

**mitsui BUSSAN COMMODITIES
LIMITED**

Report and Financial Statements

31 March 2004

**Deloitte & Touche LLP
London**



mitsui bussan commodities limited

REPORT AND FINANCIAL STATEMENTS 2004

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MTSUI BUSSAN COMMODITIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Ikeda
H Nakamura
P Allan
K Tasaka
K Ishii
K Okura
K Aikyo

SECRETARY

S L Nath

REGISTERED OFFICE

Wren House
15-23 Carter Lane
London
EC4V 5HH

BANKERS

Sumitomo Mitsui Banking Corporation
Barclays Bank PLC
Mizuho Corporate Bank Limited
Bank of Tokyo-Mitsubishi Limited
JP Morgan Chase Bank

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Deloitte & Touche LLP
London

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The company is engaged in metal trading on The London Metal Exchange and the trading of related OTC instruments. The US dollar is used as the reporting currency since the company's principal sources of income and expenditure are in this currency.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the current year of trading are set out on page 5. Trading generated a profit before tax of \$1,321,000 (2003 - \$1,270,000). Profits arose as a result of movements in commodity prices during the period that affected positions held by the company. The company expects to continue to trade profitably in future years.

DIVIDENDS

The directors have not recommended a dividend for 2004 (2003 - \$nil).

DIRECTORS

The current directors are listed on page 1.

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

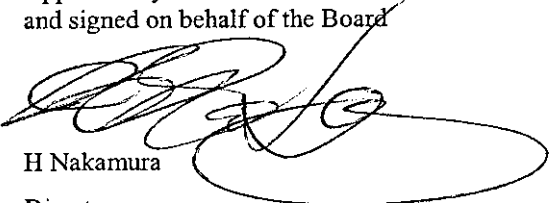
K Tasaka	
F Hattori	Resigned 1 April 2004
T Nakada	Resigned 1 April 2004
M Ikeda	
P Allan	
Y Taka	Resigned 1 April 2004
H Nakamura	
K Ishii	Appointed 1 April 2004
K Okura	Appointed 1 April 2004
K Aikyo	Appointed 21 April 2004

None of the directors held any interests in the shares of the company or any other group companies during the year.

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. Deloitte & Touche LLP has expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



H Nakamura

Director

23 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITSUI BUSSAN COMMODITIES LIMITED

We have audited the financial statements of Mitsui Bussan Commodities Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement, the notes to the cashflow statement and the related notes to the accounts 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

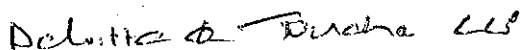
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

23 June 2004

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PROFIT AND LOSS ACCOUNT **Year ended 31 March 2004**

	Note	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
TURNOVER	1,2	8,134	7,668
Administrative expenses		(6,671)	(6,329)
OPERATING PROFIT	4	1,463	1,339
Other interest receivable and similar income		295	473
Interest payable and similar charges	5	(437)	(542)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,321	1,270
Tax charge on profit on ordinary activities	6	(465)	(328)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		856	942
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	15	856	942

All items of income and expenditure disclosed above are derived from continuing operations. There are no recognised gains or losses for the current financial year and preceding financial period, other than as stated in the profit and loss account.

MITSUI BUSSAN COMMODITIES LIMITED

BALANCE SHEET 31 March 2004

	Note	2004 US\$'000	2003 US\$'000
FIXED ASSETS			
Tangible assets	7	521	680
Investments	8	1,027	1,027
		<u>1,548</u>	<u>1,707</u>
CURRENT ASSETS			
Stock		-	-
Debtors	9	119,178	59,447
Cash at bank and in hand		16,746	13,356
		<u>135,924</u>	<u>72,803</u>
CREDITORS: amounts falling due within one year	10	<u>(120,609)</u>	<u>(58,832)</u>
NET CURRENT ASSETS		<u>15,315</u>	<u>13,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,863</u>	<u>15,678</u>
Provisions for liabilities and charges	13	<u>(1,281)</u>	<u>(952)</u>
NET ASSETS		<u>15,582</u>	<u>14,726</u>
CAPITAL AND RESERVES			
Called up share capital	14	14,000	14,000
Profit and loss account	16	1,582	726
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	<u>15,582</u>	<u>14,726</u>

These financial statements were approved by the Board of Directors on 23 June 2004.

Signed on behalf of the Board of Directors


H Nakamura

Director

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CASH FLOW STATEMENT **Year ended 31 March 2004**

	Note	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Net cash inflow/(outflow) from operating activities	A	3,840	(22,018)
Returns on investments and servicing of finance			
Interest received		295	473
Interest paid		(437)	(428)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(142)	45
Taxation			
UK corporation tax refunded		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(247)	(305)
Net cash outflow from capital expenditure and financial investment activities		(247)	(305)
Increase/(decrease) in cash	B	3,451	(22,278)

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NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2004

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Operating profit	1,463	1,339
Depreciation	406	264
(Increase)/decrease in non-tax debtors	(60,062)	45,078
Increase/(decrease) in trade creditors	49,490	(22,437)
Gain on disposal of fixed asset	-	(9)
F/X expense related to non-operating items	-	(224)
Increase/(decrease) in amounts owed to group creditors	13,079	(47,114)
Decrease in other creditors	(680)	(33)
Decrease in accruals and deferred income	(185)	1,105
(Decrease)/increase in provision for liabilities and charges	329	13
Net cash inflow/(outflow) from operating activities	3,840	(22,018)

B. CHANGES IN NET FUNDS AND RECONCILIATION OF NET CASH FLOWS TO MOVEMENT IN NET DEBT

	At 31 March 2003 US\$'000	Cash flows US\$'000	At 31 March 2004 US\$'000
Cash at bank and in hand	13,356	3,390	16,746
Bank overdraft	(61)	61	-
Subordinated loan	13,295 (10,000)	3,451 -	16,746 (10,000)
Total net funds	3,295	3,451	6,746

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom law and accounting standards. The financial statements cover the year ended 31 March 2004. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the valuation of trading positions.

Functional currency

The accounts are prepared in US dollars, the currency of the primary economic environment in which the company operates.

Turnover

Turnover comprises:

- (i) profits on dealing operations, being gains less losses on options and futures dealing and currency hedging;
- (ii) gross commission from investment business, less commissions paid away; and
- (iii) amounts payable on metal lease agreements.

All amounts are derived from the United Kingdom.

Tangible fixed assets

Depreciation is provided on the cost or revalued amount on the following bases:

Leasehold improvements	Over the remaining term of the lease
Office equipment	Straight line method over four years

Fixed asset investments

Investments held as fixed assets are stated at historic costs less any provision for impairment.

Deferred taxation

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.

Foreign exchange

Transactions denominated in other 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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Valuation of positions

Positions held for trading purposes in options, futures and forwards are accounted for on a trade date basis and valued at market value. Market values are derived, as appropriate, from externally quoted prices and other market data and internal valuation models. Unrealised profits and losses on open forward contracts are discounted. The client positions reflected in trade debtor and creditor accounts are also stated at market values.

Pension costs

The company contributes towards a money purchase pension scheme on behalf of its employees. Costs are charged against profits in the period in which they become payable.

2. TURNOVER

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Turnover	8,134	7,668

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Aggregate of directors' emoluments	521	387
Contributions to money purchase pension schemes	31	28
	552	415
Emoluments of the highest paid director	355	228
Contributions to money purchase pension schemes	31	28
	388	256
	No.	No.
Number of directors for whom the company made contributions to money purchase pension schemes	1	1

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Employee costs during the year:		
Wages and salaries	2,765	2,393
Social security costs	232	195
Other pension costs	335	286
	<u>3,332</u>	<u>2,874</u>
	No.	No.
Average number of persons employed:		
Trading	4	4
Administration	16	15
	<u>20</u>	<u>19</u>

4. OPERATING PROFIT

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Operating profit is after charging:		
Rentals under operating leases of land and buildings	318	254
Depreciation	406	264
Auditors' remuneration -		
audit services	81	69
other services	26	11
Loss on disposal of fixed assets	-	8
Foreign exchange (gains)/losses	(221)	143
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Bank loans and overdrafts payable within five years	163	152
Other loans - group undertakings	167	234
- other	107	156
	<u>437</u>	<u>542</u>

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
United Kingdom corporation tax at 30% (2003 - 30%) based on the profit for the period	(134)	-
Group relief	-	-
Adjustment in respect of prior year	-	(442)
	<u>(134)</u>	<u>(442)</u>
Deferred tax:		
Timing differences, origination and reversal	(331)	(443)
Adjustment in respect of prior years	-	557
	<u>(465)</u>	<u>(328)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

6. FACTORS AFFECTING TAX CHARGE IN THE CURRENT PERIOD (CONT.)

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK (30%) (2003: 30%).

	Year ended 31 March 2004 US\$'000	Year ended 31 March 2003 US\$'000
Profit on ordinary activities before tax	1,321	1,270
Tax at 30% thereon	(396)	(381)
Expenses not deductible for tax purposes	(61)	(61)
Capital allowances in excess of depreciation	72	61
Movement in short term timing differences	251	381
Adjustments in respect of prior periods	-	(442)
Current tax charge for the period	<u>(134)</u>	<u>(442)</u>

7. TANGIBLE FIXED ASSETS

	Total US\$'000	Leasehold improve- ments US\$'000	Office equipment US\$'000
Cost			
At 1 April 2003	4,010	528	3,482
Additions	247	33	214
At 31 March 2004	<u>4,257</u>	<u>561</u>	<u>3,696</u>
Accumulated depreciation			
At 1 April 2003	3,330	284	3,046
Charge for the year	406	211	195
At 31 March 2004	<u>3,736</u>	<u>495</u>	<u>3,241</u>
Net book value			
At 1 April 2003	<u>680</u>	<u>244</u>	<u>436</u>
At 31 March 2004	<u>521</u>	<u>66</u>	<u>455</u>

The expected useful economic life of leasehold improvements was shortened from 30 September 2006 to 30 September 2004 as the company has exercised its right to terminate the lease on its existing premises. This has had the impact of increasing depreciation charge in the current financial year by \$129k.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

8. INVESTMENTS

	2004 US\$'000
At Historic Cost	
At 1 April 2003	653
Additions	-
	<hr/>
At 31 March 2004	653
	<hr/>
At Nominal Value	
At 1 April 2003	374
Additions	-
	<hr/>
At 31 March 2004	374
	<hr/>
Total Fixed Asset Investments	
At 31 March 2004	1,027
	<hr/>

Investments represent members' shares in recognised exchanges used for trading. The investments are not listed. One of the investments was received for free in a prior period and was recorded in the books at its nominal value which has subsequently been treated as its 'historic cost'.

9. DEBTORS

	31 March 2004 US\$'000	31 March 2003 US\$'000
Trade debtors		
Non-group companies	68,015	51,811
London Clearing House deposit	1,888	596
Amounts owed by group companies	42,087	2,961
Non Trade Debtors		
Amounts due from affiliates	4,403	1,147
Other debtors	67	10
Group relief receivable	1,923	1,923
Deferred tax asset (note 12)	229	560
VAT debtor	200	213
Prepayments and accrued income	366	226
	<hr/>	<hr/>
	119,178	59,447
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

10. CREDITORS

	31 March 2004 US\$'000	31 March 2003 US\$'000
Bank loans and overdrafts	-	61
Trade creditors	75,030	25,540
Amounts owed to group companies:		
Parent company and fellow subsidiaries	34,411	21,332
Subordinated liabilities (note 18)	10,000	10,000
Corporation tax payable (note 6)	134	-
Other creditors including taxation and social security	353	1,033
Accruals and deferred income	681	866*
	<u>120,609</u>	<u>58,832</u>

* Restatement of \$830k from creditors to provisions is reflected in the comparative balances as the amount was misclassified in the prior year accounts.

11. GUARANTEE FACILITY

The company had in place the following guarantee and overdraft facilities at year end:

	Total Facility 31 March 2004	Utilised Facility 31 March 2004	Total Facility 31 March 2003	Utilised Facility 31 March 2003
Guarantee facility – expiry 31 December 2004 (2003: expiry 31 December 2003)	\$30,000,000	\$30,000,000	\$30,000,000	-
Guarantee facility – expiry 30 September 2004 (2003: expiry 30 September 2003)	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Unsecured Credit Facility – expiry 31 August 2004 (2003: expiry 30 September 2003)	\$50,000,000	-	\$50,000,000	-
Unsecured Credit Facility – expiry 30 September 2004 (2003: expiry 30 September 2003)	\$30,000,000	-	\$30,000,000	-
Approved Bank Bond – expiry 30 September 2004 (2003: expiry 30 September 2003)	£5,000,000	£5,000,000	£5,000,000	£5,000,000

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

12. DEFERRED TAX

The movement on deferred tax over the period has been as follows:

	31 March 2004 US\$'000	31 March 2003 US\$'000
Opening balance	(560)	(446)
Charge to the profit and loss account	331	(114)
Closing balance	<u>(229)</u>	<u>(560)</u>

Analysis of the deferred tax balance:

	31 March 2004 US\$'000	31 March 2003 US\$'000
Depreciation in excess of capital allowances	(229)	(186)
Other short term timing differences	-	(374)
	<u>(229)</u>	<u>(560)</u>

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

13. PROVISIONS

	US\$'000
At 1 April 2004	122
Restatement of amount disclosed as accruals in prior year	830
At 1 April 2004 (restated)	<u>952</u>
Increase in provisions	329
At 31 March 2004	<u>1,281</u>

Provisions are in respect of the discounting of future positions to their net present value, the illiquidity of long dated open position and provisions for doubtful debts.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

14. CALLED UP SHARE CAPITAL

	31 March 2004 US\$'000	31 March 2003 US\$'000
Authorised, allotted and fully paid: 14,000 (2003: 14,000) ordinary shares of US\$1,000 each	14,000	14,000

On 19th December 2002 the share capital of the company was reduced to 14,000 ordinary shares of US\$1,000 in accordance with a special resolution in the High Court of Justice dated 18 December 2002. This resolution cancelled and extinguished 11,000 of the issued and paid up Ordinary shares of US\$1,000 each in the capital of the company. The share capital was cancelled against the retained losses of the company.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 US\$'000	2003 US\$'000
Profit for the financial period	856	942
	856	942
Opening shareholders' funds	14,726	13,784
Closing shareholders' funds	15,582	14,726

16. STATEMENT ON MOVEMENT ON RESERVES

	Share capital US\$'000	Profit and loss account US\$'000	Total US\$'000
At 1 April 2003	14,000	726	14,726
Profit for the year		856	856
At 31 March 2004	14,000	1,582	15,582

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

17. OPERATING LEASE COMMITMENTS

At 31 March 2004 the company was committed to making the following payments during the next year in respect of operating leases for land and buildings:

	2004 US\$'000	2003 US\$'000
Leases which expire:		
Less than one year	188	-
Two to four years	-	193
	<u>188</u>	<u>193</u>

18. SUBORDINATED LIABILITIES

The subordinated debt has been borrowed from Mitsui & Co. UK PLC. Interest is payable at 0.4% above the London Inter-Bank Offer Rate for US dollars of the Bank of Tokyo-Mitsubishi Limited. The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company after giving seven business days' prior written notice to The Financial Services Authority of its intention to do so. The repayment date of the subordinated debt is 30 September 2004. It is expected that the debt will be renewed prior to the repayment.

19. POST BALANCE SHEET EVENT

The company has entered into an agreement for a 10 year lease on new commercial premises in St. Martins Court, London EC4. The lease has not yet been signed as of the date of signing the accounts. The company has committed to capital expenditure of £882k to fit out the new premises. Annual rental and service charge expense is expected to total £478k per annum.

20. ULTIMATE PARENT COMPANY

In the opinion of the directors, the ultimate and immediate parent company of Mitsui Bussan Commodities Limited, is Mitsui & Co., Ltd which is incorporated in Japan. A copy of the consolidated financial statements of the ultimate parent company can be obtained from that company's registered office 2-1 Ohtemachi 1-Chome, Chiyoda-ku, Tokyo 100, Japan. The parent company of both the largest and smallest groups of which the company is a part is Mitsui & Co., Ltd.

21. RELATED PARTIES

As a wholly owned subsidiary of a company whose accounts are publicly available, the company is exempt from the disclosure requirements of FRS8 relating to other group companies.