

**Company Registration No. 02214224**

**Mitsubishi Corporation (UK) Plc**

**Report and Financial Statements**

**31 March 2009**

# **Mitsubishi Corporation (UK) Plc**

## **Report and financial statements 2009**

### **Officers and professional advisers**

#### **Directors**

T Terada  
K Ito  
K Kuroda  
Y Miyamoto  
K Crisp  
T Hirano

#### **Secretary**

J Stevens

#### **Registered office**

Mid City Place  
71 High Holborn  
London WC1V 6BA

#### **Principle Bankers**

Bank of America NA  
1 Alie Street  
London E1 8DE

#### **Solicitors**

Clifford Chance LLP

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# **Mitsubishi Corporation (UK) Plc**

## **Report and financial statements 2009**

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# Mitsubishi Corporation (UK) Plc

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

### Principal activities

The company's principal activities are those of trading in a broad range of commodities, industrial and consumer products, and the provision of services, including financing.

### Business review

Turnover for the year ended 31 March 2009 amounted to £1,317 million (2008: £1,532 million) and the gross profit percentage was 3.05% (2008: 1.59%). The decrease in turnover was due to a reduction in commodity prices. Profit for the year ended 31 March 2009 after taxation amounted to £25.5 million (2008: £8.3 million). The company continued to perform well and the profits were primarily driven by the metals trading division, where the trading model was able to take advantage of the prevailing market conditions.

Other operating income and expense for the current year amounted to £11.7 million which is significantly higher than in the prior year (2008: £5.6 million). This is mainly due to favourable exchange movements that resulted in foreign exchange gains. Service and management fee has increased due to increase in business opportunities and first full year result for the seafoods department which was transferred from Diamond Seafoods (UK) Limited in November 2007. In 2008 the company also recognised a loss in respect of the pension liability of £2.4 million on its first adoption of defined benefit scheme accounting under FRS 17 'Retirement Benefits'.

The stock holding has increased by approximately £54 million as at 31 March 2009 compared to 31 March 2008. This is predominately due to an increase in the aluminium stock holding of £54 million to £169 million as at 31 March 2009 (2008: £115 million). However, the amount held in stock at any one time will vary depending upon the timings of deliveries and transactions. The proportion of current liabilities to current assets is 92% which is slightly higher than the previous year (2008: 91%). During the year the company has invested US\$5.5 million in Capula Management Ltd, a hedge fund management company, which increased the company total fixed assets investment to £6.5 million (2008: £2.6 million).

Overall, the directors are very pleased with performance this year and view this as a positive endorsement of the company's ability to take advantage of favourable market conditions as well as its commitment to strengthen internal controls and compliance to manage the risks that the company is exposed to.

### Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.



# Mitsubishi Corporation (UK) Plc

## Directors' report (continued)

### Future prospects

While the directors do not anticipate any significant changes in the business in the near future, the current economic environment does present a challenge to the company in maintaining this strong performance. This will not be an easy task and it is expected that market conditions and the prevailing economic environment will present the company with new challenges, but it is considered that the company is in a good position to deal with these. Internal controls that identify and manage risk exposures, and good relationships with customers will continue to be a fundamental management tool in day to day business operations.

### Financial risk management objectives and policies

Because of the nature of the company's trading and business model, it is exposed to various risks all of which are monitored and controlled. However these risks could potentially have a material impact on the company's performance. The principal areas of risk relate to credit risk, foreign exchange currency risk, interest rate risk, price risk and liquidity risk. These are briefly discussed below and in detail under note 19:

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk primarily arises since trade in most cases requires extending credit to customers, without which many would not trade with the company.

This risk is managed through taking out credit insurance wherever possible and also having rigorous monitoring and investigation carried out by the credit department.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company trades in many products in many countries in different currencies and is exposed to currency risk.

To manage this, the company has established and follows a strict policy of entering into forward exchange contracts to match sales and purchases in different currencies, wherever this risk exists.

#### *Interest rate risk*

Interest rate risk is split into two different types of risks - cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. As the company has variable rate bank deposits and loans, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates.

A significant proportion of activity centres around funding made available to customers, for which interest is charged at a market rate. Funding for this is borrowed and so a potential risk of movements in interest rates arises on both the borrowing and lending side.

As a matter of policy, risk is managed by ensuring that lending is on the same basis as borrowing so movements on one side are matched by movements on the other side.

# Mitsubishi Corporation (UK) Plc

## Directors' report (continued)

### Financial risk management objectives and policies (continued)

#### *Price risk*

Price risk is the risk that commodities that are bought at market price will fall in value before the company has been able to sell them.

By the nature of its trading, the company is exposed to price risk. This risk is managed and controlled in different ways. Where possible the company enters into back-to-back transactions so that the buying price and selling price are fixed at the same time. Also for some of the commodities that are traded, there is a commodities exchange market. In this instance commodity futures are bought and sold to hedge physical trading positions.

#### *Liquidity risk*

Liquidity risk is the risk that the company will have insufficient short-term assets to finance short-term liabilities. The company has significant levels of short-term liabilities so it is open to liquidity risk.

The risk is managed by effective cash management and continual monitoring of short-term funding requirements and an enhanced risk management system to identify any potential problems early with the realisation of liquid assets. The company also has quick access to short-term funding from group sources.

The use of derivatives is governed by the company's policies approved by the board of Directors, which provides written principles on the use of financial derivatives. The company wishes to strictly control the risk position that is taken. All foreign exchange risk should be hedged. Where price risk occurs this needs to be within pre applied limits and the company will use futures to hedge that exposure. The overall position is constantly monitored to ensure adherence to agreed limits.

### Dividends

During the year the directors recommended and paid a dividend of approximately £0.25 per share amounting to a total of £8,343,000 relating to the year ended 31 March 2008 (2008: £Nil). The directors recommend the declaration of an interim dividend of £12,761,000 to be paid at a later date.

### Directors

The current directors are shown on page 1. The directors who served throughout the year and up to the date of this report (except as noted) were:

T Kijima	(Resigned 16 April 2009)
T Terada	(Appointed 16 April 2009)
O Noma	(Resigned 8 April 2008)
T Ito	(Resigned 30 May 2008)
K Ito	(Appointed 25 April 2008)
Y Enomoto	(Appointed 30 May 2008 and resigned 4 April 2009)
Y Miyamoto	(Appointed 9 February 2009)
K Kuroda	(Appointed 14 April 2009)
Kevin Crisp	(Appointed 14 April 2009)
T Hirano	(Appointed 22 April 2009)

# Mitsubishi Corporation (UK) Plc

## Directors' report (continued)

### Charitable contributions

Contributions made to charities during the year amounted to £184,000 (2008: £93,000). Donations are made to environmental charities and local charities including £70,000 (2008: £70,000) to Mitsubishi Corporation Fund for Europe and Africa, a UK registered charity.

### Supplier payment policy

The company's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction and then to adhere to these terms. During the year average payment terms were 30 days (2008: 30 days).

### Auditors

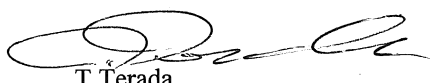
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



T Terada  
Managing Director

30<sup>th</sup> June 2009

# **Mitsubishi Corporation (UK) Plc**

## **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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 year. In preparing these 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; 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 that 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 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 auditors' report to the members of Mitsubishi Corporation (UK) Plc**

We have audited the financial statements of Mitsubishi Corporation (UK) Plc for the year ended 31 March 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. 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**

The directors' responsibilities for preparing the report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

## **Independent auditors' report to the members of Mitsubishi Corporation (UK) Plc (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*2 July* 2009

# Mitsubishi Corporation (UK) Plc

## Profit and loss account Year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
<b>Turnover</b>	1, 2	1,317,259	1,531,950
Cost of sales		(1,277,054)	(1,507,636)
Gross profit		40,205	24,314
Administrative expenses		(23,433)	(20,102)
Other operating income and expenses	5	11,714	5,628
<b>Operating profit</b>	4	28,486	9,840
Dividend income from shares in group undertakings		1,677	1,269
Interest receivable and similar income	6	11,057	15,102
Interest payable and similar charges	7	(11,252)	(14,981)
<b>Profit on ordinary activities before taxation</b>		29,968	11,230
Tax charge on profit on ordinary activities	8	(4,446)	(2,887)
<b>Profit on ordinary activities after taxation and profit for the year</b>	16	25,522	8,343

All of the company's operations for both the current and the preceding financial years fall into the category of "Continuing Operations" as defined in Financial Reporting Standard 3.

It is not possible to determine the difference between the profit on ordinary activities (before and after taxation) and their historical cost equivalents. Given the nature of the business and the use of fair value accounting under the requirements of FRS 26, the historical cost equivalent is not meaningful.

## Mitsubishi Corporation (UK) Plc

### Statement of total recognised gains and losses Year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Profit for the financial year/period		25,522	8,343
Actuarial (loss)/gain on pension scheme	20	(239)	2,108
UK deferred tax attributable to actuarial gain	20	67	(590)
Movement on cash flow hedges	19	275	474
UK deferred tax attributable to loss on cash flow hedges	8	(77)	60
Fair value movement on investment	11	848	-
UK deferred tax attributable to fair value gain on investment	8	(237)	-
Total recognised gains and losses since the last annual report and financial statements		<u>26,159</u>	<u>10,395</u>



# Mitsubishi Corporation (UK) Plc

## Balance sheet As at 31 March 2009

	Notes	2009 £'000	2008 £'000
Intangible assets	9	-	-
Tangible fixed assets	10	889	699
Investments	11	6,526	2,643
		<u>7,415</u>	<u>3,342</u>
<b>Current assets</b>			
Stocks	12	173,799	119,831
Debtors			
Due within one year	13	569,805	369,655
Due after more than one year	13	282	290
Cash at bank and in hand		4,018	16,926
		<u>747,904</u>	<u>506,702</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(687,138)</u>	<u>(458,996)</u>
<b>Net current assets</b>		<u>60,766</u>	<u>47,706</u>
<b>Net assets excluding pension asset</b>		<u>68,181</u>	<u>51,048</u>
<b>Pension asset</b>	20	<u>1,381</u>	<u>698</u>
<b>Net assets including pension asset</b>		<u>69,562</u>	<u>51,746</u>
<b>Capital and reserves</b>			
Called up share capital	15, 16	33,650	33,650
Hedging reserve	16	43	(155)
Revaluation reserve	16	611	-
Profit and loss account	16	35,258	18,251
<b>Shareholders' funds</b>	16	<u>69,562</u>	<u>51,746</u>

These financial statements were approved by the Board of Directors and authorised for issue on 30<sup>th</sup> June 2009.

Signed on behalf of the Board of Directors



T Terada

Managing director

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. They have all been applied consistently throughout the current year and preceding period.

The financial statements have been prepared on the historical basis, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

#### Group accounts

The company has not prepared group accounts on the basis that subsidiary undertakings are immaterial.

#### Cash flow statement

The company has not prepared a cash flow statement under the FRS 1 exemption on the basis that the ultimate parent company produces publicly available consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated.

#### Going Concern

The company has policies in place to ensure the risks mentioned in the directors' report and note 19 are within management's scrutiny. The company has strong risk management and treasury function to oversee the current trading environment to minimize the impact of such risks. In addition the company has good financing sources both from the group as well as third party banks.

As discussed in the business review section of the directors' report, the company has had strong financial performance during the year ended 31 March 2009 with significant increase in profitability compared to the year ended 31 March 2008.

The company has a strong balance sheet with positive net current assets and shareholders' funds. Whilst the borrowings of the company as at 31 March 2009 of £630.92 million (bank loans, overdrafts and intergroup balances – see note 14) are short term facilities, these are matched to a significant extent against amounts receivable from other group companies of £415.01 million (see note 13) which are on terms similar to the borrowings and stock of £173.79 million (see note 12), a large portion of which relates to commodities that are traded on international exchanges and therefore considered to be liquid and easily convertible to cash. While the bank borrowings and facilities are current and uncommitted, the directors are of opinion that these will remain available to the company for the foreseeable future.

Based on the above factors, and after making enquiries, the directors have 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 bases in preparing the annual report and accounts.

#### Intangible fixed assets

Concessions, patents, licences, trademarks, and similar rights and assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives estimated to be approximately five years. Provision is made for any impairment.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. Office equipment has an estimated useful life of three or four years and all other assets have an estimated useful life of four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 1. Accounting policies (continued)

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and cost to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Turnover is recognised at the point where delivery of goods is made. For those transactions where the company takes significant risk in terms of stock, pricing or credit, turnover is recognised as principal. Where no significant risk passes to the company and the company acts as either agent or broker then only the commission receivable is recorded as turnover.

Interest income is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income consists mainly of fees charged for non-trading services and are recognised on an accrual basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### Foreign exchange

The company's financial statements are presented in pounds sterling which is the currency of the primary economic environment in which it operates and is deemed to be its functional currency.

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to the profit and loss account.

In order to hedge its exposure to certain foreign exchange risks the company enters into forward contracts. See below for details of the company policy on such derivatives and financial instruments.

#### Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases. For operating leases where the company acts as lessor, the assets have been recorded as fixed assets and depreciated over their useful lives. Rental income is credited to the profit and loss account in equal instalments over the period of the lease.

#### Pension costs

The company operates both a defined benefit and a defined contribution pension scheme.

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. If the benefits have not vested immediately, 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.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 1. Accounting policies (continued)

#### **Pension costs (continued)**

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution 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.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at the amounts expected to be 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 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.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when it becomes a principal party to the contractual provisions of the instrument.

#### **Trade receivables**

Trade receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

#### **Investments**

Investments are stated at cost less any provision for impairment in all cases where the ultimate holding company holds a majority stake, as the company has no control of the cash flows or the eventual selling price. All other investments including investments held as current assets are stated at fair value unless this can not be measured reliably in which case the investment is stated at cost less provisions for impairment. Changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Provisions for impairment are recognised in the profit and loss account.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### *Cash and cash equivalents*

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 an insignificant risk of changes in value.

##### *Bank borrowings*

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

##### *Trade payables*

Trade payables are measured at amortised cost, using the effective interest rate method.

##### *Equity instruments*

Equity instruments issued by the company are recorded when the proceeds received net of direct issue costs.

##### *Derivative financial instruments and hedge accounting*

The company's activities expose it primarily to the financial risks of changes in price and changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge its foreign exchange exposure and uses futures as traded on the London Metal Exchange to hedge against any price risk exposure on its aluminium and copper trading operations. The company only uses derivative financial instruments for speculative purposes to a limited extent with board approval.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### *Hedge accounting*

The company designates certain hedging instruments, which include derivatives, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis the company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 19 sets out the details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of total recognised gains and losses and note 16.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 2. Turnover

Turnover represents:

- gross sales with respect to transactions in which the company is named as principal;
- commission receivable for transactions in which the company acts as a disclosed settlement agent; and
- brokerage commission receivable.

Turnover comprises:

	2009 £'000	2008 £'000
Principal	1,310,234	1,528,464
Agency	1,432	1,190
Brokerage	5,593	2,296
	<u>1,317,259</u>	<u>1,531,950</u>

In the opinion of the directors it is seriously prejudicial to the interests of the company to give an analysis of turnover, profit or net assets by geographical area. The directors are also of the opinion that the company's trading business constitutes one class of activity.

### 3. Information regarding directors and employees

	2009 £'000	2008 £'000
<b>Directors' emoluments:</b>		
Emoluments	<u>797</u>	<u>640</u>
Remuneration of the highest paid director	<u>465</u>	<u>379</u>
No pension contributions were made in respect of directors in the current or preceding year.		
	No.	No.
<b>Average number of persons employed</b>		
Trading and administration	<u>152</u>	<u>139</u>
	£'000	£'000
<b>Employee costs (excluding directors' emoluments)</b>		
Wages and salaries	6,366	5,793
Social security costs	687	491
Pension costs	523	2,894
Cost in respect of parent company's employees on secondment	5,069	4,615
	<u>12,784</u>	<u>13,793</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 4. Operating profit

Operating profit is stated after charging the following amounts:

	2009 £'000	2008 £'000
Depreciation of tangible fixed assets	408	240
Amortisation of intangible fixed assets	-	1
Net rentals payable under operating leases - property	1,288	1,267
Auditors' remuneration:		
Audit fees for the audit of the Company's annual accounts	160	156
Other fees – tax compliance services	345	270
tax advisory services	32	83
	<u>1,733</u>	<u>1,717</u>

The parent company incurred an audit fee amounting to £118,000 (2008: £65,000) in respect of the audit of the company in addition to the audit fees disclosed above.

### 5. Other operating income and expenses

	2009 £'000	2008 £'000
Other operating income and expenses		
Service and management fees	11,010	7,906
(Loss)/profit on disposal/sale of fixed assets	(11)	50
Net foreign exchange gains/(losses)	1,302	(264)
Net provisions and write (downs)/backs	(535)	426
Other fees payable	(52)	(42)
Enhanced pension payments	-	(32)
Pension defined benefit deficit on first recognition (note 20)	-	(2,416)
	<u>11,714</u>	<u>5,628</u>

Service and management fees include management and IT recharges to various group companies for services provided.

### 6. Interest receivable and similar income

	2009 £'000	2008 £'000
Interest receivable from group undertakings	8,543	9,469
Net expected return on pension assets less interest on pension liabilities	-	7
Bank and other interest receivable	2,514	5,626
	<u>11,057</u>	<u>15,102</u>



# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 7. Interest payable and similar charges

	2009 £'000	2008 £'000
Interest on bank loans and overdrafts repayable within five years	1,005	680
Interest payable to group undertakings	9,503	12,846
Net interest on pension liabilities less expected return on pension assets	139	-
Other interest payable	605	1,455
	<u>11,252</u>	<u>14,981</u>

### 8. Tax charge on profit on ordinary activities

#### (i) Analysis of tax charge on ordinary activities

	2009 £'000	2008 £'000
United Kingdom corporation tax at 28% (2008: 30%)	8,411	3,365
Adjustment in respect of prior years	(1,051)	(192)
Group taxation relief	(3,011)	-
	<u>4,349</u>	<u>3,173</u>
Deferred Tax		
Timing differences origination and disposal	97	(371)
Decrease in estimate of recoverable amounts of deferred tax due to change in tax rate	-	24
Foreign tax for current year	-	61
	<u>4,446</u>	<u>2,887</u>

#### (ii) Factors affecting tax charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>29,968</u>	<u>11,230</u>
Tax at 28% (2008 : 30%) thereon:	(8,391)	(3,369)
Effects of:		
Expenses not taxable/income not deductible for tax purposes	(813)	(44)
Pension adjustment	333	-
Capital allowances in excess of depreciation	(10)	52
Other deferred tax movements	-	(342)
Foreign tax suffered	-	(43)
United Kingdom dividend income	470	381
Group relief for current year	3,011	-
Prior year adjustments	1,051	192
Current tax charge for the year	<u>(4,349)</u>	<u>(3,173)</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 8. Tax charge on profit on ordinary activities (continued)

#### (iii) Factors that may affect the future tax charge

The company has recognised deferred tax assets in respect of accelerated capital allowances, pension deficit under FRS 17, and the cash flow hedges deferred to equity.

#### Deferred tax

	£'000
Deferred tax liabilities	(254)
Deferred tax assets	264
	<u>10</u>

Deferred tax is provided as follows:

	At 31 March 2008 £000	Recognised in income £000	Recognised in equity £000	At 31 March 2009 £000
Fair valuation of investments	-	-	(237)	(237)
Hedge accounting reserves	151	(91)	(77)	(17)
Accelerated tax depreciation	(63)	327	-	264
	<u>88</u>	<u>236</u>	<u>(314)</u>	<u>10</u>

### 9. Intangible assets

	Development costs £'000
<b>Cost</b>	
At 1 April 2008	24
At 31 March 2009	<u>24</u>
<b>Accumulated amortisation</b>	
At 1 April 2008	24
Charge for the year	-
At 31 March 2009	<u>24</u>
<b>Net book value</b>	
At 31 March 2009	<u>-</u>
At 31 March 2008	<u>-</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 10. Tangible fixed assets

	<b>Furniture, fixtures and fittings £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2008	2,087	2,791	4,878
Additions	61	538	599
Disposals	(74)	(1,450)	(1,524)
At 31 March 2009	<u>2,074</u>	<u>1,879</u>	<u>3,953</u>
<b>Accumulated depreciation</b>			
At 1 April 2008	1,897	2,282	4,179
Charge for the year	64	344	408
Disposals	(74)	(1,449)	(1,523)
At 31 March 2009	<u>1,887</u>	<u>1,177</u>	<u>3,064</u>
<b>Net book value</b>			
At 31 March 2009	<u>187</u>	<u>702</u>	<u>889</u>
At 31 March 2008	<u>190</u>	<u>509</u>	<u>699</u>

### 11. Investments

	<b>Shares in subsidiary undertakings £'000</b>	<b>Shares in other group undertakings £'000</b>	<b>Other investments £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2008	404	2,973	932	4,309
Additions	-	12	2,992	3,004
Profit after acquisition	-	-	143	143
Disposals	(104)	-	(2)	(106)
Fair value movement	-	-	848	848
At 31 March 2009	<u>300</u>	<u>2,985</u>	<u>4,913</u>	<u>8,198</u>
<b>Provision</b>				
At 1 April 2008	172	599	895	1,666
Write back provision	-	-	(1)	(1)
Additions	7	-	-	7
At 31 March 2009	<u>179</u>	<u>599</u>	<u>894</u>	<u>1,672</u>
<b>Net book value</b>				
At 31 March 2009	<u>121</u>	<u>2,386</u>	<u>4,019</u>	<u>6,526</u>
At 31 March 2008	<u>232</u>	<u>2,374</u>	<u>37</u>	<u>2,643</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 11. Investments (continued)

#### Shares in subsidiary undertaking

£50,000 of the shares in subsidiary undertakings represent a 100% holding and equivalent voting rights in the share capital of MC (Operations) Limited, a company incorporated in Great Britain and registered in England and Wales. The company is involved in providing property management and related services. As at 31 March 2008 MC (Operations) Limited had net assets of £95,359 and recorded a profit of £8,199 after tax. As from 1 April 2009, MC (Operations) Limited has ceased trading and its business has been transferred to the company. It is expected MC (Operations) Limited will be liquidated in 2009.

£250,000 represents a 100% shareholding and equivalent voting rights in Buckingham Ventures Limited, a company incorporated in Great Britain. The company acts as a holding company for Celvibe Ltd. As at the year end there is a provision of £179,000 against Buckingham Ventures Limited. As at 31 December 2008 Buckingham Ventures had net assets of £70,802 and recorded loss of £738.

Sazanka Corporation a company incorporated in Great Britain, which the company has £104,000 investment representing 100% shareholding, had dissolved during the year. As the result the company has incurred losses of £10,886.

These subsidiary undertakings have not been consolidated as they are considered immaterial.

#### Other Investments

During the year, the company has made a total investment of US\$5,500,000 in a hedge fund management company – Capula Management Ltd ('CML') and Capula Investment Management LLP ('CIM') which represents 1% holding of each. The investment in CML is treated as an available for sale investment and is fair valued with fair value changes recognised in equity and the investment in the CIM partnership is accounted for in a manner similar to equity accounting and a profit after acquisition of £143,000 has been recognised.

All other investments represent minority shareholdings in a number of companies ranging from Chemicals, Food and Internet companies that we invested in to augment our trading activities. Certain investments have performed below expectations and provisions for impairment have been made. The directors estimate the carrying amount of these investments to be a fair approximation of the fair value.

#### Shares in other group undertakings

Company Name	Country of incorporation	Shareholding %	£	Class	Principal business activity
Diamond Seafoods (UK) Limited	Great Britain	20	200,000	Ordinary	Trading in seafood
Princes Limited	Great Britain	10	700,000	Ordinary	Trading in canned Foods
Triland Metals Limited	Great Britain	9.09	1,431,764	Ordinary	Metal brokerage
ERB Autokredit AG	Switzerland	10	450,735	Ordinary	Motor vehicle Finance
MLP UK Ltd	Great Britain	0.69	70,000	Ordinary	Printing and lithographic distributor
Tredia Europe Limited	Great Britain	20	120,000	Ordinary	Clothing importer
Green Power Development	Netherlands	0.12	12,408	Special member	Development of wind power projects
			<u>2,984,907</u>		

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 11. Investments (continued)

#### Results and net assets of associates

	Year ended	Total of the company's share capital and reserves £'000	Profit/(loss) of the company for the year £'000
Diamond Seafoods (UK) Limited	31 March 2009	1,979	(195)
Tredia Europe Limited	31 March 2009	609	14

The above results and net assets are based on the latest available unaudited management accounts of the associates.

The company took over the seafood business from Diamond Seafoods (UK) Limited in November 2007. Diamond Seafoods is in the process of liquidation and expected to be completed in 2009. Tredia Europe Limited has ceased trading in December 2008 and part of its business has transferred to the company.

All the above investments are unlisted.

In the opinion of the directors, the fair value of the shares held in other group companies cannot be reliably measured because these investments do not have an active market. The company holds a minority share in these companies with the majority being held within the wider Mitsubishi group and as a result the company does not have any control over the cash flows or eventual selling price of these investments. The directors are of the opinion that it is not reasonable to assume a willing buyer exists for these investments given the above ownership circumstances. As a result it is not possible to determine fair value or a range of possible estimates within which fair value is expected to lie and as such the directors approximate the fair value to be equal to the carrying value.

### 12. Stocks

	2009 £'000	2008 £'000
Finished goods and goods for resale	173,799	119,831

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 13. Debtors

	2009 £'000	2008 £'000
Amounts due within one year:		
Trade debtors	87,978	128,290
Less: allowance for doubtful provision	(2,446)	(1,604)
	<u>85,532</u>	<u>126,686</u>
Amounts owed by parent company and fellow subsidiary undertakings	415,011	208,250
Loans to third parties	7,440	7,067
Corporation tax receivable	2,449	-
Deferred tax assets (note 8)	264	151
Prepayments and accrued income	2,762	1,477
Derivative assets (note 19)	56,347	26,024
	<u>569,805</u>	<u>369,655</u>
Amounts due after more than one year:		
Other receivables	282	290
	<u>282</u>	<u>290</u>
Total debtors	<u>570,087</u>	<u>369,945</u>

All trade debtors that are due within one year have a maturity of nine months or less and are non-interest bearing and therefore do not expose the company to interest rate risk.

The loans to fellow subsidiary undertakings have no fixed repayment terms. The loans carry interest at LIBOR + 0.25% to LIBOR + 1.25%. In the opinion of the directors the carrying amount is a reasonable approximation of fair value.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 13. Debtors (continued)

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk also arises from trade receivables due to the fact that trading in most cases requires extending of credit to customers which otherwise may not trade with the company. The company's principal customers, suppliers and financial institutions with which it conducts business are spread across diverse geographical areas.

The company has stringent policies in place, managed by a specialist risk management team, which govern the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals in line with the company's delegation of authority. The company limits the credit risk by evaluating the potential counterparties before entering into transactions with them and continues to monitor and assess their creditworthiness after transactions have been initiated. Creditworthiness is assessed using information from sources such as Dun and Bradstreet, Moody's Investors service, internal credit rating system and qualitative and quantitative data. The system of internal credit rating is based on complex statistical analysis, with customers being rated 1 (good) to 10 (poor).

The company attempts to mitigate credit risk by using credit insurance wherever possible and rigorous monitoring of receivables. Depending on the creditworthiness of the counterparty the company may require collateral in the form of guarantees, letters of credit and cash. As at 31 March 2009 the company has parent and third party guarantees of £156 million (31 March 2008: £125 million) in relation to its trade receivables. The company has no significant exposure to any single non-related counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are connected entities.

Included in the company's trade receivables balance are debtors with a carrying amount of £1.0 million (31 March 2008: £1.7 million) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the company believes that the amounts are still recoverable.

Below is the table showing the movement in doubtful provision against receivables. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely.

#### *Movement in the allowance for doubtful receivables*

	2009 £'000	2008 £'000
Balance at the beginning of the year	1,604	2,091
Exchange difference	435	(24)
Provision charged during the year	1,127	445
Provision used during the year	(1)	(46)
Provision reversed during the year	(719)	(887)
Adjustment during the year	-	25
Balance as at end of the year	<u>2,446</u>	<u>1,604</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 14. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank loans and overdrafts (unsecured)	186,456	1,487
Trade creditors	51,779	115,933
Amounts owed to parent company and fellow subsidiary undertakings	444,463	296,441
Corporation tax	-	16
Other taxation and social security	357	288
Deferred tax liabilities (note 8)	254	63
Derivative liabilities (note 19)	3,341	42,938
Accruals and deferred income	488	1,830
	<u>687,138</u>	<u>458,996</u>

All trade creditors and amounts owed to the parent for trading transactions are due within one year and are non-interest bearing and therefore do not expose the company to interest rate risk.

	2009 £'000	2008 £'000
<i>Bank loans and overdrafts (Unsecured)</i>		
The borrowings are repayable as follows:		
On demand or within one year	186,456	1,487

#### *Analysis of borrowings by currency*

	GBP £'000	EUR £'000	US\$ £'000	CHF £'000
31 March 2009				
Bank loans	-	-	186,456	-
31 March 2008				
Bank loans	1,443	43	-	1

In the opinion of the directors the contracted interest rates for borrowings are not different from the effective interest rates and accordingly the carrying amount of bank loans and overdrafts and amounts owed to parent company and fellow subsidiary undertakings is a reasonable approximation of fair value. Further information in respect of interest rate risk is presented in note 19 to the financial statements.

### 15. Called up share capital

	2009 £'000	2008 £'000
<b>Authorised:</b>		
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Called up, allotted and fully paid:</b>		
33,650,000 ordinary shares of £1 each	<u>33,650</u>	<u>33,650</u>



# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 16. Reconciliation of movements in shareholders' funds

As at 31 March 2009	Share capital £'000	Profit and loss account £'000	Hedging reserve £'000	Revaluation reserve £'000	Total £'000
At the beginning of the year	33,650	18,251	(155)	-	51,746
Aggregated gains on cash flow hedges (note 19)	-	-	275	-	275
Actuarial loss on pension scheme (note 20)	-	(239)	-	-	(239)
Fair value movement on investment (note 11)	-	-	-	848	848
Profit retained for the year	-	25,522	-	-	25,522
Dividend Paid	-	(8,343)	-	-	(8,343)
Deferred tax on items recognised in equity (note 20 & 8)	-	67	(77)	(237)	(247)
At the year end	<u>33,650</u>	<u>35,258</u>	<u>43</u>	<u>611</u>	<u>69,562</u>

### 17. Contingent liabilities

Contingent liabilities at the year end incurred in the ordinary course of business are as follows:

	2009 £'000	2008 £'000
Commitments to honour the repayment of loan obligations	<u>62</u>	<u>84</u>

### 18. Operating lease commitments

At 31 March 2009, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2009 £'000	2008 £'000
Leases which expire: In more than five years	<u>2,418</u>	<u>2,418</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments

#### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### Financial risk management objectives

The company's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. It is not the policy of the company to enter into these derivative positions on a speculative basis except to a very limited extent with board approval, and firm rules and procedures are in place to ensure that the company follows these policies and that the company risk position is properly managed.

The company has entered into a number of financial instruments as part of its trading portfolio, which are used as hedging tools to match the risks that the company is exposed to. It is the company policy to use these financial instruments and derivatives to hedge outstanding assets and liabilities or transactions that have not yet been undertaken but to which there is a firm commitment or highly probable forecast transaction.

The company is exposed to certain risks and applies the appropriate hedge to match that risk. Where trading exposes the company to foreign exchange risk, forward exchange contracts are entered into to hedge the risk. If the company is exposed to credit risk, it will where appropriate take out credit insurance to help manage that risk. Where it trades in commodities physically that are also traded on terminal markets it will use futures contracts to hedge any exposure that it may have.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Financial risk management objectives (continued)

A summary of the financial instruments of the company, by category, including the estimate of fair value is as follows:

#### At 31 March 2009

	Loans and receivables £000	Available for sale £000	Amortised cost £000	Designated hedging relationships £000	Held for trading £000	Total carrying value £000	Fair value £000
<b>Trade and other receivables</b>							
Non- derivative assets	508,265	-	-	-	-	508,265	508,265
Derivative assets	-	-	-	60	56,287	56,347	56,347
Available for sale investments	-	6,405	-	-	-	6,405	6,405
Cash and cash equivalents	4,018	-	-	-	-	4,018	4,018
<b>Financial liabilities</b>							
<b>Trade and other payables</b>							
Non- derivative liabilities	-	-	(116,663)	-	-	(116,663)	(116,663)
Derivative liabilities	-	-	-	-	(3,341)	(3,341)	(3,341)
<b>Bank overdrafts and other loans</b>							
Current	-	-	(566,035)	-	-	(566,035)	(566,035)

#### At 31 March 2008

	Loans and receivables £000	Available for sale £000	Amortised cost £000	Designated hedging relationships £000	Held for trading £000	Total carrying value £000	Fair value £000
<b>Trade and other receivables</b>							
Non- derivative assets	342,293	-	-	-	-	342,293	342,293
Derivative assets	-	-	-	-	26,024	26,024	26,024
Available for sale investments	-	2,411	-	-	-	2,411	2,411
Cash and cash equivalents	16,926	-	-	-	-	16,926	16,926
<b>Financial liabilities</b>							
<b>Trade and other payables</b>							
Non- derivative liabilities	-	-	(217,535)	-	-	(217,535)	(217,535)
Derivative liabilities	-	-	-	(215)	(42,723)	(42,938)	(42,938)
<b>Bank overdrafts and other loans</b>							
Current	-	-	(196,326)	-	-	(196,326)	(196,326)

Please refer to note 11 for further disclosure on the fair value on available for sale investments. In the opinion of the directors, the carrying values of the financial instruments above approximate the fair values.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Financial risk management objectives (continued)

The fair value of the derivative financial instruments at the balance sheet was as follows:

	2009 £'000	2008 £'000
Assets:		
Currency derivatives	1,378	35
Commodity Futures	54,969	25,989
	<u>56,347</u>	<u>26,024</u>
Liabilities:		
Currency derivatives	1,019	2,150
Commodity Futures	2,322	40,788
	<u>3,341</u>	<u>42,938</u>

#### Hedging accounting

The only hedging transactions that the company has undertaken in the course of this accounting year that are not recognised through the profit and loss account are cash flow hedges in respect of foreign exchange forward contracts and other financial instruments used to hedge variations in cash-flows likely to arise out of changes in foreign currency exchange rates and commodity prices for highly probable forecast future transactions and firm commitments.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Hedging accounting (continued)

Below is a summary of the aggregate gains and losses that are recognised directly in equity:

	2009 £'000	2008 £'000
Aggregated gains on foreign exchange hedges	67	119
Aggregated losses on foreign exchange hedges	(7)	(154)
Net gain/(loss) on foreign exchange hedges	60	(35)
Loss on commodity futures	-	(180)
Gains/(losses) for the year deferred to equity	60	(215)
Recycling of amounts from hedging reserve to profit and loss	215	689
Net gain for the year (note 16)	275	474

The majority of these foreign exchange hedges are due to mature and be matched against the hedged item within the next 12 months.

The following table details the forward foreign currency contracts outstanding as at the year end designated for cash flow hedges:

Outstanding contracts	Foreign currency		Contract value		Fair value	
	2009	2008	2009	2008	2009	2008
<b>Cash flow hedges</b>						
Buy US dollars	\$	\$	£	£	£	£
Less than 3 months	1,389	37,826	911	18,872	59	(48)
More than 3 months	-	54	-	27	-	-
Sell US dollars		\$		£		£
Less than 3 months	185	28,032	129	13,951	1	58
Buy Euro		€		£		£
Less than 3 months	-	39,678	-	31,197	-	-
More than 3 months	-	425	-	325	-	9
Buy Japanese Yen		¥		£		£
Less than 3 months	-	1,700,210	-	8,516	-	(45)
More than 3 months	-	59,138	-	304	-	(9)
Sell CHF	CHF	CHF	£	£	£	£
Less than 3 months	-	-	-	-	-	-
			1,040	73,192	60	(35)

Effectiveness testing is carried out on each cash-flow hedge on inception and at the reporting dates. Management have assessed the above hedges to be highly effective.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Market risk

The company's activities expose it to the financial risks of changes in commodity price and foreign currency exchange rates. The company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk; and
- futures as traded on the exchanges to hedge against any price risk exposure on its aluminum, copper and sugar trading operations.

The major commodities traded are aluminium and copper. The net positions in respect of sugar was nil as at 31 March 2009 (2008: £2,000) and as a result the disclosure below focuses on aluminium and copper only. The company's risk management objective and strategy for undertaking the hedge is to eliminate any commodity price risk within a transaction in line with the company and departmental guidelines and rules concerning the internal risk position.

Market risk exposures are measured using sensitivity analysis, disclosed below. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk over the last financial year.

#### Commodity price risk exposure

The company utilises derivative contracts to hedge price fluctuation on copper and aluminium. The company buys and sells commodity futures on the commodity exchanges as a means to hedge its price risk exposure. The futures are traded on a back to back basis with each physical contract and as a result very few speculative positions are held.

At the balance sheet date, total notional amount of outstanding future commodity contracts was as follows:

	Copper		Aluminium	
	£'000 Long	£'000 Short	£'000 Long	£'000 Short
31 March 2009	31,118	34,956	349,531	512,417
31 March 2008	73,462	46,994	181,162	227,799

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in October 2011.

At 31 March 2009 the fair value of all commodity derivative transactions resulted in both derivative assets and derivative liabilities. The fair value of total derivative assets was £54,969,000 (2008: £25,989,000) made up of £2,434,000 (2008: £6,243,000) from copper transactions, £52,535,000 (2008: £19,737,000) from aluminium transactions and no sugar transactions for the year (2008: £9,000). The fair value of total derivative liabilities was £2,322,000 (2008: £40,788,000) made up of £2,090,000 (2008: £5,834,000) from copper transactions, £232,000 (2008: £34,947,000) from aluminium transactions and no sugar transactions for the year (2008: £7,000). The fair values were calculated using the applicable closing rates on the London Metal Exchange.

The ranges that have been used in the fair value of the material commodity derivatives are as follows:

Aluminium : US\$1,360 – US\$1,720 per metric ton (2008: US\$2,951 – US\$3,070 per metric ton)  
Copper : US\$4,003 – US\$4,081 per metric ton (2008: US\$8,122 – US\$8,510 per metric ton)

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Commodity price risk exposure (continued)

The sensitivity analysis demonstrates the difference and risk that could affect the company's profit due to the market and price risk associated with the metal (aluminium and copper) trading. The following sensitivity analysis has been carried out on the fair values of the commodity derivatives:

	2009	
	Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	905	4,750
Copper futures	166	844
Total	1,071	5,594

	2008	
	Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	654	3,305
Copper futures	871	1,145
Total	1,525	4,450

The highest and lowest cases were picked up from the highest and lowest monthly average premium, contango/backwardation and published market price data.. This is consistent with the data and calculations used by management in their internal risk management process.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Foreign currency risk management

The company's treasury will undertake cash management to ensure the foreign currency cash balances are maintained as working capital based on the estimate of future needs. When a transaction results in a foreign exchange exposure in any currency then this exposure is hedged by the trade department. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

A significant portion of the company's earnings are denominated in foreign currencies. Consequently the company has significant risk in the translation of these earnings to its functional currency in GBP. The foreign currency profits before tax by major currency (other than GBP) for the company are:

	2009 £'000	2008 £'000
US Dollar	27,644	16,779
EUR	2,623	3,000
JPY	3,865	1,620

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to GBP. Additionally any changes to budgeted earnings figures are also taken into account. Where required, hedging action is undertaken and a report on the outstanding positions and valuations is presented to the management at each month end.

Monetary assets and liabilities by major foreign currency at the balance sheet date:

	Monetary Liabilities		Monetary Assets	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
US Dollar	534,015	260,087	330,815	203,097
Euro	56,204	46,380	53,489	25,142
Japanese Yen	3,901	5,353	3,910	1,042

#### (i) Foreign currency sensitivity analysis

The following table shows the company's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. The sensitivity analysis demonstrates the impact to the company profit and loss as the result of the change in foreign currency exchange rate based on the earnings and the value of foreign currency monetary assets and liabilities shown above.



# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Foreign currency risk management (continued)

#### (i) Foreign currency sensitivity analysis (continued)

Sensitivity analysis profit/(loss) impact:

	10% weakening in £ against other currency		10% weakening in £ Against other currency	
	2009	2009	2008	2008
	£'000	£'000	£'000	£'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(22,578)	3,072	(6,332)	1,863
Euro	(271)	291	(2,360)	374
Japanese Yen	1	429	(479)	207
Total impact (loss)/profit	<u>(22,848)</u>	<u>3,792</u>	<u>(9,171)</u>	<u>2,444</u>

For a 10% strengthening of Sterling against the relevant currency, there would be an almost equal and opposite impact on the earnings.

#### (ii) Currency risk exposure

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposure. The instruments purchased are primarily denominated in the currencies of the commodity or the market place that the physical transaction takes place in.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the company has committed to are as below.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Foreign currency risk management (continued)

##### (ii) Currency risk exposure (continued)

	GBP £'000	USD £'000	EUR £'000	OTHER £'000
31 March 2009	32,361	85,031	16,363	-
31 March 2008	14,866	116,157	46,327	8,766

These arrangements are designed to address significant exchange exposures that the company has for contracted commitments. The vast majority are due to mature within 1 – 6 months of the balance sheet date. A very small number extend beyond then, the latest one maturing in October 2011.

At 31 March 2009 the fair value of the company's currency derivatives is estimated to be a net asset of £359,000 (2008: liability of £2,115,000). These amounts are based on market values of equivalent instruments at the balance sheet date comprising £299,000 (2008: £2,079,000) relating to booked transactions, being accounts receivable and short-term borrowing and £60,000 (2008: £35,000) that are designated and effective as cash flow hedges which have been deferred in equity as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2009 for the key currencies held as derivatives.

US Dollars – Euro	1.3306 – 1.3363	(2008: 1.5395 – 1.5799)
US Dollars – Sterling	1.4324 – 1.4335	(2008: 1.9876 – 2.0095)
Sterling – Euro	0.9289	(2008: 0.7862 – 0.7877)

#### Interest rate risk management

The company is exposed to interest rate risk given its underlying financing requirements. There are two aspects of interest rate risk:

1. risk arising from possible mismatch of fixed interest rate bearing assets and liabilities; and
2. risk arising from possible mismatch of floating interest versus fixed rate assets and liabilities.

The company's treasury policy sets out operational guidelines with respect to interest rate risk management. Interest rate gaps are monitored on a regular basis and hedging action is undertaken if the gaps conflict with the company's interest rate view and is material. Longer term material assets over one year are normally systematically hedged either by matched funding or interest rate swaps.

##### (i) Interest rate swaps

The company uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. As at 31 March 2009 the company has no outstanding interest rate swaps contracts.

# **Mitsubishi Corporation (UK) Plc**

## **Notes to the accounts Year ended 31 March 2009**

### **19. Derivatives and Financial Instruments (continued)**

#### **Interest rate risk management (continued)**

##### **(ii) Interest rate risk**

Interest rate risk is split into two different types of risks – cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. As the company has variable rate bank deposits and debt, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Most of the financial assets and liabilities carry interest at variable rates and as a result management is of the opinion that fair value interest rate risk is not significant.

The only significant interest bearing receivables or payables that the company has are loans. In order to manage cash flow interest rate risk and fair value cash flow risk the company has a policy to ensure that where fixed or floating rate loans are made the funding for them is secured on the same basis. The company does not use derivative instruments to hedge against interest rate risk.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Interest rate risk management (continued)

##### (ii) Interest rate risk (continued)

The table below summarises the contractual maturity dates of the company's financial instruments, from the year end, which are exposed to cash flow interest rate risk.

As at 31 March 2009	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000	Non- interest bearing £'000	Total £'000
<b>Assets:</b>						
Cash at bank and in hand	4,018	-	-	-	-	4,018
Loans to third parties	7,440	-	-	-	-	7,440
Amounts owed by parent company and fellow subsidiary undertakings	344,693	-	-	-	70,318	415,011
<b>Liabilities:</b>						
Bank loans and overdrafts	186,456	-	-	-	-	186,456
Amounts owed to parent company and fellow subsidiary undertakings	379,579	-	-	-	64,884	444,463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 31 March 2008</b>	<b>Less than one year £'000</b>	<b>Between one and two years £'000</b>	<b>Between two and five years £'000</b>	<b>More than five years £'000</b>	<b>Non- interest bearing £'000</b>	<b>Total £'000</b>
<b>Assets:</b>						
Cash at bank and in hand	16,926	-	-	-	-	16,926
Loans to third parties	7,067	-	-	-	-	7,067
Amounts owed by parent company and fellow subsidiary undertakings	119,770	-	-	-	88,480	208,250
<b>Liabilities:</b>						
Bank loans and overdrafts	1,487	-	-	-	-	1,487
Amounts owed to parent company and fellow subsidiary undertakings	194,839	-	-	-	101,602	296,441
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Contracted interest rates on cash at bank and in hand range from nil% to 0.50%.

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0.25% to Libor + 1.25%.

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0.125% to Libor +0.40%.

The directors are of the opinion that the above contracted interest rates are a fair approximation of the effective interest rates as at 31 March 2009.

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 19. Derivatives and Financial Instruments (continued)

#### Liquidity risk management

The financing requirements of the company are predominantly short-term in nature and therefore liquidity management is one of the key risks that the company faces. The company manages its financing requirement and hence its liquidity risk with the aid of a cash-flow forecast that is continuously updated to reflect the actual requirement in each currency. Where appropriate the company seeks to match the duration of liabilities to the underlying assets so as to minimise liquidity risk.

The company meets its financing requirements mainly through a combination of inter-group loans and reserves. The company also has access to uncommitted facilities from a range of banks.

An analysis of the liquidity profile of the company's financial liabilities is as follows:

	Within one year £000	Between one and two years £000	Between two and five years £000	Over five years £000	Total £000
<b>2009</b>					
Bank loans and overdrafts	(186,456)	-	-	-	(186,456)
Other loans	(379,579)	-	-	-	(379,579)
Related interest	(433)	-	-	-	(433)
Trade and other payables	(116,663)	-	-	-	(116,663)
Derivative liabilities	(3,341)	-	-	-	(3,341)
	<u>(686,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(686,472)</u>
<b>2008</b>					
Bank loans and overdrafts	(1,487)	-	-	-	(1,487)
Other loans	(194,839)	-	-	-	(194,839)
Related interest	(802)	-	-	-	(802)
Trade and other payables	(217,535)	-	-	-	(217,535)
Derivative liabilities	(42,938)	-	-	-	(42,938)
<b>Total</b>	<u>(457,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(457,601)</u>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 20. Pension scheme

#### Defined benefit scheme

The Mitsubishi Corporation Retirement Benefits Scheme ("the defined benefit scheme") is a multi-employer, funded defined benefit pension scheme operated for the benefit of the employees of Mitsubishi Corporation (UK) Plc (the principal employer) and certain employees of associated companies. With effect from 1 November 2007, one of the scheme's associated employers, Diamond Seafoods (UK) Ltd., transferred its business undertakings and employees to the company and withdrew from the scheme. As the remaining associated employers were considered immaterial in relation to the entire scheme, the company decided to account for the whole scheme as a defined benefit scheme from 1 November 2007. In previous years and to the 1 November 2007 the scheme was accounted for as a defined contribution scheme.

The charge for the year in the profit and loss account represents the current service cost, interest cost, expected return on assets and other sponsor contribution as measured through the actuarial valuation for the period. The deficit in the Scheme impacted the company through adjustments to the company's contributions to the Scheme, which comprised "special contributions" in a fixed amount of £95,593 from 1 June 2007 onwards. The "Standard Contribution Rate" was 29.3% of basic salary from 1 June 2007 onwards.

An actuarial valuation is performed every three years, the latest as at 1 April 2006. Interim valuations for the period was carried out by a qualified actuary. The major assumptions used for the actuarial valuation were:

	31 March 2009	31 March 2008
Discount rate (pre and post retirement)	6.6%	6.0%
Rate of increase in salaries	3.4%	5.2%
General price inflation	2.4%	3.4%
Rate of increase for pensions in payment (LPI minimum 3% pa)	3.4%	3.7%
Rate of increase for pensions in deferments	2.4%	3.4%
Expected Return on scheme assets	4.13%	5.22%

Based on the above assumptions the surplus/(deficit) in the Scheme at each assessment date was :

	31 March 2009	31 March 2008
	£'000	£'000
Fair value of scheme assets	30,192	28,278
Value of Insured annuities	472	544
Total Value of scheme assets	30,664	28,822
Present value of funded obligations (including insured annuities)	(23,429)	(27,853)
Surplus in the scheme	7,235	969
FRS 17 limit on surplus recognition	(5,317)	-
Pension asset recognised	1,918	969
Related deferred tax liability	(537)	(271)
Net pension asset	1,381	698

The fair value of the scheme's invested assets at the beginning and at the end of the period are set out below along with the expected rate of return for each class at each assessment date:

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 20. Pension scheme (continued)

#### Defined benefit scheme (continued)

	Value at 31 March 2009 £'000	Expected Return % p.a.	Value at 31 March 2008 £'000	Expected Return % p.a.
Equities	-	-	-	-
Bonds	30,048	4.15	10,135	5.16
Cash	144	1.55	18,143	5.25
<b>Total</b>	<b>30,192</b>	<b>4.13</b>	<b>28,278</b>	<b>5.22</b>

Total expense recognised in profit and loss

	2009 £'000	2008 £'000
Current service cost	344	254
Interest on pension scheme liabilities	1,669	673
Expected return on pension scheme assets	(1,530)	(680)
<b>Total expense</b>	<b>483</b>	<b>247</b>

Annual return on scheme assets:

	2009 £'000	2008 £'000
Actual return on scheme assets	970	278

Changes in the present value of the defined benefit obligation are as follows:

	2009 £'000	2008 £'000
Opening defined benefit obligation	27,853	29,722
Current service cost	344	254
Employee contributions	92	33
Interest cost	1,669	673
Actuarial losses	(5,638)	(2,497)
Benefits paid	(891)	(332)
<b>Closing defined benefit obligation</b>	<b>23,429</b>	<b>27,853</b>

# Mitsubishi Corporation (UK) Plc

## Notes to the accounts Year ended 31 March 2009

### 20. Pension scheme (continued)

#### Defined benefit scheme (continued)

Changes in the fair value of Scheme assets are as follows:

	2009 £'000	2008 £'000
Opening fair value of Scheme assets	28,822	27,306
Expected return	1,530	680
Sponsor contributions	1,671	1,524
Employee contribution	92	33
Actuarial losses	(560)	(389)
Benefits paid	(891)	(332)
Closing fair value of Scheme assets	30,664	28,822

Analysis of recognised (loss)/gain in statement of total recognised gains and losses (STRGL):

	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	(560)	(389)
Experience gains and losses arising on the scheme liabilities	(162)	189
Changes in assumptions underlying the present value of the scheme liabilities	5,800	2,308
FRS 17 limit on surplus recognition	(5,317)	-
	(239)	2,108
Deferred Tax	67	(590)
Actuarial (loss)/gain recognised in STRGL	(172)	1,518

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £1.35 million (2008 : 1.52 million).

History of experience gains and losses

Details of experience gains and losses for the year to:

	31 March 2009	31 March 2008
Experience gains and losses on Scheme liabilities:		
Amount (£'000)	(162)	189
Percentage of the present value of the Scheme liabilities	0.7%	0.7%
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	(560)	(389)
Percentage of Scheme assets	1.8%	1.3%
Total amount recognised in statement of total recognised gains or losses:		
Amount (£'000)	(239)	2,108
Percentage of the present value of the Scheme liabilities	1.0%	7.6%

A five year history of the above experience adjustments has not been presented as the company only commenced defined benefit accounting from 1 November 2007.



# **Mitsubishi Corporation (UK) Plc**

## **Notes to the accounts Year ended 31 March 2009**

### **20. Pension scheme (continued)**

#### **Defined contribution scheme**

The company also operates a defined contribution scheme which began on 1 April 2002. The charge for the year (being the contributions made by the company) was £305,128 (2008 - £240,637). No amounts were accrued or prepaid as at 31 March 2009.

### **21. Immediate and ultimate parent company**

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. This is the smallest and largest group in which the company is consolidated. The immediate parent company is Mitsubishi Corporation International NV.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department PC-B, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan. The immediate parent company does not prepare group financial statements.

### **22. Related party transactions**

The company has taken advantage of the exemption from related party disclosures available in Financial Reporting Standard No.8 - Related Party Disclosures, as the consolidated financial statements of the ultimate parent company are publicly available as noted above.