Company Registration No. 02214224

Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc)

Report and Financial Statements

31 March 2010

Mitsubishi Corporation International (Europe) Plc
(formerly Mitsubishi Corporation (UK) Plc)

Report and financial statements 2010

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Mitsubishi Corporation International (Europe) Plc
(formerly Mitsubishi Corporation (UK) Plc)

Report and financial statements 2010

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

Principal Bankers

Bank of America NA
1 Alie Street
London
E1 8DE

Solicitors

Clifford Chance LLP

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
London

Mitsubishi Corporation International (Europe) Plc
(formerly Mitsubishi Corporation (UK) Plc)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

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 2010 amounted to £985 million (2009: £1,317 million) and the gross profit percentage was 2.47% (2009: 3.05%). The decrease in turnover was mainly due to a reduction in global demand in metal commodities. Profit for the year ended 31 March 2010 after taxation amounted to £15.3 million (2009: £25.5 million). The company continued to perform well given the market conditions and the profits were primarily driven by the aluminium business within the Metal division.

Other operating income and expense for the current year amounted to £16.8 million which is significantly higher than in the prior year (2009: £11.7 million). This is mainly due to favourable exchange movements that resulted in foreign exchange gains of £5.5m (2009: £1.3m). Service and management fee and other income contained in this caption remained at similar levels to 2009.

The stock holding has decreased by approximately £41 million as at 31 March 2010 compared to 31 March 2009. This is predominately due to a £43m decrease in the aluminium stock holding to £126 million as at 31 March 2010 (2009: £169 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 91% which is at a similar level as previous year (2009: 92%).

In December 2009, the company invested US$5.5 million, representing 40% of the share capital, in an Irish based joint venture company called Deucalion MC Engine Leasing Ltd - DMCELL specialises in aircraft engine leasing. As a result, the company's total fixed asset investments have increased to £9.7 million (2009: £6.5 million).

Overall, the directors are pleased with performance this year and hope the company will continue to perform well under the prevailing difficult market conditions. The directors remain committed to further strengthening 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 in 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.

Directors' report (continued)

Future prospects

With effect from 1 April 2010, the company changed its name to Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc). This name change is being instituted to reflect the company's recently enhanced role in the ownership and management of group operations in Western Europe. The company has become the intermediate holding company of the Western European subsidiaries of Mitsubishi Corporation located in Germany, Spain, Italy, The Netherlands and France. Through this re-organisation, the company hopes to improve the management and governance structure of all offices in Western Europe. This reorganisation is not expected to have a material impact on the usual trading activities of the company.

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 continue to present the company with new challenges. Within the Metal division there has been an increase in focus on aluminium and other metals trading and away from copper as the result of different trading conditions for copper. This reflects the company's flexibility to adapt to change and it is considered that the company is in a good position to deal with these challenges. 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.

Directors' report (continued)

Financial risk management objectives and policies (continued)

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.

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

At 31 March 2010 the directors recommended a final dividend of £12,761,000 to be paid on 30 April 2010. Together with the interim dividend of £12,761,000 paid during the year, this gave a total dividend of £25,522,000. (2009: £8,343,000).

Directors' report (continued)

Directors

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

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

Charitable contributions

Contributions made to charities during the year amounted to approximately £92,000 (2009: £184,000). Donations are made to environmental charities and local charities including £70,000 (2009: £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 (2009: 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 section 418 of the Companies Act 2006.

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

2nd July 2010

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc)

We have audited the financial statements of Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc) for the year ended 31 March 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matter prescribed in the Companies Act 2006

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

Independent auditors' report to the members of Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc) (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Morris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
2 July 2010

Mitsubishi Corporation International (Europe) Plc
(formerly Mitsubishi Corporation (UK) Plc)

Profit and loss account
Year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	1, 2	984,756	1,317,259
Cost of sales		(960,378)	(1,277,054)
Gross profit		24,378	40,205
Administrative expenses		(24,239)	(23,433)
Other operating income and expenses	5	16,786	11,714
Operating profit	4	16,925	28,486
Dividend income from shares in group undertakings		2,906	1,677
Interest receivable and similar income	6	3,209	11,057
Interest payable and similar charges	7	(3,086)	(11,252)
Profit on ordinary activities before taxation		19,954	29,968
Tax charge on profit on ordinary activities	8	(4,622)	(4,446)
Profit on ordinary activities after taxation and profit for the year	16	15,332	25,522

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 International (Europe) Plc

Statement of total recognised gains and losses
Year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		15,332	25,522
Actuarial loss on pension scheme	20	(2,078)	(239)
UK deferred tax attributable to actuarial gain	20	582	67
Movement on cash flow hedges	19	(15)	275
UK deferred tax attributable to loss on cash flow hedges	8	5	(77)
Fair value movement on investment	11	(175)	848
UK deferred tax attributable to fair value gain on investment	8	237	(237)
Total recognised gains and losses since the last annual report and financial statements		13,888	26,159

Mitsubishi Corporation International (Europe) Plc

Balance sheet
As at 31 March 2010

	Notes	2010 £'000	2009 £'000
Intangible assets	9	469	-
Tangible fixed assets	10	286	889
Investments	11	9,668	6,526
		10,423	7,415
Current assets			
Stocks	12	132,931	173,799
Debtors			
Due within one year	13	384,267	569,805
Due after more than one year	13	9,869	282
Cash at bank and in hand		1,442	4,018
		528,509	747,904
Creditors: amounts falling due within one year	14	(471,828)	(687,138)
Net current assets		56,681	60,766
Creditors : amount falling due after more than one year	14	(11,011)	-
Net assets excluding pension asset		56,093	68,181
Pension asset	20	1,835	1,381
Net assets including pension asset		57,928	69,562
Capital and reserves			
Called up share capital	15, 16	33,650	33,650
Hedging reserve	16	33	43
Revaluation reserve	16	673	611
Profit and loss account	16	23,572	35,258
Shareholders' funds	16	57,928	69,562

The financial statements of Mitsubishi Corporation International (Europe) Plc (formerly Mitsubishi Corporation (UK) Plc) registered number 02214224 were approved by the Board of Directors on 2nd July 2010.

Signed on behalf of the Board of Directors

T Terada

Managing Director

Notes to the accounts
Year ended 31 March 2010

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 year with the exception of the accounting policy for stock which is disclosed below.

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

These financial statements present information about the company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Mitsubishi Corporation, a company incorporated in Japan and so is therefore exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare and deliver group accounts.

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 functions 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 continued to perform well during the year ended 31 March 2010.

The company has a strong balance sheet with positive net current assets and shareholders' funds. Of the total borrowings of the company as at 31 March 2010 of £395.6 million, £386.35 million (2009: £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 £228.33 million (2009: £415.01 million) (see note 13) which are on terms similar to the borrowings and stock of £132.93 million (2009: £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, with the exception of long term debts (note 13 and 14), the directors are of the 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 continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible fixed assets

Software assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives estimated to be approximately three 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.

1. Accounting policies (continued)

Stocks

Stocks except aluminium 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.

During the current year the accounting policy for aluminium stock was changed and all aluminium stocks are now revalued at the quoted price of aluminium at the London Metal Exchange (LME) at the balance sheet date, plus the approximate market premium/discount published at the Metal Bulletin at that date less costs to sell.

This is a departure from the requirement of SSAP 9 '*Stocks and long-term contracts*' and the directors believe that this is necessary to give a true and fair view. Under SSAP 9 '*Stocks and long-term contracts*' stock would normally be valued at the lower of cost and net realisable value. This prescribed treatment would not give a true and fair view as aluminium is a traded commodity in a liquid market so is easily convertible into cash. In addition the company holds futures contracts with the London Metal Exchange against this aluminium stock. These contracts are held at fair value so if the aluminium price rises between contract date and balance sheet date, a loss is recorded through the profit and loss statement. Under the prescribed treatment a corresponding profit on the physical stock held could not be recorded, thus creating a mismatch in the accounts and causing profits to fluctuate significantly from period to period. The effect on prior periods is immaterial (see note 12 for full details) and as such no restatement has been made.

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 accruals 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.

Notes to the accounts
Year ended 31 March 2010

1. Accounting policies (continued)

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.

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.

Notes to the accounts
Year ended 31 March 2010

1. **Accounting policies (continued)**

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 classified as available for sale and are stated at fair value unless this cannot 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.

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 accruals 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 are received net of direct issue costs.

1. **Accounting policies (continued)**

Financial instruments (continued)

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.

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.

Notes to the accounts
Year ended 31 March 2010

1. Accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

The company also hedges the foreign currency exchange risks on certain long-term investments (the 'hedged item') that are denominated in US $. Such investments are hedged against loans in the same foreign currency of the same value and similar maturity profile (the 'hedging instrument').

Fair value hedges that meet the hedge accounting criteria are accounted for as follows:

- The gain or loss from re-measuring the hedging instrument at fair value is recognised in the profit or loss account.
- The carrying amount of the hedged item is adjusted through the profit or loss account for the gain or loss on the hedged item attributable to the hedged risk.

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.

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:

	2010 £'000	2009 £'000
Principal	975,438	1,310,234
Agency	2,747	1,432
Brokerage	6,571	5,593
	984,756	1,317,259

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.

Notes to the accounts
Year ended 31 March 2010

3. Information regarding directors and employees

	2010 £'000	2009 £'000
Directors' emoluments:		
Emoluments	1,148	797
Company contributions to money purchase pension scheme	14	-
	1,162	797
The number of directors who:		
Are members of a money purchase pension scheme	1	-
Remuneration of the highest paid director	318	465

	No.	No.
Average number of persons employed		
Trading and administration	154	152

	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	6,596	6,366
Social security costs	773	687
Pension costs	453	523
Cost in respect of parent company's employees on secondment	6,026	5,069
	13,848	12,645

4. Operating profit

Operating profit is stated after charging the following amounts:

	2010 £'000	2009 £'000
Depreciation of tangible fixed assets	214	408
Amortisation of intangible fixed assets	157	-
Net rentals payable under operating leases - property	1,476	1,288
Fees payable to the company's auditors for the audit of the company's annual accounts	172	160
Fee payable to the company's auditors and their associates for services to the company		
– other services pursuant to legislation	102	-
– tax compliance services	191	345
– tax advisory services	176	32
– Japanese Sox audit	112	-

The parent company did not incur an audit fee (2009: £118,000) in respect of the audit of the company in addition to the audit fees disclosed above.

Notes to the accounts
Year ended 31 March 2010

5. Other operating income and expenses

	2010 £'000	2009 £'000
Other operating income and expenses		
Service and management fees and other income	11,002	11,010
Loss on disposal of fixed assets	(48)	-
Net foreign exchange gains	5,540	1,302
Net provisions and write backs/(downs)	142	(535)
Other fees payable	(125)	(52)
Gain/(loss) on disposal of investments	275	(11)
	16,786	11,714

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

6. Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from group undertakings	2,705	8,543
Interest receivable from associates	125	-
Bank and other interest receivable	379	2,514
	3,209	11,057

7. Interest payable and similar charges

	2010 £'000	2009 £'000
Interest on bank loans and overdrafts repayable within five years	369	1,005
Interest payable to group undertakings	2,508	9,503
Net interest on pension liabilities less expected return on pension assets	201	139
Other interest payable	8	605
	3,086	11,252

Notes to the accounts
Year ended 31 March 2010

8. Tax charge on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009: 28%)	4,997	8,411
Adjustment in respect of prior years	(482)	(1,051)
Group taxation relief	(496)	(3,011)
	4,019	4,349
Deferred tax		
Timing differences origination and disposal	603	97
	4,622	4,446

(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% (2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	19,954	29,968
Tax at 28% (2009 : 28%) thereon:	(5,587)	(8,391)
Effects of:		
Expenses not taxable/income not deductible for tax purposes	(472)	(813)
Pension adjustment	385	333
Capital allowances in excess of depreciation	(104)	(10)
Foreign tax suffered	(33)	-
United Kingdom dividend income	814	470
Group relief for current year	496	3,011
Prior year adjustments	482	1,051
Current tax charge for the year	(4,019)	(4,349)

Notes to the accounts
Year ended 31 March 2010

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	(12)
Deferred tax assets	419
	407

Deferred tax is provided as follows:

	At 31 March 2009 £000	Recognised in income £000	Recognised in equity £000	At 31 March 2010 £000
Fair valuation of investments	(237)	-	237	-
Hedge accounting reserves	(17)	-	5	(12)
Accelerated tax depreciation and timing differences	264	134	-	398
Others	-	21	-	21
	10	155	242	407

9. Intangible assets

	Development costs £'000	Software cost £'000	Total £'000
Cost			
At 1 April 2009	24	-	24
Software & development cost transfer from tangible fixed assets	-	664	664
Additions	-	229	229
Disposals	-	(188)	(188)
At 31 March 2010	24	705	729
Accumulated amortisation			
At 1 April 2009	24	-	24
Transfer from tangible fixed assets	-	219	219
Charge for the year	-	157	157
Disposal	-	(140)	(140)
At 31 March 2010	24	236	260
Net book value			
At 31 March 2010	-	469	469
At 31 March 2009	-	-	-

Notes to the accounts
Year ended 31 March 2010

10. Tangible fixed assets

	Furniture, fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2009	2,074	1,879	3,953
Software and development cost transfer to intangible assets	-	(664)	(664)
Additions	18	38	56
At 31 March 2010	2,092	1,253	3,345
Accumulated depreciation			
At 1 April 2009	1,887	1,177	3,064
Charge for the year	74	140	214
Transfer to intangible assets	-	(219)	(219)
At 31 March 2010	1,961	1,098	3,059
Net book value			
At 31 March 2010	131	155	286
At 31 March 2009	187	702	889

11. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Investment in associate £'000	Other investment s £'000	Total £'000
Cost					
At 1 April 2009	300	2,985	-	4,913	8,198
Additions	-	9	3,498	-	3,507
Disposals	(300)	(390)	-	(2)	(692)
Fair value movement	-	-	-	(175)	(175)
Foreign currency revaluation (see note 19)	-	-	172	-	172
At 31 March 2010	-	2,604	3,670	4,736	11,010
Provision					
At 1 April 2009	179	599	-	894	1,672
Write back provision	(179)	(148)	-	(3)	(330)
At 31 March 2010	-	451	-	891	1,342
Net book value					
At 31 March 2010	-	2,153	3,670	3,845	9,668
At 31 March 2009	121	2,386	-	4,019	6,526

11. Investments (continued)

Shares in subsidiary undertaking

As from 1 April 2009, MC (Operations) Limited, a 100% subsidiary of the company, ceased trading and its business and employees were transferred to the company. During the year, MC (Operations) Ltd has paid a Section 75 contribution amounting to £1,412,000 to the Mitsubishi Corporation Retirement Benefits Scheme. This payment was financed through recapitalisation of MC (Operations) Ltd and has been accounted for as an increase in the pension scheme asset (included within sponsor contributions of £3.144m in note 20). MC (Operations) Ltd is in the process of liquidation.

£250,000 represents a 100% shareholding and equivalent voting rights in Buckingham Ventures Limited, a company incorporated in Great Britain which was liquidated during the year.

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

Other Investments

The majority of other investments belong to the US$5,500,000 investment in the hedge fund management company – Capula Management Ltd ('CML') and Capula Investment Management LLP ('CIM'). The investment in CML is treated as an available for sale investment and it 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.

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
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
Green Power Development	Netherlands	0.12	21,992		Development of wind power projects
			2,604,491		

During the year the company has disposed of several investments namely Diamond Seafoods (UK) Ltd, Tredia Europe Limited and MLP UK Ltd. The company has received final distributions of £195,000 and £80,000 respectively from Diamond Seafoods and Tredia Europe which were recognised as gains on disposals (note 5) in the current year.

Notes to the accounts
Year ended 31 March 2010

11. Investments (continued)

Investment in Associates

During the year, the company has made a total investment of US$5.5million in an Irish joint venture, Deucalion MC Engine Leasing Ltd (DMCELL), specialising in aircraft engine leasing in which the company has 40% shareholding. To avoid foreign currency movement, the company has a designated loan of the same amount as a fair value hedge of this investment.

The company has given a charge over its investment in DMCELL in conjunction with a third party bank facility provided to DMCELL. The total value of this facility is approximately US$15m which is fully drawn down at year end.

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

At 31 March 2010 the revised accounting policy (see note 1 for full details) led to the company recording a pre tax profit of £14.5 million on their aluminium stock as current market price exceeded cost. There was no impact on the comparative stock balance as at 31 March 2009 as stock was already valued at market price (being lower than cost). The effect on the profit and loss account for the year ending 31 March 2009 is an additional £3.3 million loss. This is not material and as such no restatement has been made.

	2010	**2009**
	£'000	**£'000**
Finished goods and goods for resale	132,931	173,799

13. Debtors

	2010 £'000	2009 £'000
Amounts due within one year:		
Trade debtors	137,619	87,978
Less: allowance for doubtful provision	(2,062)	(2,446)
	135,557	85,532
Amounts owed by parent company and fellow subsidiary undertakings	228,330	415,011
Amount owed by associates	669	-
Loans to third parties	7,715	7,440
Corporation tax receivable	4,482	2,449
Deferred tax assets (note 8)	419	264
Prepayments and accrued income	1,209	2,762
Derivative assets (note 19)	5,886	56,347
	384,267	569,805
Amounts due after more than one year:		
Amount owed by associates	9,273	-
Derivative assets – non current (note 19)	335	-
Other receivables	261	282
	9,869	282
Total debtors	394,136	570,087

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 + 0.50% to LIBOR +1.25%. In the opinion of the directors the carrying amount is a reasonable approximation of fair value. The long term loan to the associated company carry interest at the company's borrowing rate plus an appropriate margin. The longest term of the loan expired December 2014.

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).

Notes to the accounts
Year ended 31 March 2010

13. Debtors (continued)

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 2010 the company has parent and third party guarantees of £100 million (31 March 2009: £156 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 £0.37 million (31 March 2009: £0.50 million) which are more than 30 days overdue at the reporting date for which the company has not provided since 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 which aged from current to over 1 year. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely.

Movement in the allowance for doubtful receivables

	2010 £'000	2009 £'000
Balance at the beginning of the year	2,446	1,604
Exchange difference	(69)	435
Provision charged during the year	132	1,127
Provision used during the year	(401)	(1)
Provision reversed during the year	(46)	(719)
Balance as at end of the year	2,062	2,446

Notes to the accounts
Year ended 31 March 2010

14. Creditors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Bank loans and overdrafts (unsecured)	19,588	186,456
Trade creditors	55,077	51,779
Amounts owed to parent company and fellow subsidiary undertakings	366,759	444,463
Corporation tax	-	-
Other taxation and social security	375	357
Deferred tax liabilities (note 8)	12	254
Derivative liabilities (note 19)	29,772	3,341
Accruals and deferred income	245	488
	471,828	687,138
Amounts falling due after more than one year		
Amount owed to fellow subsidiary undertakings	9,273	-
Deferred Income	111	-
Derivative liabilities (note 19)	1,627	-
	11,011	-
Total Creditors	482,839	687,138

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. The long term payable to fellow subsidiary undertakings has a matching long term receivable from the associate (see note 13). The payable carries interest rate based on interest swap rates + approximately 1%.

	2010 £'000	2009 £'000
Bank loans and overdrafts (Unsecured)		
The borrowings are repayable as follows:		
On demand or within one year	19,588	186,456

Analysis of borrowings by currency

	GBP £'000	EUR £'000	US$ £'000	CHF £'000
31 March 2010				
Bank loans	-	899	18,689	-
31 March 2009	-	-	186,456	-
Bank loans				

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.

Notes to the accounts
Year ended 31 March 2010

15. Called up share capital

	2010 £'000	2009 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
Called up, allotted and fully paid:		
33,650,000 ordinary shares of £1 each	33,650	33,650

16. Reconciliation of movements in shareholders' funds

As at 31 March 2010	Share capital £'000	Profit and loss account £'000	Hedging reserve £'000	Revaluation reserve £'000	Total £'000
At the beginning of the year	33,650	35,258	43	611	69,562
Aggregated gains on cash flow hedges (note 19)	-	-	(15)	-	(15)
Actuarial loss on pension scheme (note 20)	-	(2,078)	-	-	(2,078)
Fair value movement on investment (note 11)	-	-	-	(175)	(175)
Profit retained for the year	-	15,332	-	-	15,332
Dividend paid	-	(25,522)	-	-	(25,522)
Deferred tax on items recognised in equity (notes 20 and 8)	-	582	5	237	824
At the year end	33,650	23,572	33	673	57,928

17. Contingent liabilities

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

	2010 £'000	2009 £'000
Commitments to honour the repayment of loan obligations	59	62

Notes to the accounts
Year ended 31 March 2010

18. Operating lease commitments

At 31 March 2010, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2010	2009
	£'000	£'000
Leases which expire:		
In more than five years	2,455	2,418

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 and 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.

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 2010

	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
Financial assets							
Trade and other receivables							
Non- derivative assets	381,805					381,805	381,805
Derivative assets				45	6,176	6,221	6,221
Available for sale investments		9,668				9,668	9,668
Cash and cash equivalents	1,442					1,442	1,442
Financial liabilities							
Trade and other payables							
Non- derivative liabilities			(181,471)			(181,471)	(181,471)
Derivative liabilities					(31,399)	(31,399)	(31,399)
Bank overdrafts and other loans							
Current			(260,235)			(269,508)	(269,508)
Non current			(9,273)				

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
Financial assets							
Trade and other receivables							
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
Financial liabilities							
Trade and other payables							
Non- derivative liabilities	-	-	(116,663)	-	-	(116,663)	(116,663)
Derivative liabilities	-	-	-	-	(3,341)	(3,341)	(3,341)
Bank overdrafts and other loans							
Current	-	-	(566,035)	-	-	(566,035)	(566,035)

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 to the fair values.

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:

	2010 £'000	2009 £'000
Assets:		
Currency derivatives	3,205	1,378
Commodity Futures		
- copper	366	2,434
- aluminium	2,650	52,535
	6,221	56,347
Liabilities:		
Currency derivatives	2,217	1,019
Commodity Futures		
- copper	331	2,090
- aluminium	28,851	232
	31,399	3,341

The fair values for currency derivatives were calculated using the closing price published in The Financial Times on the second last working day of the month. The fair values for commodity futures were calculated using the applicable closing rates on the London Metal Exchange.

Hedge accounting

The 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.

In addition, the company also fair value hedge accounts for its investment in associate. The only risk hedged is foreign currency risk as this investment is US$ denominated and is hedged by equivalent borrowings also denominated in US$. The total exchange gain recognised in the profit and loss account on this investment during the year as a result of this fair value hedge was £172,000, offset by a loss of a similar amount on the loan.

Notes to the accounts
Year ended 31 March 2010

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:

	2010 £'000	2009 £'000
Aggregated gains on foreign exchange hedges	46	67
Aggregated losses on foreign exchange hedges	(1)	(7)
Net gain on foreign exchange hedges	45	60
Gains for the year deferred to equity	45	60
Recycling of amounts from hedging reserve to profit and loss	(60)	215
Net (loss)/gain for the year (note 16)	(15)	275

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**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Cash flow hedges						
Buy US dollars	$	$	£	£	£	£
Less than 3 months	958	1,389	600	911	39	59
More than 3 months	138	-	87	-	6	-
Sell US dollars						
Less than 3 months	-	185	-	129	-	1
			687	1,040	45	60

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.

Notes to the accounts
Year ended 31 March 2010

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 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 2010	11,139	16,321	231,318	347,408
31 March 2009	31,118	34,956	349,531	512,417

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

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

Aluminium : US$2,299 – US$2,469 per metric ton (2009: US$1,360 – US$1,720 per metric ton)

Copper : US$7,759 – US$7,768 per metric ton (2009: US$4,003 – US$4,081 per metric ton)

Notes to the accounts
Year ended 31 March 2010

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:

	2010 Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	3,503	974
Copper futures	25	74
Total	3,528	1,048

	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

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.

Notes to the accounts
Year ended 31 March 2010

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 treasury 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:

	2010 £'000	2009 £'000
US Dollar	21,903	27,644
EUR	2,962	2,623
JPY	3,844	3,865

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
US Dollar	313,746	534,015	268,185	330,815
Euro	60,433	56,204	6,222	53,489
Japanese Yen	570	3,901	2,495	3,910

(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.

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	
	2010 £'000 On net monetary items	2010 £'000 On earnings	2009 £'000 On net monetary items	2009 £'000 On earnings
US Dollar	(5,062)	2,434	(22,578)	3,072
Euro	(5,421)	329	(271)	291
Japanese Yen	214	427	1	429
Total impact (loss)/profit	(10,269)	3,190	(22,848)	3,792

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.

The company also acts as agent for its fellow subsidiaries in contracting foreign exchange forward contracts. These foreign exchange contracts are not included on the company's balance sheet on the basis that the company is only acting as agent and does not carry any risk or reward in such instruments other than the fixed agency commission that is recognised as income as earned. The fair value of such contracts as at 31 March 2010 was a loss of £2,353,000 (2009: loss of £20,212,000). In addition, performance of the principal parties to such arrangements is guaranteed by the ultimate parent company, Mitsubishi Corporation.

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

Notes to the accounts
Year ended 31 March 2010

19. Derivatives and financial instruments (continued)

Foreign currency risk management (continued)

(iii) Currency risk exposure (continued)

	GBP £'000	USD £'000	EUR £'000
31 March 2010	46,903	126,272	96,852
31 March 2009	32,361	85,031	16,363

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 to 6 months of the balance sheet date. A very small number extend beyond then, the latest one maturing in January 2012.

At 31 March 2010 the fair value of the company's currency derivatives is estimated to be a net asset of £988,000 (2009: liability of £359,000). These amounts are based on market values of equivalent instruments at the balance sheet date comprising £943,000 (2009: £299,000) relating to booked transactions, being accounts receivable and short-term borrowing and £45,000 (2009: £60,000) 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 2010 for the key currencies held as derivatives.

US Dollars – Euro	1.3471 – 1.3518	(2009: 1.3306 – 1.3363)
US Dollars – Sterling	1.4973 – 1.4982	(2009: 1.4324 – 1.4335)
Sterling – Euro	0.8992 – 0.8993	(2009: 0.9289)

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

From time to time the company uses interest rate swaps to manage its exposure to interest rate movements on it borrowings. As at 31 March 2010 the company has no outstanding interest rate swaps contracts.

Notes to the accounts
Year ended 31 March 2010

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.

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 2010	Less than one year	Between one and two years	Between two and five years	More than five years	Non-interest bearing	Total
Assets:						
Cash at bank and in hand	1,442	-	-	-	-	1,442
Loans to third parties	7,715	-	-	-	-	7,715
Amounts owed by parent company and fellow subsidiary undertakings	107,883	-	-	-	120,447	228,330
Amount owed by associates	525		9,273		144	9,942
Liabilities:						
Bank loans and overdrafts	19,588	-		-	-	19,588
Amounts owed to parent company and fellow subsidiary undertakings	240,647	-	9,273	-	126,112	376,032

19. Derivatives and financial instruments (continued)

Interest rate risk management (continued)

(ii) Interest rate risk (continued)

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
Assets:						
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
Liabilities:						
Bank loans and overdrafts	186,456	-	-	-	-	186,456
Amounts owed to parent company and fellow subsidiary undertakings	379,579	-	-	-	64,884	444,463

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 +0.50% 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 2010.

19. **Derivatives and financial instruments (continued)**

Fair value measurements recognised in the balance sheet

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Derivative financial assets	-	6,221	-	6,221
Non-derivative financial assets held for trading	-	-	-	-
Available-for-sale financial assets				
Unquoted equities	-	-	3,845	3,845
Total	-	6,221	3,845	10,066
Financial liabilities at FVTPL				
Derivative financial liabilities	-	31,399	-	31,399
Financial liabilities designated at FVTPL		-		-
Total	-	31,399	-	31,399

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities
Balance at 1 April 2009	4,019
Total gains or losses:	
- in statement of total recognised gains and losses	(175)
- purchases less disposals	1
Balance at 31 March 2010	3,845

The table above only includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases. All gains and losses included in statement of total recognised gains and losses relate to unquoted equities held at the balance sheet date and are reported as fair value movement in investment (note 11).

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
2010					
Bank loans and overdrafts	(19,588)	-		-	(19,588)
Other loans	(240,647)	-	(9,273)	-	(249,920)
Related interest	(160)	-	(49)	-	(209)
Trade and other payables	(181,471)	-	-	-	(181,471)
Derivative liabilities	(29,772)	(1,627)	-	-	(31,399)
Total	(471,638)	(1,627)	(9,322)	-	(482,587)
2009					
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)
Total	(686,472)	-	-	-	(686,472)

Notes to the accounts
Year ended 31 March 2010

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 International (Europe) Plc (the principal employer) and certain employees of an associated company. As disclosed in note 11, during the year MC (Operations) Ltd has paid the Section 75 contribution amounting to £1,412,000 to the scheme.

The charge for the year in the profit and loss account represents the current service cost, interest cost and expected return on assets as measured through the actuarial valuation for the year. 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 £101,000 per month from 1 June 2007 to 31 March 2009 and £97,422 from 1 April 2009 onwards. The "Standard Contribution Rate" was 29.3% of basic salary from 1 June 2007 onwards.

The pension charge for the period in respect of employees was £1,559,226.

An actuarial valuation is performed every three years, the latest as at 1 April 2009. Interim valuations for the period were carried out by a qualified actuary. The major assumptions used for the actuarial valuation were:

			31 March 2010 £'000	31 March 2009 £'000
Discount rate (pre and post retirement)			5.6%	6.6%
Rate of increase in salaries			3.45%	3.4%
General price inflation			3.45%	2.4%
Rate of increase for pensions in payment (LPI minimum 3% pa)			3.75%	3.4%
Rate of increase for pensions in deferments			3.45%	2.4%
Expected Return on scheme assets			4.36%	4.13%
Life expectancy at age 60:				
Current pensions	-	Men	27.9	27.9
	-	Women	29.3	30.5
Further pensioners now aged 40	-	Men	29.1	29.3
	-	Women	30.5	31.6

Notes to the accounts
Year ended 31 March 2010

20. Pension scheme (continued)

Defined benefit scheme (continued)

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

	31 March 2010 £'000	31 March 2009 £'000
Fair value of scheme assets	34,456	30,192
Value of Insured annuities	510	472
Total Value of scheme assets	34,966	30,664
Present value of funded obligations (including insured annuities)	(30,799)	(23,429)
Surplus in the scheme	4,167	7,235
FRS 17 limit on surplus recognition	(1,619)	(5,317)
Pension asset recognised	2,548	1,918
Related deferred tax liability	(713)	(537)
Net pension asset	1,835	1,381

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:

	Value at 31 March 2010 £'000	Expected return % p.a.	Value at 31 March 2009 £'000	Expected return % p.a.
Bonds	32,660	4.52	30,048	4.15
Cash	1,796	1.00	144	1.55
Total	34,456	4.72	30,192	4.13

Total expense recognised in profit and loss

	2010 £'000	2009 £'000
Current service cost	235	344
Interest on pension scheme liabilities	1,511	1,669
Expected return on pension scheme assets	(1,310)	(1,530)
Total expense	436	483

Notes to the accounts
Year ended 31 March 2010

20. Pension scheme (continued)

Defined benefit scheme (continued)

Annual return on scheme assets:

	2010 £'000	2009 £'000
Actual return on scheme assets	2,776	970

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

	2010 £'000	2009 £'000
Opening defined benefit obligation	23,429	27,853
Current service cost	235	344
Employee contributions	88	92
Interest cost	1,511	1,669
Actuarial losses/(gains)	7,242	(5,638)
Benefits paid	(1,706)	(891)
Closing defined benefit obligation	30,799	23,429

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

	2010 £'000	2009 £'000
Opening fair value of Scheme assets	30,664	28,822
Expected return	1,310	1,530
Sponsor contributions	3,144	1,671
Employee contribution	88	92
Actuarial gains/(losses)	1,466	(560)
Benefits paid	(1,706)	(891)
Closing fair value of Scheme assets	34,966	30,664

20. Pension scheme (continued)

Defined benefit scheme (continued)

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

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	1,466	(560)
Experience gains and losses arising on the scheme liabilities	(1,075)	(162)
Changes in assumptions underlying the present value of the scheme liabilities	(6,167)	5,800
FRS 17 limit on surplus recognition	3,698	(5,317)
	(2,078)	(239)
Deferred Tax	582	67
Actuarial loss recognised in STRGL	(1,496)	(172)

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 a loss of £150,000 (2009: gain of £1.35 million).

The company's best estimate of the contributions to be paid in respect of the Scheme during the financial year ending 31 March 2011 is £3,808,000.

History of experience gains and losses

Details of experience gains and losses for the year to:

	2010 £'000	2009 £'000	2008 £'000
Experience gains and losses on Scheme liabilities:			
Amount (£'000)	(1,075)	(162)	189
Percentage of the present value of the Scheme liabilities	3.5%	0.7%	0.7%
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	1,466	(560)	(389)
Percentage of Scheme assets	4.2%	1.8%	1.3%
Total amount recognised in statement of total recognised gains or losses:			
Amount (£'000)	(2,078)	(239)	2,108
Percentage of the present value of the Scheme liabilities	6.7%	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.

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 £339,463 (2009 - £305,128). No amounts were accrued or prepaid as at 31 March 2010.

Notes to the accounts
Year ended 31 March 2010

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 Europe Holdings 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 and is available on Mitsubishi Corporation's website (www.mitsubishicorp.com). The immediate parent company does not prepare group financial statements.

22. Related party transactions

During the year the company has made seven unsecured long term loans to its newly acquired associated company, Deucalion MC Engine Leasing Ltd (DMCELL) (note 11). The company has recognised interest income of £125,000 (note 6). At 31 March 2010 £669,000 and £9,273,000 were owed by DMCELL as short term and long term receivables (note 13).

The company has taken advantage of the exemption from other 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.

23. Equity dividends

Amounts recognised as distributions to equity holders in the year:

	2010 £'000	**2009 £'000**
Interim dividend for year ended 31 March 2009 of £12.8m (2008: £nil)	12,761	-
Final dividend for year ended 31 March 2009 of £12.8m (2008: £8.3m)	12,761	8,343
	25,522	8,343