

Company Registered No. 2561614

Mitsui Bussan Commodities Ltd

Annual report and financial statements

for the year ended 31 March 2012

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Mitsui Bussan Commodities Ltd

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Mitsui Bussan Commodities Ltd

Officers and professional advisors

Directors

S Aitken
P Allan
D Ishida
T Kato
S Kikuchi
S Muchi
S Miyamoto
K Mori
T Sugimura

Secretary

S L Nath

Registered office

4th Floor
St Martin's Court
Paternoster Row
London
EC4M 7BB

Bankers

Sumitomo Mitsui Banking Corporation
Mizuho Corporate Bank Limited
JP Morgan Chase Bank

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Auditors

Deloitte LLP
London

Mitsui Bussan Commodities Ltd

Directors' report

The directors of Mitsui Bussan Commodities Limited ("the Company") present their annual report and the audited financial statements for the year ended 31 March 2012

Principal activity

The Company is a Category 2 clearing member on the London Metal Exchange and trades a combination of exchange-traded and over-the-counter ferrous and non-ferrous instruments. There have not been any significant changes to the Company's principal activities in the year under review. The US dollar is used as the reporting currency since the Company's principal sources of income are in this currency. The directors are not aware, at the date of this report of any likely major changes in the Company's activities in the year ahead.

Business Review

As shown in the Company's Profit and Loss Account on page 7, the turnover has increased 8% over the prior year (2011: 1% decrease). The Company's profit before tax has decreased from \$4,042k to \$34k. Net assets at the end of the year increased to \$69,724k (2011: \$46,620k) as a result of revaluing its investments held.

Results and dividends

The Company made a profit after tax of \$23k (2011: \$2,844k profit). The Company did not pay a dividend during the year (2011: \$1,400k).

Going concern

The directors have made necessary enquiries and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Future outlook

The external environment is expected to be competitive, however the directors remain confident that the Company will be profitable in the year ending 31 March 2013. They are also confident in the Company's long term future.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company relate to the stability of our clients during the uncertain economic environment, the volatility of the commodities traded, changes to the regulatory environment, competition from global trading houses, on-line trading and the retention of key staff.

Risk management

The disclosures that are required to be included in the Directors' Report, in respect of the Company's exposure to financial risk and its financial risk management policies are given in note 20 to the financial statements.

Directors

The current directors are listed on page 1.

The following directors served throughout the period, except as noted below:

S Aitken	
P Allan	
D Ishida	
T Kato	
S Kikuchi	
S Muchi	Appointed 1 April 2012
S Miyamoto	
K Mori	Appointed 1 April 2012
T Sugimura	
T Uchida	Resigned 1 April 2012
S Waka	Resigned 1 April 2012

Mitsui Bussan Commodities Ltd

Directors' report (continued)

Directors' indemnities

The Company did not make any indemnity provisions for the benefit of its directors during the year

Subsequent events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements

Charitable and political donations

During the year the Company made charitable donations of \$7k, principally to charities serving communities in which the Group operates

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 Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company'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

Deloitte LLP have indicated their willingness to be reappointed for another term and a resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting

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



Peter Allan
Director
4th Floor
St Martin's Court
Paternoster Row
London
EC4M 7BB

29 June 2012

Mitsui Bussan Commodities Ltd

Directors' responsibilities statement

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently,
- make judgements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Mitsui Bussan Commodities Ltd

We have audited the financial statements of Mitsui Bussan Commodities Ltd for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of total recognised gains and losses, the Balance Sheet and the related notes 1 to 23. 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 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 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 Auditing Practices Board'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 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 Company's affairs as at 31 March 2012 and of its 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

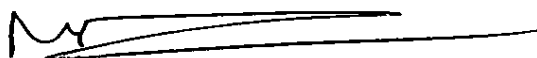
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Mitsui Bussan Commodities Limited
(continued)**

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



Manbinder Rana F C A (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date 29 June 2012

Mitsui Bussan Commodities Ltd

Profit and loss account For the year ended 31 March 2012

	Notes	2012 US\$'000	2011 US\$'000
Turnover	1,2	17,511	16,255
Administrative expenses		(17,607)	(12,334)
Operating (loss)/profit	4	(96)	3,921
Dividends Received		170	-
Profit from Sale of Shares		-	30
Interest receivable and similar income	6	117	239
Interest payable and similar charges	7	(157)	(148)
Profit on ordinary activities before taxation		34	4,042
Tax charge on profit on ordinary activities	8	(11)	(1,198)
Profit on ordinary activities after taxation		23	2,844

Statement of total recognised gains and losses For the year ended 31 March 2012

	Notes	2012 US\$'000	2011 US\$'000
Profit for the financial year		23	2,844
Revaluation of investment	18	23,081	-
Total recognised gains and losses		23,104	2,844

All items of income and expenditure disclosed above are derived from continuing operations

Mitsui Bussan Commodities Ltd

Balance sheet As at 31 March 2012

	Notes	US\$'000	2012 US\$'000	2011 US\$'000
Fixed assets				
Tangible assets	9		638	819
Investments	10		23,455	374
			<u>24,093</u>	<u>1,193</u>
Current assets				
Financial assets	11	187,069	248,875	
Stock	12	-	33,781	
Other debtors	13	2,291	2,315	
Cash at bank		61,944	47,124	
		<u>251,304</u>	<u>332,095</u>	
Liabilities				
Financial liabilities	15	(196,907)	(278,296)	
Other creditors	16	(8,766)	(8,372)	
		<u>(205,673)</u>	<u>(286,668)</u>	
Net current assets			<u>45,631</u>	<u>45,427</u>
Total assets less current liabilities			<u>69,724</u>	<u>46,620</u>
Net assets			<u>69,724</u>	<u>46,620</u>
Capital and reserves				
Called up share capital	18		14,000	14,000
Profit and loss account	18		32,643	32,620
Revaluation reserve			23,081	-
Total equity shareholders' funds	18		<u>69,724</u>	<u>46,620</u>

The financial statements of Mitsui Bussan Commodities Limited were approved by the Board of Directors and authorised for issue on 29 June 2012. They were signed on behalf of the Board of Directors by



Peter Allan
Director

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the valuation of financial instruments and stock at fair value as permitted by the Companies Act 2006, and in accordance with applicable law and United Kingdom Accounting Standards.

Stock is carried at fair value with changes in the valuation being recorded in the profit and loss account. This is not in accordance with the requirements of SSAP 9, Stocks and long term contracts, which require stock to be valued at lower of cost and net realisable value. However the directors believe that the true and fair override should be applied due to the nature of the stock and the reason for holding it.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 2. The Directors' Report on pages 2 to 3 and note 20 also describe the financial position of the Company, its cash flows and liquidity position, the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk and liquidity risk.

Functional currency

The financial statements are prepared in US dollars, the currency of the primary economic environment in which the Company operates.

Turnover

Turnover represents gross trading profit on dealing operations, net of applicable costs plus net commission on commodity contracts. Trading profit consists of mark to market and settled profit and loss and it is calculated at fair value. Commission on trades are recognised as earned on trade date and it is based on the size or volume traded.

Pension costs

The Company operates a defined contribution pension scheme. The Company contributes towards a money purchase pension scheme on behalf of its employees and its commitment is limited to the regular contributions. Costs are charged against profits in the period in which they become payable.

Foreign currency

Transactions denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the dates of the transactions. Fixed assets are translated at the rates ruling on acquisition. Monetary assets and liabilities stated in foreign currencies are translated into US dollars at the rates ruling at the year end. Exchange profits and losses are dealt with in the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at an effective interest rate on the carrying amount.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

1 Statement of accounting policies (continued)

Interest receivable/payable

Both interest receivable and payable are recognised in the profit and loss account over the term of such instruments at an effective interest rate on the carrying amount

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation less provision for any impairment. Depreciation is charged to write off cost less any residual value on a straight-line basis over the following estimated useful economic lives

Leasehold improvements	Over the remaining term of the lease
Office equipment	4 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation

Financial Instruments

The Company classifies its financial instruments as per the categories set out below. Management determines the classification of the financial instruments at initial recognition and re-evaluates this designation at every reporting date.

- (i) *Held-for-trading* – All derivative financial assets and liabilities are classified as held for trading. Held for trading financial assets are recognised at fair value with transaction costs being recognised in the profit and loss. Gains and losses on held-for-trading financial assets are recognised in the profit and loss as they arise. All unrealised gains and losses from exchange traded futures, options, OTC futures and option and forward exchange contracts represent the derivative financial assets and liabilities. The movement goes to the profit and loss. Market values of positions are determined using quoted prices and other market data which is a close approximation of fair value.
- (ii) *Loans and receivables* – Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except for those classified above. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. All non trade debtors as well as bank and cash are included within this category.
- (iii) *Available for sale* – Financial assets not classified as one of the above categories are classified as available for sale. Available for sale assets are initially recognised at fair value, and subsequently measured at fair value with gains and losses being charged to equity, however where the fair value cannot be reliably determined, they are carried at cost.
- (iv) *Other financial liabilities* - Other financial liabilities, including borrowings, are measured at fair value, net of transaction costs.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

1. Statement of accounting policies (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty, or
- Default or delinquency in interest or principal payments, or
- It is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the balance sheet where there is a legal right of set off, and the intention and ability to settle net.

Taxation

Current tax including UK corporation tax is recorded at amounts expected to be recovered or paid using the tax rates and laws that have been enacted or substantively 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 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.

Cash at banks

Cash and cash equivalents comprise cash and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Cash flow statement

The Company is a subsidiary of Mitsui & Co, Ltd which itself produces a publicly available consolidated cash flow statement which include the cash flows of the Company for the year ended 31 March 2012. The Company is therefore exempt under Financial Reporting Standard 1 paragraph 5 (revised) from preparing its own cash flow statement.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

2. Turnover

	2012 US\$'000	2011 US\$'000
Turnover	17,511	16,255

In the opinion of the directors turnover arises from one class of business and all amounts are derived from the United Kingdom

3. Information regarding directors and employees

	2012 US\$'000	2011 US\$'000
Directors' remuneration:		
Aggregate of directors' emoluments	1,175	1,113
Contributions to money purchase pension schemes	76	69
	<u>1,251</u>	<u>1,182</u>
Remuneration of the highest paid director:		
Emoluments of the highest paid director	470	486
Contributions to money purchase pension schemes	-	46
	<u>470</u>	<u>532</u>
	No.	No.
Number of directors for whom the Company made contributions to money purchase pension schemes	<u>2</u>	<u>2</u>
	2012 US\$'000	2011 US\$'000
Employee costs during the year:		
Wages and salaries	6,070	5,445
Social security costs	738	640
Other pension costs	543	518
	<u>7,351</u>	<u>6,603</u>
	No.	No.
Average number of persons employed:		
Trading	9	9
Administration	23	23
	<u>32</u>	<u>32</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

4. Profit on ordinary activities before taxation

	2012 US\$'000	2011 US\$'000
Operating profit is after charging(crediting):		
Rentals under operating leases of land and buildings	314	293
Depreciation	357	288
Impairment loss	-	28
Foreign exchange loss / (gain)	142	(730)
Auditors' remuneration		
Fees payable for audit of Company's annual accounts	112	112
Total Audit fees	<u>112</u>	<u>112</u>
Other services pursuant to legislation	100	21
Tax services	46	54
Total non-audit fees	<u>146</u>	<u>75</u>

5. Operating lease commitments

At 31 March 2012 the Company was committed to making the following payments during the next year in respect of operating leases for land and buildings

	2012 US\$'000 Land and buildings	2011 US\$'000 Land and buildings
Expiry Date		
-within one Year	-	-
- between two and five years	366	368
-after five years	-	-

6. Interest receivable

	2012 US\$'000	2011 US\$'000
Bank interest	84	184
Other interest - group undertakings	17	27
- other	16	28
	<u>117</u>	<u>239</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

7 Interest payable and similar charges

	2012 US\$'000	2011 US\$'000
Bank loans and overdrafts payable within five years	30	4
Other loans - group undertakings	73	76
- other	54	68
	<u>157</u>	<u>148</u>

8. Tax charge on ordinary activities

a) Analysis of tax credit in the year

	2012 US\$'000	2011 US\$'000
Current tax		
UK corporation tax at 26% (2011 - 28%) based on the profit for the year	(30)	(1,185)
Adjustment in respect of prior year	(46)	(12)
Total current tax	<u>(76)</u>	<u>(1,197)</u>
Deferred tax		
Timing differences, origination and reversal	47	(10)
Adjustment in respect of prior years	29	20
Change in tax rate	(11)	(11)
Total tax charge	<u>(11)</u>	<u>(1,198)</u>

b) Factors affecting tax charge for the year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 26% (2011 - 28%), and can be reconciled as below,

	2012 US\$'000	2011 US\$'000
Profit on ordinary activities before tax	(33)	4,042
Profit on ordinary activities multiplied by standard rate of corporate tax in the UK of 26% (2011 - 28%)	(9)	(1,131)
Tax effects of:		
Non taxable income and expenses	26	(64)
Capital allowances in excess of depreciation	(14)	10
Movement in short term timing deference	(33)	
Adjustments in respect of prior years	(46)	(12)
Current tax charge for the year	<u>(76)</u>	<u>(1,197)</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

9. Tangible fixed assets

	Office equipment US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost			
At 1 April 2011	2,719	1,213	3,932
Additions	176	-	176
Disposals	(22)	-	(22)
At 31 March 2012	2,873	1,213	4,086
Accumulated depreciation			
At 1 April 2011	1,977	1,136	3,113
Charge for the year	303	54	357
Disposals	(22)	-	(22)
At 31 March 2012	2,258	1,190	3,448
Net book value			
At 31 March 2012	615	23	638
At 31 March 2011	742	77	819

10. Fixed asset investments

Available For Sale Investments	2012 US\$'000	2011 US\$'000
Balance at the beginning of the period	374	381
Revaluation of investment	23,081	-
Disposals	-	(7)
	23,455	374

Investments represent shares in London Metal Exchange Holding Limited. These shares are not listed, however it was deemed that there had been enough activity in these shares over the past year that a fair price could be obtained. These shares were revalued to last traded price. Ordinary shares were valued at £41.92 per share and 'B shares' were valued at £70.00 per share.

No provision has been made for deferred tax on gains recognised on revaluing the shares to its market value. Such tax may become payable only if the shares were sold. The total amount unprovided for is \$5,629k.

A dividend of \$170k was received during the year (2011 Nil).

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

11. Financial assets: amounts falling due within one year

	2012 US\$'000	2011 US\$'000
Financial assets:		
Derivative financial assets with		
Third parties	134,693	221,613
Group undertakings	12,011	23,988
Collateral placed with		
Third parties	40,081	2,984
Group undertakings	284	290
	<u>187,069</u>	<u>248,875</u>

12. Stock

	2012 US\$'000	2011 US\$'000
Stock	-	33,781
	<u>-</u>	<u>33,781</u>

Stock related to metal held in LME warehouses

13. Other debtors: amounts falling due within one year

	2012 US\$'000	2011 US\$'000
Debtors		
Amounts owed by group companies	44	7
Amounts owed by third parties	3,724	3,755
Less Provision for doubtful debt	(3,724)	(3,755)
Other debtors	2	30
Deferred tax asset (note 16)	213	148
Corporation tax	1,441	1,525
VAT debtor	104	108
Prepayments and accrued income	487	497
	<u>2,291</u>	<u>2,315</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

14 Impaired assets

Movement in the allowance for doubtful debts

	2012 US\$'000	2011 US\$'000
Balance at the beginning of the period	3,755	3,727
Impairment losses recognised	-	28
Amounts recovered during the period	(31)	-
	<u>3,724</u>	<u>3,755</u>

Ageing of impaired assets

	2012 US\$'000	2011 US\$'000
0-90 days	-	-
91-120 days	-	-
121+ days	3,724	3,755
	<u>3,724</u>	<u>3,755</u>

The doubtful debt balance relates to two companies that have both been placed into Chapter 11 of the US Bankruptcy Code. Both proceedings are currently going through the courts, but there has been no confirmation of any final recovery.

15. Financial liabilities: amounts falling due within one year

	2012 US\$'000	2011 US\$'000
Financial liabilities:		
Derivative financial liabilities with		
Third parties	118,836	186,882
Group undertakings	21,509	53,934
Collateral from		
Third parties	36,573	34,756
Group undertakings	19,989	2,724
	<u>196,907</u>	<u>278,296</u>

16. Other creditors: amounts falling due within one year

	2012 US\$'000	2011 US\$'000
Creditors		
Amounts owed to group companies	598	74
Group relief creditor	6,288	6,316
Other creditors including taxation and social security	330	347
Accruals and deferred income	1,550	1,635
	<u>8,766</u>	<u>8,372</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

17. Deferred tax asset

The movement on deferred tax asset over the year has been as follows

	2012 US\$'000	2011 US\$'000
Opening balance	148	149
Prior year adjustment	29	20
Charge to the profit and loss account	47	(10)
Change in tax rate	(11)	(11)
Closing balance	213	148

Analysis of the deferred tax balance

	2012 US\$'000	2011 US\$'000
Depreciation in excess of capital allowances	151	148
Other short term timing differences	62	-
	213	148

The Company expects to be able to recover the deferred tax asset against future trading profits

18. Combined statement of movements in shareholders' funds and statement of movements in reserves

	Issued share capital US\$'000	Revaluation Reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
At 1 April 2011	14,000	-	32,620	46,620
Profit for the year	-	-	23	23
Dividends paid	-	-	-	-
Revaluation of investment	-	23,081	-	23,081
At 31 March 2012	14,000	23,081	32,643	69,724

	Issued share capital US\$'000	Revaluation Reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
At 1 April 2010	14,000	-	31,176	45,176
Profit for the year	-	-	2,844	2,844
Dividends paid	-	-	(1,400)	(1,400)
Revaluation of investment	-	-	-	-
At 31 March 2011	14,000	-	32,620	46,620

Issued share capital represents 14,000 authorised, allotted and fully paid ordinary shares of US\$1,000 each

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued) For the year ended 31 March 2012

19. Financial instruments

The carrying value of financial assets and liabilities recorded in the financial statements approximates to their fair value, which is calculated using market prices prevailing at the balance sheet date. Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. All rates are based on *libor*. The Company's derivative balance include exchange-traded futures and options and over-the-counter ("otc") forward and options.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- 1 Quoted prices for similar assets or liabilities in active markets
- 2 Quoted prices for identical or similar assets or liabilities in markets that are not active
- 3 Inputs other than quoted prices that are observable for the asset or liability
- 4 Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3

Unobservable inputs for the asset or liability

	2012			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets at FVTPL				
Derivative financial assets	-	146,704	-	146,704
Total	-	146,704	-	146,704
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(140,345)	-	(140,345)
Total	-	(140,345)	-	(140,345)
	2011			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets at FVTPL				
Derivative financial assets	-	245,601	-	245,601
Total	-	245,601	-	245,601
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(240,816)	-	(240,816)
Total	-	(240,816)	-	(240,816)

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2012

20. Risk management

In the ordinary course of business, the Company is exposed to a variety of risks, the most important of which are credit, market and liquidity risks. These risks are identified, measured and monitored through various control mechanisms imposed by the Board. Operational and Documentation risks are similarly considered and controlled.

Credit risk

The Company's principal financial assets are derivatives, bank balances and cash, trade and other receivables.

The credit risk is primarily attributable to mark-to-market exposure and trade receivables in the balance sheet, therefore the management of our credit lines and to whom we offer credit is paramount to a strongly controlled business.

The Company relies on the Credit Management Policy and Credit Management Processes as the guidelines on how to manage credit risk. The Company's main tools to mitigate credit risk are:

- **Assessment of counterparties** Counterparties are rated based on our credit rating system which is managed from both a Company and a global Mitsui & Co, Ltd level. Ratings are determined using a number of factors. These are linked to independent third parties credit ratings, analysis of the counterparty's financial information, industry analysis and other qualitative procedures. The creditworthiness of these counterparties is subject to regular scrutiny by the Company, both through analysis by the Company's Credit Department and the Credit Committee who report to the Company's board.
- **Credit lines and limits** The Company allocates credit lines and trading limits to all counterparties based on the counterparties' credit rating and on the Company's appetite to risk. The Company uses signed margining agreements as a way of controlling exposure. The Company's exposure with each counterparty is monitored daily against established limits and reviewed by management. A report of any limit excesses is reported to the Credit Committee where the next course of action is determined.
- **Netting agreements** The Company enters into netting agreements in order to mitigate the credit risk exposure that arise from a group of trades from the same counterparty.
- **Exposure measurement tools** The Company is continuously monitoring the existing exposures as well as potential exposures that may arise due to expiration of positions as well as the volatility of the market. This analysis is performed using stress test tools and calculating the Potential Future Exposure at an individual and aggregate level.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties, customers and industries.

Exposures

	2012	2011
	US\$'000	US\$'000
Financial assets held for trading	146,704	245,601
Loans and receivables	40,365	3,274
Other assets	2,291	2,315
Cash	61,944	47,124
	<u>251,304</u>	<u>298,314</u>

This relates to gross exposure under UK GAAP and does not take into consideration legally enforceable netting agreements with individual counterparties. The largest exposure relates to LCH Clearnet.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2012

20. Risk management (continued)

Market risk and sensitivity

Market risk is the exposure to movement in market variables and has many elements for our business. It is primarily the risk of adverse fluctuations in the underlying commodities within which we actively trade. Accordingly, these movements may affect the Company's profitability.

The Company relies on the Market Risk Policy as the guideline on how to manage risk in line with the Board's appetite to risk. The policy is reviewed periodically and describes in detail the nature of the risks the Company is exposed to and states the different tools and techniques used to monitor and control these exposures.

The Company monitors and reviews market risk exposures daily. Our primary risk assessment tool is our Value at Risk (VaR) model. The model predicts, at a specified confidence level, the maximum likely loss for the portfolio over a certain time period. The Company runs the model using a 99% confidence and a 95% confidence with a two day holding period. The Company's VaR at the 31 March 2012 was \$349,241 for a two day holding period and a 99% confidence. The average daily VaR for year ending 31 March 2012 was \$265,059 for a two day holding period and a 99% confidence. The Company changed from a 5 day holding period in the prior year to a 2 day holding period in the current year to bring the model in line with the rest of the group. In order to guarantee that calculations are reflecting the reality of the business, the Company undertakes daily back testing of the VaR model and updates it accordingly. The Company also relies on sensitivity indicators (Delta, Gamma, Vega and Rho), stress tests and scenario analysis in order to gain a better understanding of the main threats arising from a market risk perspective.

The Company does not have significant currency risk as the Company's principal sources of income and expenditure are in US Dollars. Moreover, the Company's policy is not to take speculative positions on other currencies. Where non-US Dollar transactions are undertaken in trading related activities, hedging instruments are utilised. Small positions may arise and the net foreign exchange position is therefore monitored daily to ensure that it is kept at minimum levels.

Interest rate risk is the Company's exposure to adverse movements in interest rates. The Company closely monitors interest rate movements and the maturity structure of its assets and liabilities. When required, the Company uses futures to hedge its interest rate risk. The Rho analysis is reported daily in the market risk reporting to management. The Company's tolerance to interest rate risk is very limited.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes, people, systems or from external events.

The Company not only strives to constantly review and document its processes and controls according to our internal function but also follows the standards set up by Mitsui & Co, Ltd as well as the Financial Instruments and Exchange Act. Thus our processes are audited internally, by our parent's internal audit function and by our external statutory auditors. The Company also implemented a new operational risk framework in order to incorporate Basel II recommendations on the matter.

Interest rate risk and sensitivity

Interest rate risk is the Company's exposure to adverse movements in interest rates (also known as Rho exposure). It arises as a result of timing differences on the re-pricing of assets and liabilities. The Company closely monitors interest rate movements in currencies and the interest rate level and maturity structure of its assets and liabilities. The Company uses, when required, futures to hedge its interest rate risk. The Rho report assesses the interest rate sensitivity, the Company's interest rate exposure and is reported daily to management.

All non trade debtors and creditors are not interest bearing and therefore do not expose the Company to interest rate risk.

Short term deposits held at bank, trade creditors and debtors, expose the Company to cash flow interest rate risk and are subject to interest at the prevailing market rate.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2012

20. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet payment obligations and potential payment obligations as and when they fall due without incurring unacceptable losses

The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities

Ultimate responsibility for liquidity risk management rests with the board of directors. The Company has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements that facilitate an ongoing stable flow of funds

The following tables show the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities

	2012 Financial liabilities				Total US\$'000
	Less than a month US\$'000	1-3 months US\$'000	3 months to year US\$'000	Over one year US\$'000	
Derivative financial liabilities with:					
Third parties	(118,836)	-	-	-	(118,836)
Group undertakings	(21,509)	-	-	-	(21,509)
Non-derivative financial liabilities:					
Collateral from third parties	(36,573)	-	-	-	(36,573)
Collateral from group undertakings	(19,989)	-	-	-	(19,989)
Total	<u>(196,907)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,907)</u>

	2011 Financial liabilities				Total US\$'000
	Less than a month US\$'000	1-3 months US\$'000	3 months to year US\$'000	Over one year US\$'000	
Derivative financial liabilities with:					
Third parties	(186,882)	-	-	-	(186,882)
Group undertakings	(53,934)	-	-	-	(53,934)
Non-derivative financial liabilities:					
Collateral from third parties	(34,756)	-	-	-	(34,756)
Collateral from group undertakings	(2,724)	-	-	-	(2,724)
Total	<u>(278,296)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,296)</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2012

20. Risk management (continued)

Documentation risk

Documentation risk is the risk that the Company trades with a counterparty without executing the appropriate risk mitigating legal documents that as a Company we would expect. The documentation includes but is not limited to, a Master Netting Agreement (ISDA or FOA), Trading & Margining Agreements, appropriate guarantees and other appropriate legal documents.

Capital risk

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of cash and short-term deposits and equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18.

21. Related parties

As a member of a group of companies whose consolidated accounts are publicly available, the Company is exempt from the disclosure requirements of FRS 8 relating to other group companies. FRS 8 – amended 3(c) states that 'disclosure is not required in the financial statements of subsidiary undertakings for transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.'

22. Parent company

The parent company of Mitsui Bussan Commodities Limited is Mitsui & Co, Ltd which is incorporated in Japan. Mitsui & Co, Ltd directly own 100% of the shares in the Company. A copy of the consolidated financial statements of the parent company can be obtained from that company's registered office 2-1 Ohtemachi 1-Chome, Chiyoda-ku, Tokyo 100-0004, Japan.

23. Subsequent events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

Mitsui Bussan Commodities Ltd

Pillar 3 disclosures – note these disclosures are unaudited For the year ended 31 March 2012

24. Pillar 3 disclosures – note these disclosures are unaudited

Background

The Company is authorised and regulated by the Financial Services Authority (FSA). The Company is classified as an Exempt BIPRU Commodity Firm by the FSA. In accordance with Article 48 of the European Capital Adequacy Directive 2006/49/EC dated 14 June 2006, the Company is exempt from the capital requirements of the directive until the earlier of 31 December 2014, or the date any modifications to the Directive come into force. The Company continues to calculate its regulatory financial resources under the Chapter 3 rules of the FSA's IPRU (INV) rulebook.

Disclosure policy

Chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) requires Exempt BIPRU Commodity Firms to make certain disclosures to market participants. These are known as Pillar 3 disclosures.

The Company reviews its disclosures for the purposes of BIPRU 11 in conjunction with the production of its annual audited financial statements.

Risk management objectives and policies

MBC's policies on market, credit, liquidity, and operational risk can be found in note 20 to these accounts.

Capital resources

Called up share capital, share premium and the profit and loss reserve on the balance sheet qualify for inclusion as financial resources for regulatory purposes. In addition, MBC has a rule waiver from the FSA that allows it to utilise subordinated loans drawn against group companies to supplement its regulatory capital if required.

As at 31 March 2012, MBC's Financial Resource Requirement (FRR) was \$32,815k (2011: \$25,442k) whilst the Financial Resources amounted to \$46,643k (2011: \$46,620) giving coverage of 142% (2011: 183%).

The FRR is composed of

- (i) *Primary Requirement* - This is the base requirement plus other liquidity adjustments. At 31 March 2012 this requirement was \$8,619k (2011: \$5,468k).
- (ii) *Position Risk Requirement (PRR)* - This is a combination of a PRR on both commodities positions and FX positions. The PRR for commodities positions is calculated using the extended maturity ladder approach set out in IPRU (INV) 3-169. The FX PRR is calculated based on 5% of the net exposure to non dollar denominated currencies. As at 31 March 2012 the combined PRR was \$12,601k (2011: \$14,295k).
- (iii) *Counterparty Risk Requirement (CRR)* - This is calculated in accordance with the Company's Adequate Credit Management Policy and the rules set out in IPRU (INV) 3-170(2). These rules dictate percentages the Company is required to hold as capital to cover the various types of credit risks the firm is exposed to. An additional CRR is taken in respect of concentration risk should there be a significant exposure to a single counterparty or group. At 31 March 2012 the concentration risk requirement was zero. At 31 March 2012 the CRR was \$11,595k (2011: \$5,679k).

Mitsui Bussan Commodities Ltd

Pillar 3 disclosures – note these disclosures are unaudited For the year ended 31 March 2012

24 Pillar 3 disclosures – note these disclosures are unaudited (Continued)

Remuneration disclosures

Information concerning the decision making process used for determining the Remuneration Policy.

The Company ensures that its remuneration practices promote sound and effective risk management and do not encourage risk-taking that exceeds the firm's levels of tolerated-risk by complying with the principles detailed in the FSA's Remuneration Code

Variable remuneration is set based principally on profit and with the input of the Company's risk and compliance functions. In conjunction with the Company's other risk management systems, we consider this is sufficient to promote sound and effective risk management. As a Tier 3 firm, the Company has elected, in light of its size and the nature of its activities, to disapply the requirements for it to have a remuneration committee as prescribed by the Remuneration Code.

Nevertheless, in accordance with good practice standards, the Company has a Remuneration and Reward Committee whose remit is to make appropriate recommendations to the Chief Executive Officer (in respect of salary reviews for all staff and bonus payments for non-front office staff) and to the Board (in respect of the bonus pool for front office staff and its distribution). Final remuneration decisions are made by the Chief Executive Officer and the Board respectively. The Remuneration and Reward Committee comprises the Chief Executive Officer, the Senior Manager - Finance, the Senior Manager - Risk Management and the Human Resources Manager. The Senior Manager – Risk Management is not employed by the Company nor are recommendations made by the Remuneration and Reward Committee regarding his remuneration. The Chief Executive Officer, the Senior Manager – Finance and the Human Resources Manager are not permitted to participate in any meeting (or the relevant part of any meeting) of the Remuneration and Reward Committee at which any part of their remuneration is being discussed or participate in any recommendation or decision concerning their remuneration.

Information on the link between pay and performance

The Company operates an annual appraisal process throughout its divisions. Performance appraisals are assessed by reference to both financial and non-financial metrics including achievement of objectives, conduct and performance.

Front office

The bonus pool for front office staff is determined by the Board by reference to the Company's profit before tax, which includes adjustments for risk factors such as liquidity reserves, market reserves and credit reserves. There is also an adjustment for the cost of capital.

Individual bonuses for front office staff are in the main discretionary and are determined by a recommendation from the Chief Executive Officer which is reviewed by the Remuneration and Reward Committee and approved by the Board. The factors used in determining individual discretionary bonuses for front office staff are at the absolute discretion of the Company. The current factors (which are both quantitative and qualitative in nature), are as follows:

- the success of the Company during the relevant period
- individual performance, conduct, team and individual contribution
- the strategic business requirements of the Company in terms of its need to retain staff

These performance measures take limited account of future earnings or future risks because they are based on actual profits for the year.

It is the Company's policy to pay reduced or nil discretionary bonuses if the Company's performance is weak or loss making.

Mitsui Bussan Commodities Ltd

Pillar 3 disclosures – note these disclosures are unaudited For the year ended 31 March 2012

24 Pillar 3 disclosures – note these disclosures are unaudited (Continued)

Equity plan

Bonus awards that have been introduced on an exceptional basis under an Equity Plan are determined in accordance with an agreed formula taking into account individual, departmental and Company performance and incorporating appropriate risk adjustments

Bonus awards under an Equity Plan are reduced by the Company in its absolute discretion by reference to the following factors

- being subject to a disciplinary sanction
- adherence to effective risk management
- compliance with regulatory requirements
- individual/departmental/Company performance in a previous year
- any maximum leverage ratio between the variable and fixed components of employee remuneration set by the Company from time to time

These performance measures take limited account of future earnings or future risks as they are based on actual profits over a three year period

The Equity Plan would be based principally on profits. Accordingly, if the Company makes a loss, it is anticipated that no bonus would be paid

Non front office

Discretionary bonus recommendations for non-front office staff employed by the Company are determined by reference to appraisal ratings (together with labour market trends and retention considerations) magnitude of task/responsibility, performance and conduct

The performance of the Company is also taken into account. It is the Company's policy to pay reduced or nil discretionary bonuses if the Company's performance is weak or loss making. Seconded, Japanese staff who are posted to work wholly or mainly for the Company for a rotational secondment period, remain employed by the parent company, Mitsui & Co, Limited under that company's terms and conditions of employment

Aggregate quantitative information on remuneration, broken down by business area

MBC is a small Tier 3 firm and has concerns as to the lack of anonymity in aggregate disclosures by business area. We are also mindful of our obligations in respect of the Data Protection Act in disclosing business area information breakdown which would result in individual information being easily identifiable. Disclosures will therefore be made on a limited basis in terms of any publicly or company-wide circulation, but all necessary information will be made available to the FSA on request

We therefore provide details of the Company's aggregate overall remuneration for the year ending 31 March 2012, which was \$7,351k (2011 \$6,603) (note 3)

Aggregate quantitative information on remuneration, broken down by senior management and members of staff who have a material impact on the risk profile of the firm

As noted above, MBC is a small Tier 3 firm and has concerns as to the lack of anonymity in aggregate disclosures by senior management and those with an impact of the firm's risk profile. We are also mindful of our obligations in respect of the Data Protection Act in disclosing this information breakdown which would result in individual information being easily identifiable. Disclosures will therefore be made on a limited basis in terms of any publicly or company-wide circulation, but all necessary information will be made available to the FSA on request

We therefore provide details of the Company's aggregate overall remuneration breakdown in terms of fixed and variable remuneration for the year ending 31 March 2012 as follows

Total fixed remuneration \$5,560k

Total variable remuneration \$1,791k