2011 \$'000	2010 \$'000	
(5 238)	(4 246)	Expected return on pension scheme assets
7 148	6 122	Interest on pension liabilities
1 910	1 876	Net finance charge

Analysis of the actuarial loss in the statement of total recognised gains and losses.

2011 \$'000	2010 \$'000	
(4 712)	5 188	Actual return less expected return on pension scheme assets
0	0	Experience losses and gains on scheme liabilities
(12 700)	(16 021)	Value of scheme liabilities
(17 412)	(10 833)	Actuarial loss

19 Pension commitments (continued)

Movement in deficit during the year

2011	2010	
\$'000	\$'000	
51 106	44 047	Deficit in scheme at beginning of year
2 688	2 119	Current service cost
(6 881)	(6 455)	Contributions
1 910	1 876	Net interest cost
17 412	10 833	Actuarial loss
(729)	(1 314)	Exchange gain
65 506	51 106	Deficit in scheme at end of year

History of experience gains and losses

2011	2010	2009	2008	2007	
(4 712)	5 188	4 409	(24 436)	(1 231)	Difference between the expected and actual return on scheme assets:
- 6%	7%	6%	- 26%	- 2%	Amount (\$'000)
					Percentage of scheme assets
0	0	0	4 435	2 228	Experience gains and losses on scheme liabilities:
0%	0%	0%	5%	2%	Amount (\$'000)
					Percentage of scheme liabilities
(17 412)	(10 833)	4 343	(11 338)	20 518	Total amount recognised in statement of total recognised gains and losses.
- 12%	- 8%	4%	- 12%	15%	Amount (\$'000)
					Percentage of scheme liabilities

The Group also operates a defined contribution scheme for which the pension cost charge for the year amounted to \$ 2 189 000 (2010 \$ 1 316 000).

The following mortality table used for actuarial valuation

2011	2010	
		Weighted average life expectancy for mortality tables used to determine benefit obligations at:
		Member age 65 (current life expectancy)
23.6	24.2	• Male
24.6	25.2	• Female
		Member age 45 (life expectancy at age 65)
24.9	25.6	• Male
26.2	26.8	• Female

20 Related party transactions and balances

During the year the Group entered into transactions with related parties
Apart from companies in the RussNeft Group, all related parties were
wholly owned subsidiaries of the Company's immediate parent
company, Glencore International AG, a company incorporated in
Switzerland Glencore International plc, a company incorporated in
Jersey is the Company's ultimate parent and controlling company

Nature of transactions

All related party transactions were executed on normal commercial
terms and conditions. The nature of the transactions with related
parties was as follows

a) Trading activities

sales and purchases of physical commodities,
sales and purchases of commodity futures;
premiums/discounts on commodity futures,
premiums paid/received on commodity options;
trading in other commodity derivatives,
total return swap derivative (included within sales and purchases of
derivative instruments below);
fees for trading in commodity derivatives;
fees for trading in physical commodities, and
freight sub-chartering

The purpose of the total return swap derivative is to guarantee the
Group against loss on its overall commodity trading book, whilst
enabling it to earn a commercial return

b) Service activities and administration

fees receivable and payable for trading and administrative services

c) Financial activities.

Interest receivable and payable on short-term loans and inter-
company accounts

20 Related party transactions and balances (continued)

Value of transactions

2011 \$'000	2010 \$'000	
3 656 725	4 829 060	Sales of physical commodities
3 306 034	2 515 456	Purchases of physical commodities
383 423 342	211 028 821	Sales and purchases of derivative instruments
22 392	12 895	Premiums/discounts received on commodity futures
36 153	14 490	Premiums received/paid on commodity options
525 613	926 229	Cost of /profit on trading in other commodity derivatives
462 088	468 229	Freight sub-chartering Income/costs
631 014	308 447	Other costs of trading in physical commodities
568	226	Fees received/paid for quotational and other services
51 444	45 525	Service fees receivable
10 736	12 406	Service fees payable
2 023	10 393	Interest receivable
528	11 832	Interest payable

Balances with related parties

The following were the balances with related parties at the end of the year. They are shown on an aggregate basis:

Group 2011 \$'000	Group 2010 \$'000	Company 2011 \$'000	Company 2010 \$'000	
0	0	31 066	35 881	Amounts owed by subsidiaries
0	0	182 889	75 103	Amounts owed by immediate parent
492 457	454 792	1 904	3 373	Amounts owed by fellow subsidiaries
0	0	106 991	523	Amounts owed to subsidiaries
1 989 268	985 023	0	0	Amounts owed to immediate parent
465 722	344 409	2 927	2 928	Amounts owed to fellow subsidiaries

20 Related party transactions and balances (continued)

Ultimate parent company

The ultimate parent and controlling company is Glencore International plc, a company incorporated in Jersey with registered office at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES

Guarantees

The immediate parent company, Glencore International AG, and its main operating subsidiaries Glencore UK Ltd, and Glencore AG have implemented a structure of cross guarantees to cover their obligations under short-term bilateral bank facilities available to them. The Company's obligations under these credit facilities are guaranteed by Glencore International AG and Glencore AG.

The Company also guarantees the obligations of Glencore International AG and of Glencore Finance (Bermuda) Ltd under various long term loans.

The amount of the Company's obligations under these guarantees is limited to the Company's freely disposable reserves.

21 Share-based payments

Share-based payments issued by the ultimate parent company

In April and May 2011, in connection with its initial public offering, the Company's ultimate parent company, Glencore International plc, issued phantom equity awards to certain employees of the Company. These equity awards will vest on or before 31 December 2013, subject to the continued employment of the award holder. Phantom equity awards may be satisfied in ordinary shares of Glencore International plc or in cash. Glencore International plc currently intends to settle these awards through the issuance of shares. The aggregate number of ordinary shares underlying the awards granted to employees of the Company is 1,179,957. The fair value of the awards at the issue date was \$8.56 per award for an aggregate fair value of \$10.1 million determined by reference to the initial public offering price of Glencore International plc's shares. The total expense recognised in the period was \$2.3 million (2010: \$ nil).

These phantom equity awards are classified as equity settled share based payments that will be settled by the Company's parent company with no resulting obligation for settlement to the Company. As a result, these awards are accounted for as a capital contribution from the Parent Company to the Company.