

Company Registration No. 02214224

**Mitsubishi Corporation International
(Europe) Plc**

Report and Financial Statements

31 March 2014

Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2014

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Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2014

Officers and professional advisers

Directors

H Hayashi
S Iwai
S Kowase
Y Kitagawa
J Kitaguchi
M Kawamata
G Williams
M Pratt
A Fraser
S Shimada

Secretary

H Nasu (resigned 1 July 2014)
A Kawaguchi (appointed 1 July 2014)

Registered Office

Mid City Place
71 High Holborn
London
WC1V 6BA

Principal Bankers

Bank of America Merrill Lynch
5 Canada Square
London
E14 5AQ

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Auditor

Deloitte LLP
Chartered Accountants
London

Mitsubishi Corporation International (Europe) Plc

Strategic report

The Directors present their strategic report for the year ended 31 March 2014 in accordance with section 414 of the Companies Act 2006.

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. During the year the company transitioned from UK GAAP to FRS101 – Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard.

Review of the business and key performance indicators

Turnover for the year ended 31 March 2014 amounted to £536 million (2013: £474 million) and the gross profit percentage was 4.29% (2013: 4.80%). The increase in turnover was mainly due to the increase in aluminium transactions. Profit after taxation for the year ended 31 March 2014 amounted to £19.5 million (2013: £20.3 million), including dividend income of £9.5million (2013: £10.2 million) from the company's European subsidiaries. The company continued to perform well given the market conditions that continue to be challenging and the profits were primarily driven by the aluminium business within the Metal division and dividend income from its subsidiaries.

Other operating income net of expenses for the current year amounted to £11.1 million which is £3.7 million lower than last year (2013: £14.8 million). There was an increase in other operating expenses and a slight decrease in service and management fee income. The company has also recognised foreign exchange losses of £0.2 million (2013: gains £0.8 million) as a result of unfavourable exchange rate changes. The total dividend income received during the year amounted to £15.4 million (2013: £13.5 million).

The stock holding level has decreased by approximately £22 million to £152 million as at 31 March 2014 compared to the prior year (2013: increase of £24 million to £174 million). The amount held in stock at any one time will vary depending upon the timings of deliveries. The proportion of current liabilities to current assets is 89% which is almost the same as in the previous year (2013: 88%).

During the year, the company has transferred its investment in MC Engine Leasing Limited (MCELL) to its parent company, Mitsubishi Corporation, at book value. The company's decision to transfer the £17 million investment to the parent company was in line with the group's future investment strategy.

Overall, the directors are pleased with performance this year and expect that the company will continue to perform well under the prevailing market conditions. The directors remain committed to further strengthening internal controls and compliance to manage the risks to which the company is exposed.

Principal risks and uncertainties

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 discussed below and in more detail in notes 13 and 18 to the financial statements.

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 risk management 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.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Interest rate risk (continued)

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 related parties, 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 risk positions that are taken. All foreign exchange risk should be hedged. Where price risk occurs this needs to be within pre-approved limits and the company will use futures to hedge that exposure. The overall position is constantly monitored to ensure adherence to agreed limits.

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 continue to present the company with new challenges.

The company has close relationship with the parent company and follows the group's strategic plan whenever possible. The transfer of the MCELL investment to Mitsubishi Corporation is to streamline the group's aircraft engine business investment as a whole. The company will continue to take up new challenges and adapt to changes which best suits the group's development plan. It is considered that the company is in a good position to deal with these challenges. The company will continue to strengthen its trading groups from the company's as well as the group's perspective as a whole. Internal controls that identify and manage risk exposures and good relationships with customers will continue to be fundamental management tools in the day-to-day business operations.

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



H Hayashi
Managing Director
1st July 2014

Mitsubishi Corporation International (Europe) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Directors

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

H Hayashi (appointed 9 April 2013)
T Terada (resigned 9 April 2013)
Y Kitagawa
S Iwai
S Kowase
T Nambu (resigned 25 October 2013)
S Masuda (resigned 1 April 2013)
N Iwabuchi (appointed 1 April 2013, resigned 28 June 2013)
J Kitaguchi (appointed 28 June 2013)
J Utsuki (resigned 25 October 2013)
G Williams (appointed 25 October 2013)
M Kawamata (appointed 25 October 2013)
M Pratt (appointed 25 October 2013)
A Fraser (appointed 25 October 2013)
S Shimada

Dividends

The directors have recommended and paid a final dividend of £39,311,000 at the end of March 2014. Together with the interim dividend of £10,036,000 paid during the year, this gave a total dividend of £49,347,000 (2013: interim and final dividend £29,275,000).

Financial risk management objectives and policies

Details of the company's financial risk management objectives and policies can be found within the principal risks and uncertainties section of the strategic report and form part of this report by cross-reference.

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.

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Directors' report (continued)

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor 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



H Hayashi
Managing Director

1st July 2014

Mitsubishi Corporation International (Europe) Plc

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 auditor's report to the members of Mitsubishi Corporation International (Europe) Plc

We have audited the financial statements of Mitsubishi Corporation International (Europe) Plc for the year ended 31 March 2014 which comprise the profit and loss account, the statement of comprehensive income, the statement of changes in equity, 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 Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of financial statements

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

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed in the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 Auditor
London, United Kingdom

2 July 2014

Mitsubishi Corporation International (Europe) Plc

Profit and loss account Year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover	1, 2	535,767	473,509
Cost of sales		<u>(512,780)</u>	<u>(450,787)</u>
Gross profit		22,987	22,722
Administrative expenses		(29,575)	(28,756)
Other operating income net of expenses	5	<u>11,141</u>	<u>14,766</u>
Operating profit	4	4,553	8,732
Dividend income from shares in group undertakings		14,770	13,001
Income from other fixed asset investment		599	507
Interest receivable and similar income	6	1,898	3,721
Impairment of fixed asset investment		-	(947)
Interest payable and similar charges	7	<u>(919)</u>	<u>(1,935)</u>
Profit on ordinary activities before taxation		20,901	23,079
Tax charge on profit on ordinary activities	8	<u>(1,394)</u>	<u>(2,767)</u>
Profit on ordinary activities after taxation and profit for the financial year		<u>19,507</u>	<u>20,312</u>

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Statement of comprehensive income Year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		19,507	20,312
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on pension scheme	19	(185)	(8,414)
UK current tax relief attributable to the pension buy-in	19	-	655
UK deferred tax (charge)/credit attributable to actuarial loss	19	(417)	1,282
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains arising on available for sale financial assets during the period		(325)	155
Movement on cash flow hedges	18	(53)	53
Tax relating to items that may be reclassified		93	(44)
		<u>(887)</u>	<u>(6,313)</u>
Total other comprehensive income for the period net of tax		<u>18,620</u>	<u>13,999</u>
Total comprehensive income for the period		<u><u>18,620</u></u>	<u><u>13,999</u></u>

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Statement of changes in equity Year ended 31 March 2014

	Called up share capital £'000	Revaluation reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2012	120,658	361	1	61,290	182,310
Profit for the period	-	-	-	20,312	20,312
Other comprehensive income for the period	-	124	40	(6,477)	(6,313)
Total comprehensive income for the period	-	124	40	13,835	13,999
Dividends	-	-	-	(29,275)	(29,275)
Balance at 31 March 2013	120,658	485	41	45,850	167,034
Profit for the period	-	-	-	19,507	19,507
Other comprehensive income for the period	-	(244)	(41)	(602)	(887)
Total comprehensive income for the period	-	(244)	(41)	18,905	18,620
Dividends	-	-	-	(49,347)	(49,347)
Balance at 31 March 2014	120,658	241	-	15,408	136,307

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Balance sheet As at 31 March 2014

	Notes	2014 £'000	2013 £'000	2012 £'000
Fixed assets				
Intangible assets	9	209	465	814
Tangible fixed assets	10	329	114	114
Investments	11	99,902	116,381	98,551
		<u>100,440</u>	<u>116,960</u>	<u>99,479</u>
Current assets				
Stocks	12	152,459	173,641	149,848
Debtors				
- due within one year	13	173,249	241,643	276,642
- due after one year	13	1,240	6,089	2,751
Deferred tax asset	8	1,031	1,476	231
Cash at bank and in hand		1,824	2,537	1,511
		<u>329,803</u>	<u>425,386</u>	<u>430,983</u>
Creditors: amounts falling due within one year	14	<u>(293,737)</u>	<u>(373,632)</u>	<u>(341,987)</u>
Net current assets		<u>36,066</u>	<u>51,754</u>	<u>88,996</u>
Total assets less current liabilities		136,506	168,714	188,475
Creditors: amounts falling due after more than one year	14	<u>(199)</u>	<u>(1,680)</u>	<u>(6,165)</u>
Net assets		<u>136,307</u>	<u>167,034</u>	<u>182,310</u>
Capital and reserves				
Called up share capital	15	120,658	120,658	120,658
Hedging reserve		-	41	1
Revaluation reserve		241	485	361
Profit and loss account		15,408	45,850	61,290
Shareholders' funds		<u>136,307</u>	<u>167,034</u>	<u>182,310</u>

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 1st July 2014.

Signed on behalf of the Board of Directors


 H Hayashi
 Managing Director

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

1. Accounting policies

a) Principal accounting policies

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

Basis of accounting

Mitsubishi Corporation International (Europe) Plc is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council and the company has decided to change its accounting framework from UK GAAP to Financial Reporting Standard 101 Reduced Disclosure Framework as issued by the Financial Reporting Council ("FRS 101") in advance of 1 January 2015.

Accordingly these financial statements for the year ended 31 March 2014 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework as issued by the Financial Reporting Council. The prior year financial statements have been re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 23.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and stock.

The company has early adopted certain accounting standards before the date for their mandatory adoption by EU companies, namely IAS 27 (2011) Separate Financial Statements and IAS 28 (2011) Investments in Associates and Joint Ventures as well as the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (2011) Separate Financial Statements and IAS 28 (2011) Investments in Associates and Joint Ventures.

Early adoption of these standards has not had a material impact on these financial statements.

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 and disclosure exemptions

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash-flow statement, standards not yet effective, presentation of comparative information in respect of certain assets, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Mitsubishi Corporation which are available to the public and can be obtained as set out in note 20.

Going concern

The company has policies in place to ensure the risks mentioned in the strategic report and directors' report and notes 13 and 18 are within management's scrutiny and control. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. In addition the company has financing sources both from the group as well as third party banks.

As discussed in the strategic report, the company has continued to perform well during the year ended 31 March 2014. The company has a strong balance sheet with positive net current assets and shareholders' funds. The total borrowings of the company as at 31 March 2014 of £258.8 million (2013: £328.3 million) (bank loans, overdrafts and intergroup balances – see note 14) are short-term facilities.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Going concern (continued)

These are matched to a significant extent against the aggregate of amounts receivable from other group companies of £80.7 million (2013: £145.6 million) (see note 13) which are on terms similar to the borrowings and stock of £152.5 million (2013: £173.64 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 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 continues 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. Amortisation expenses are recognised within administration expenses in the profit and loss account. 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 four years and IT equipment has an estimated useful life of three years, 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.

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.

All aluminium stocks are valued at the quoted price of aluminium at the London Metal Exchange (LME) at the balance sheet date, plus the approximate market premium/discount published by the Metal Bulletin at that date less costs to sell.

Revenue

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 which are recognised on an accruals basis.

Dividend income from investments is recognised when the company's right to receive payment has been established.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

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, 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. These 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 other comprehensive income.

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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary difference and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in profit and loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

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 classified as available-for-sale and are stated at fair value except where the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these group undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed, in which case the investment is stated at cost less provisions for impairment as an approximation to fair value. Changes in fair value are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income 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.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Financial instruments (continued)

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.

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 manage against any price risk exposure on its aluminium trading operations. However, the company does not apply hedge accounting under IAS39 Financial Instruments: recognition and measurement for these derivatives used to manage price risk on commodities. 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 18 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 other comprehensive income.

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 the profit and loss account.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Hedge accounting(continued)

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.

The company also hedges the foreign currency exchange risks on certain investments (the 'hedged item') that are denominated in US dollars. 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; and
- 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.

b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Evaluating the substance of transactions and gross versus net presentation of revenue

The company and its employees undertake a very wide range of business activities. These involve trading in goods on the company's own account and as an intermediary on behalf of others, as well as performing a range of management, treasury and other services on behalf of other Mitsubishi group undertakings.

Management is required to exercise judgement in order to determine to what extent, if at all, the company is exposed to the significant risks and rewards of these business activities. This judgement determines both whether the company should recognise revenue and profit at all, for example where transactions may have the legal form of a sale but do not expose the company to any significant risks and rewards of the underlying goods or services; whether the company should recognise revenue on a principal or agency basis, where the company is acting as an intermediary; and in determining the appropriate revenue recognition policy to apply, for example where transactions have the legal form of a sale but where the substance of the transaction is that of a stock lending or financing transaction.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Evaluating the substance of transactions and gross versus net presentation of revenue (continued)

In making these judgements, management considers the detailed guidance set out in IAS 18 Revenue and IAS 39 Financial instruments: recognition and measurement, in particular whether the company has received from, or transferred to, the counterparty the significant risks and rewards of the goods, services or financial instruments.

Fair value measurements

The company has material assets and liabilities which are measured at fair value or fair value less costs to sell, most notably the company's derivatives and aluminium stock. Fair value measurements are based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. In almost all cases where fair value accounting is applied the company has chosen not to apply the hedge accounting requirements of IAS 39 Financial instruments: recognition and measurement and as a result the full unrealised gains and losses resulting from the revaluation of these assets and liabilities at each reporting date are recognised directly in profit and loss.

Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions rarely exist. Further details of the techniques applied, inputs used and the sensitivity to changes are given in notes 11 and 18 to the financial statements.

Assessment that the range of fair value measurements for certain available-for-sale investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed

The company has certain available-for-sale equity investments for which no quoted market price in an active market is available (see note 11). These investments represent minority shareholdings in a number of businesses that the company invested in to augment its trading activities or the wider Mitsubishi group's long-term strategic goals. None of the shares have a quoted market price in an active market and the company's investments are all small percentages of the total in the context of long-term ownership of controlling interests by other investors which do not give the company significant influence over the cash flows or operating and financial policies of these investments.

As a result the directors are of the opinion that the variability in the range of reasonable fair value measurements for these investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company measures these investments at cost, less any impairment, as an approximation to fair value.

Assessment of events and changes in circumstances which may indicate the impairment of assets

Investments in subsidiaries and associates, other investments (see note 11), loans and debtors (see note 13), intangible assets (see note 9) and tangible fixed assets (see note 10) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these investments may not be fully recoverable. While IAS 36 Impairment of assets provides examples of events and changes within the company and in its external environment which should be considered as a minimum for this assessment, the application of management judgement is required in determining whether other events and changes in circumstance may also be indications of impairment. Management judgement is also required to determine the significance of the impact of identified events and changes in circumstances on the company's assets, the determination of which may also involve making judgements and estimates about the likelihood of future events.

If an asset's recoverable amount is less than the asset's carrying amount, an impairment is recognised in profit and loss. Estimates which are used to calculate the asset's recoverable amount are discounted using asset specific discount rates and are based on expectations about future cash flows. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

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Notes to the accounts Year ended 31 March 2014

1. Accounting policies (continued)

Measurement of post-employment benefit liabilities

The defined benefit pension scheme's assets are measured at fair value, the estimation uncertainty around which is discussed above. The present value of the defined benefit pension scheme's liabilities is also dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations.

Management judgement and estimates are also required in determining the extent of the economic benefit the company will receive from the surplus, either through refund or a reduction in future contributions and whether additional deficit reduction contributions might be required which would require immediate provision. Further details of the techniques applied, inputs used and the sensitivity to changes of the net pension liabilities are given in note 19 to the financial statements.

2. Revenue

An analysis of the Company's revenue is as follows:

	2014 £'000	2013 £'000
Sales of goods and services ("turnover")	535,767	473,509
Service and management fees income	13,181	13,691
Interest receivable and similar income (note 6)	1,898	3,721
Dividend income	15,369	13,508
Total revenue	<u>566,215</u>	<u>504,429</u>

An analysis of the company's turnover by type of transactions:

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:

	2014 £'000	2013 £'000
Principal	528,263	464,720
Agency	3,671	4,439
Brokerage	3,833	4,350
	<u>535,767</u>	<u>473,509</u>

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

2. Revenue (continued)

An analysis of the Company's turnover by geographical market is set out below:

	2014 £'000	2013 £'000
From customers located within the United Kingdom	80,427	57,003
From customers located outside the United Kingdom	455,340	416,506
	<u>535,767</u>	<u>473,509</u>

3. Information regarding directors and employees

	2014 £'000	2013 £'000
Directors' emoluments:		
Emoluments	1,994	2,352
Company contributions to money purchase pension scheme	5	-
	<u>1,999</u>	<u>2,352</u>

	No.	No.
Number of directors who are members of a money purchase pension scheme	<u>1</u>	<u>-</u>

	£'000	£'000
Remuneration of the highest paid director	<u>809</u>	<u>1,282</u>

	No.	No.
Average number of persons employed (including directors)		
Trading and administration	<u>165</u>	<u>165</u>

	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	7,848	8,085
Social security costs	988	912
Pension costs	1,026	846
Cost in respect of parent company's employees on secondment	6,056	7,307
	<u>15,918</u>	<u>17,150</u>

Mitsubishi Corporation International (Europe) Plc

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Year ended 31 March 2014

4. Operating profit

Operating profit is stated after charging the following amounts:

	2014 £'000	2013 £'000
Depreciation of tangible fixed assets	74	70
Amortisation of intangible fixed assets	336	490
Net rentals payable under operating leases - property (note 17)	1,659	1,560
Staff costs	17,868	19,502
Fees payable to the company's auditor for the audit of the company's annual accounts	226	181
Fee payable to the company's auditor and their associates for other services to the company		
– Audit-related assurance services	238	218
– Taxation compliance services	104	180
	<u> </u>	<u> </u>

5. Other operating income net of expenses

	2014 £'000	2013 £'000
Service and management fees income	13,181	13,691
Net foreign exchange (losses)/gains	(152)	781
Other items of operating income/(expense)	(1,888)	294
	<u> </u>	<u> </u>
	<u>11,141</u>	<u>14,766</u>

Service and management fees include management, IT and other recharges to various group companies for services provided. Other items of operating income and expense consist mainly of fair value gains and losses on foreign exchange contracts, gains and losses on disposal of fixed assets as well as movements in bad debt and other provisions.

6. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from group undertakings	1,224	1,509
Interest receivable from associates	339	400
Bank and other interest receivable	317	1,702
Net interest income on the net defined benefit asset	18	110
	<u> </u>	<u> </u>
	<u>1,898</u>	<u>3,721</u>

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

7. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest on bank loans and overdrafts	92	97
Interest payable to group undertakings	827	1,838
	<u>919</u>	<u>1,935</u>

8. Tax charge on profit on ordinary activities

(i) *The tax charge comprises:*

	2014 £'000	2013 £'000
United Kingdom corporation tax	1,204	2,413
Adjustment in respect of prior years	217	339
Foreign tax	26	26
Group taxation relief	(165)	-
Total current tax	<u>1,282</u>	<u>2,778</u>
Deferred tax		
Origination and reversal of temporary differences	478	14
Impact of change in tax rates	(366)	(25)
Total deferred tax	<u>112</u>	<u>(11)</u>
Total tax on profit on ordinary activities	<u>1,394</u>	<u>2,767</u>

(ii) *The charge for the year can be reconciled to the profit in the profit and loss account as follows:*

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	20,901	23,079
Tax at 23% (2013: 24%) thereon:	(4,807)	(5,539)
Effects of:		
Expenses not deductible for tax purposes	(233)	(65)
Pension adjustment	435	755
Reclassify current tax to other comprehensive income in relation to the pension buy-in	-	(655)
Fixed asset timing differences	4	(29)
Foreign tax suffered	(26)	(26)
United Kingdom dividend income	3,397	3,120
Group relief for prior year	165	-
Prior year adjustments	(217)	(339)
Total tax charge for the year	<u>(1,282)</u>	<u>(2,778)</u>
Total deferred tax	<u>(112)</u>	<u>11</u>
Total tax on profit on ordinary activities	<u>(1,394)</u>	<u>(2,767)</u>

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Notes to the accounts Year ended 31 March 2014

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

(iii) Tax recognised in other comprehensive income comprises:

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2014 £'000	2013 £'000
Current tax		
Current tax relief attributable to the pension buy-in	-	655
Deferred tax		
Arising on income and expenses recognised in other comprehensive income		
Revaluation of available-for-sale financial assets	80	(31)
Deferred tax attributable to actuarial loss	(417)	1,282
Revaluations of financial instruments treated as cash flow hedges	13	(13)
	<u>(324)</u>	<u>1,893</u>

(iv) Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £	Others £	Revaluation of financial assets £	Retirement benefit obligations £	Total £
At 1 April 2012	330	15	(114)	-	231
(Charge)/credit to profit or loss	(4)	85		(70)	11
(Charge)/credit to other comprehensive income	-	(13)	(31)	1,282	1,238
Transfer from deferred tax to current tax	-	(4)	-	-	(4)
	<u>326</u>	<u>83</u>	<u>(145)</u>	<u>1,212</u>	<u>1,476</u>
At 1 April 2013	326	83	(145)	1,212	1,476
Charge to profit or loss	(26)	(12)	-	(74)	(112)
(Charge)/credit to other comprehensive income	-	13	80	(417)	(324)
Transfer from deferred tax to current tax	-	(6)	-	(3)	(9)
	<u>300</u>	<u>78</u>	<u>(65)</u>	<u>718</u>	<u>1,031</u>

The company has no unused trading or capital losses as at the balance sheet date.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

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

(iv) Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £	2013 £	2012 £
Deferred tax liabilities	(64)	(157)	(114)
Deferred tax assets	1,095	1,633	345
	<u>1,031</u>	<u>1,476</u>	<u>231</u>

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and further reductions to 20% by 1 April 2015, was substantively enacted on 17 July 2013. The 21% and 20% rate has been applied in the calculation of deferred tax.

9. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 April 2012	2,103	2,103
Additions	149	149
Disposals	(9)	(9)
At 31 March 2013	2,243	2,243
Additions	126	126
Disposals	(527)	(527)
At 31 March 2014	1,842	1,842
Accumulated amortisation		
At 1 April 2012	1,289	1,289
Charge for the year	490	490
Disposals	(1)	(1)
At 31 March 2013	1,778	1,778
Charge for the year	336	336
Disposals	(481)	(481)
At 31 March 2014	1,633	1,633
Net book value		
At 31 March 2014	209	209
At 31 March 2013	465	465
At 1 April 2012	814	814

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Notes to the accounts Year ended 31 March 2014

10. Tangible fixed assets

	Vehicles £'000	Furniture, fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2012	20	2,048	466	2,534
Additions	-	40	31	71
Disposals	-	(21)	(38)	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	20	2,067	459	2,546
Additions	-	260	30	290
Disposals	-	(21)	(9)	(30)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	20	2,306	480	2,806
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 1 April 2012	6	2,024	390	2,420
Charge for the year	5	26	39	70
Disposals	-	(21)	(37)	(58)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	11	2,029	392	2,432
Charge for the year	5	30	39	74
Disposals	-	(21)	(8)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	16	2,038	423	2,477
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2014	4	268	57	329
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2013	9	38	67	114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2012	14	24	76	114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

11. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Investment in associate £'000	Other investments £'000	Total £'000
Cost					
At 1 April 2012	87,010	3,578	3,469	5,127	99,184
Additions	16,841	1,307	-	-	18,148
Disposals	-	(7)	-	(82)	(89)
Fair value movement	-	-	-	155	155
Foreign currency revaluation	409	-	152	-	561
At 31 March 2013	104,260	4,878	3,621	5,200	117,959
Additions	-	2,088	-	-	2,088
Disposals	(17,250)	(156)	(566)	(180)	(18,152)
Fair value movement	-	(2)	-	(323)	(325)
Foreign currency revaluation	-	-	(270)	-	(270)
At 31 March 2014	87,010	6,808	2,785	4,697	101,300
Provision					
At 1 April 2012	-	-	-	633	633
Additions	-	-	-	947	947
Disposals	-	-	-	(2)	(2)
At 31 March 2013	-	-	-	1,578	1,578
Additions	-	-	-	-	-
Disposals	-	-	-	(180)	(180)
At 31 March 2014	-	-	-	1,398	1,398
Net book value					
At 31 March 2014	87,010	6,808	2,785	3,299	99,902
At 31 March 2013	104,260	4,878	3,621	3,622	116,381
At 1 April 2012	87,010	3,578	3,469	4,494	98,551

Shares in subsidiary undertakings

The shares in subsidiary undertakings represents the five Western European subsidiaries of the company located in Germany, Spain, Italy, Netherlands and France. All the subsidiaries' principal activities relate to general trading of commodities and the provision of services.

During the year the company has transferred the investment of MC Engine Leasing Limited (MCELL) to its parent company, Mitsubishi Corporation, in Japan. The transfer was based on the book value of approximately £17 million (US\$26 million) which represented an 80% shareholding in MCELL. The decision to transfer the investment to the parent company was in line with the company's future investment strategy.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2014

11. Investments (continued)

Shares in subsidiary undertakings (continued)

Shareholdings in subsidiaries are as follows:

Company name	Country of incorporation	Shareholding %	£'000
Mitsubishi International G.m.b.H	Germany	100	59,312
Mitsubishi France S.A.	France	100	15,072
Mitsubishi Italia S.p.A	Italy	100	1,468
Mitsubishi Nederland B.V.	Netherlands	100	7,292
Mitsubishi Espana S.A.	Spain	100	3,866
Total			87,010

In the opinion of the directors, there is no impairment to the carrying value of the subsidiaries.

Shares in other group undertakings

Company name	Country of incorporation	Shareholding %	£	Class	Principal business activity
Princes Limited	United Kingdom	10	700,000	Ordinary	Trading in canned foods
Triland Metals Limited	United Kingdom	9.09	1,431,764	Ordinary	Metal brokerage
Green Power Development	Netherlands	0.12	74,056	Special Member	Development of wind power projects
Mitsubishi Corporation LT Europe G.m.B.H.	Germany	21.67	156,282	Ordinary	Logistic services
Diamond UK Transmission Corporation Limited	United Kingdom	5.05	4,446,582	Ordinary	Offshore wind power transmission
			<u>6,808,684</u>		

During the year the company has further invested £2 million in Diamond UK Transmission Corporation Limited (DUTC) which resulted in total investment of £4.5 million. The company shareholding has changed from 10% to 5.05% due to capital dilution. The remaining 94.95% of the share capital is owned by a fellow UK group company, Diamond Transmission Corporation Limited. DUTC invests in offshore wind power transmission projects.

The company's investments in shares in other group undertakings represent non-controlling interests in these companies. None of the shares have a quoted market price in an active market and all of the shares in all of the companies except Green Power Development are wholly owned between various Mitsubishi group undertakings which intend to hold them as long-term investments. Given the lack of marketability of the shares, the context of long-term ownership of controlling interests in the investments by other Mitsubishi group undertakings and the fact that the company's investments in the shares do not give it control or significant influence over the cash flows or operating and financial policies of these investments the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these group undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured these investments at cost as an approximation to fair value.

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Notes to the accounts Year ended 31 March 2014

11. Investments (continued)

Investment in associates

This represents an unlisted investment of £2.8 million (US\$4.6million) in an Irish associate, Deucalion MC Engine Leasing Ltd (DMCELL), specialising in aircraft engine leasing in which the company has a 40% shareholding. To hedge against foreign currency movements, 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 of which US\$9m is drawn down at year end.

Other investments

All other investments represent minority shareholdings in a number of businesses that the company invested in to augment its trading activities or the wider Mitsubishi group's long-term strategic goals. None of the shares have a quoted market price in an active market and the company's investments are all small percentages of the total in the context of long-term ownership of controlling interests by other investors which do not give the company significant influence over the cash flows or operating and financial policies of these investments. The directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured these investments at cost as an approximation to fair value.

The most significant other investment is the £3.3 million (US\$5.5 million) investment for a 1% share in Capula Investment Management LLP and Capula Management Ltd, a hedge fund manager and hedge fund management company respectively.

Also included within other investments is an investment in Seabased AB, a Swedish company which develops 'sea wave' technology for power generation. A full provision for impairment was recognised against the £1 million cost of this investment in 2013 due to delays in the underlying project. The company will continue to monitor and review the investment on a quarterly basis.

12. Stocks

	2014 £'000	2013 £'000	2012 £'000
Aluminium stock held at fair value less costs to sell	149,811	170,558	147,748
Other stock held at the lower of cost and net realisable value	2,648	3,083	2,100
	<hr/>	<hr/>	<hr/>
Finished goods and goods for resale	152,459	173,641	149,848
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Notes to the accounts Year ended 31 March 2014

13. Debtors

	2014 £'000	2013 £'000	2012 £'000
Amounts due within one year:			
Trade debtors	60,216	70,071	58,621
Less: allowance for doubtful receivables	(1,732)	(1,885)	(1,818)
	<u>58,484</u>	<u>68,186</u>	<u>56,803</u>
Amounts owed by parent company and fellow subsidiary undertakings	80,699	145,645	196,001
Amount owed by associates	5,403	4,988	4,139
Loans to third parties	7,359	7,543	7,403
Corporation tax receivable	-	-	2,207
VAT receivable	-	1,756	-
Prepayments and accrued income	1,728	1,175	1,049
Derivative assets (note 18)	19,576	12,350	9,040
	<u>173,249</u>	<u>241,643</u>	<u>276,642</u>
Amounts due after more than one year:			
Amount owed by associates	-	1,581	2,671
Derivative assets – non current (note 18)	1,222	4,490	62
Deferred tax assets (note 8)	1,031	1,476	231
Other receivables	18	18	18
	<u>2,271</u>	<u>7,565</u>	<u>2,982</u>
Total debtors	<u>175,520</u>	<u>249,208</u>	<u>279,624</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 plus an appropriate margin for group finance. In the opinion of the directors the carrying amount is a reasonable approximation of fair value. The loan to the associated company carries interest at the company's borrowing rate plus an appropriate margin. The longest term of the loan expires in 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 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.

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Notes to the accounts Year ended 31 March 2014

13. Debtors (continued)

Credit risk management (continued)

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 various sources, an internal credit rating system and qualitative and quantitative data. The system of internal credit rating is based on statistical analysis, with customers being individually rated.

The company attempts to minimise credit risk through using credit insurance wherever considered appropriate 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 2014 the company has credit exposure of £25.3 million (31 March 2013: £10.8 million) covered by parent and third party guarantees in relation to its trade receivables. Credit exposure to any low rated single non-related counterparty or any group of counterparties having similar characteristics is not considered to be significant. The company defines counterparties as having similar characteristics if they are part of the same corporate group.

The company's maximum exposure to credit risk is largely limited to the carrying amount of its receivables, cash and derivatives, although the company has also given a charge over one of its investments as a guarantee of the bank borrowings of an associate as disclosed in note 11.

Included in the company's trade receivables balance are debtors with a carrying amount of £0.01 million (31 March 2013: £0.08 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 the provision against doubtful receivables which aged from current to over one year. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely.

Movement in the allowance for doubtful receivables

	2014 £'000	2013 £'000	2012 £'000
Balance at the beginning of the year	1,885	1,818	1,771
Exchange difference	(134)	56	23
Provision charged during the year	-	369	180
Provision used during the year	-	(179)	(27)
Provision reversed during the year	(19)	(179)	(137)
Balance as at end of the year	<u>1,732</u>	<u>1,885</u>	<u>1,818</u>

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14. Creditors

	2014 £'000	2013 £'000	2012 £'000
Amounts falling due within one year			
Bank loans and overdrafts (unsecured)	6,996	8,764	12,551
Trade creditors	20,125	37,792	35,117
Amounts owed to parent company and fellow subsidiary undertakings	251,787	317,969	285,860
Corporation tax	871	241	-
Other taxation and social security	1,316	352	923
Derivative liabilities (note 18)	4,568	1,922	2,121
Accruals and deferred income	8,074	6,592	5,415
	<u>293,737</u>	<u>373,632</u>	<u>341,987</u>
Amounts falling due after more than one year			
Amount owed to fellow subsidiary undertakings	-	1,581	2,672
Deferred Income	-	22	49
Derivative liabilities (note 18)	129	7	74
Other payable	70	70	3,370
	<u>199</u>	<u>1,680</u>	<u>6,165</u>
Total creditors	<u>293,936</u>	<u>375,312</u>	<u>348,152</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.

	2014 £'000	2013 £'000	2012 £'000
<i>Bank loans and overdrafts (Unsecured)</i>			
The borrowings are repayable as follows:			
On demand or within one year	6,996	8,764	12,551
<i>Analysis of borrowings by currency</i>			
	GBP £'000	EUR £'000	US\$ £'000
31 March 2014	-	3,092	3,904
Bank loans			
31 March 2013	-	38	8,726
Bank loans			
31 March 2012			
Bank loans	-	2,880	9,671

In the opinion of the directors the contracted interest rates for borrowings are not materially 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 18 to the financial statements.

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Notes to the accounts Year ended 31 March 2014

15. Called up share capital

	2014 £'000	2013 £'000	2012 £'000
Called up, allotted and fully paid:			
120,658,154 (2013: 120,658,154) ordinary shares of £1 each	120,658	120,658	120,658

The company has no authorised share capital.

16. Contingent liabilities

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

	2014 £'000	2013 £'000	2012 £'000
Commitments to honour the repayment of loan obligations	-	21	21

17. Operating lease commitments

At 31 March 2014, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2014 £'000	2013 £'000
Leases which expire:		
- within one year	2,521	2,521
- between two and five years	10,654	10,084
- after five years	-	1,260

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2014 is £5,237,000 (2013: £6,181,000).

The company has entered into an operating lease for its office premises. The lease is due to expire in 2026 with a break clause in 2018. The company subleases part of the office premises to fellow group companies over the same lease term.

The gross rental expense charged to profit and loss account is £2,666,000 (2013: £2,465,000) with sub-lease income from the fellow group companies of £1,007,000 (2013: £905,000).

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Notes to the accounts Year ended 31 March 2014

18. 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 for the management of 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 to which the company is exposed. 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 price exposure that it may have.

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

At 31 March 2014

	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	151,945	-	-	-	-	151,945	151,945
Derivative assets	-	-	-	-	20,798	20,798	20,798
Available-for-sale investments	-	10,107	-	-	-	10,107	10,107
Cash and cash equivalents	1,824	-	-	-	-	1,824	1,824
Financial liabilities							
Trade and other payables							
Non-derivative liabilities	-	-	(87,799)	-	-	(87,799)	(87,799)
Derivative liabilities	-	-	-	-	(4,697)	(4,697)	(4,697)
Bank overdrafts and other loans							
Current	-	-	(199,214)	-	-	(199,214)	(199,214)
Non current	-	-	-	-	-	-	-

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

At 31 March 2013

	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	227,961	-	-	-	-	227,961	227,961
Derivative assets	-	-	-	53	16,840	16,893	16,893
Available-for-sale investments	-	8,500	-	-	-	8,500	8,500
Cash and cash equivalents	2,537	-	-	-	-	2,537	2,537
Financial liabilities							
Trade and other payables							
Non-derivative liabilities	-	-	(114,243)	-	-	(114,243)	(114,243)
Derivative liabilities	-	-	-	-	(1,929)	(1,929)	(1,929)
Bank overdrafts and other loans							
Current	-	-	(256,832)	-	-	(256,832)	(256,832)
Non current	-	-	(1,581)	-	-	(1,581)	(1,581)

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

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

	2014 £'000	2013 £'000
Assets:		
Current derivative assets		
- Currency derivatives	273	1,568
- Aluminium commodity contracts	19,303	10,782
	<u>19,576</u>	<u>12,350</u>
Non-current derivative assets		
- Currency derivatives	-	6
- Aluminium commodity contracts	1,222	4,484
	<u>1,222</u>	<u>4,490</u>
Liabilities:		
Current derivative liabilities		
- Currency derivatives	552	10
- Aluminium commodity contracts	4,016	1,912
	<u>4,568</u>	<u>1,922</u>
Non-current derivative liabilities		
- Currency derivatives	31	-
- Aluminium commodity contracts	98	7
	<u>129</u>	<u>7</u>

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

The fair values for currency derivatives were calculated using the closing price published in The Financial Times on the last working day of the month and forward point adjustment from Reuters also on the last working day. The fair values for commodity contracts were calculated using the applicable closing rates on the London Metal Exchange and the market premium published by Metal Bulletin.

Hedge accounting

While the company makes extensive use of derivative financial instruments to hedge the risks to which it is exposed, it applies hedge accounting under IAS 39 Financial instruments: recognition and measurement only in limited circumstances. The hedging transactions the company undertakes 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 uses a fair value hedge for its investment in an associate. The only risk hedged is foreign currency risk as this investment is US dollar denominated and is hedged by equivalent borrowings also denominated in US dollar. The total exchange loss recognised in the profit and loss account on this investment during the year as a result of this fair value hedge was £270,000 (2013: gain of £561,000), offset by a gain of a similar amount on the loan.

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

	2014 £'000	2013 £'000
Aggregated gains on foreign exchange hedges	-	54
Aggregated losses on foreign exchange hedges	-	-
	<hr/>	<hr/>
Net gain on foreign exchange hedges	-	54
	<hr/>	<hr/>
Gains for the year deferred to equity	-	54
Recycling of amounts from hedging reserve to profit and loss	(53)	(1)
	<hr/>	<hr/>
Net (loss)/gain for the year	(53)	53
	<hr/> <hr/>	<hr/> <hr/>

As at 31 March 2014, no designated and effective cash flow hedges have been deferred in equity.

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	
	2014	2013	2014	2013	2014	2013
Cash flow hedges	S'000	S'000	£'000	£'000	£'000	£'000
Buy US dollars						
Less than three months	-	1,465	-	911	-	54
More than three months	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,465	-	911	-	54
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

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Notes to the accounts Year ended 31 March 2014

18. 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 and sugar trading operations.

The major commodity traded in the current year was aluminium. 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.

(i) Commodity price risk exposure

The company utilises derivative contracts to hedge price fluctuation on 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, the total notional amount of outstanding future commodity contracts was as follows:

	Aluminium	
	£'000 Long	£'000 Short
31 March 2014	211,087	342,119
31 March 2013	343,602	500,809

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in December 2015.

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

Aluminium: US\$1,751 – US\$1,923 per metric ton (2013: US\$1,883 – US\$2,107 per metric ton)

(ii) Commodity price sensitivity analysis

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

	2014 Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	5,465	1,807
Total	5,465	1,807

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

(ii) Commodity price sensitivity analysis (continued)

	2013	
	Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £'000
Aluminium futures	2,447	2,106
Total	2,447	2,106

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

Foreign currency risk

The company's treasury department 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.

(i) Foreign Currency risk exposure

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 sterling. The foreign currency profits before tax by major currency (other than sterling) for the company are:

	2014 £'000	2013 £'000
US Dollar	22,994	22,295
Euro	631	885
Japanese Yen	655	1,226

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to sterling. 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 are:

	Monetary liabilities		Monetary assets	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
US Dollar	175,975	283,052	121,781	179,118
Euro	15,768	13,955	14,086	31,145
Japanese Yen	630	646	634	2,139

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

(ii) 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 a result of the change in foreign currency exchange rates based on the earnings and the value of foreign currency monetary assets and liabilities shown above.

Sensitivity analysis profit/(loss) impact:

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2014 £'000	2014 £'000	2013 £'000	2013 £'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(6,021)	2,555	(11,548)	2,477
Euro	(168)	70	1,719	98
Japanese Yen	1	73	166	136
Total impact (loss)/profit	<u>(6,188)</u>	<u>2,698</u>	<u>(9,663)</u>	<u>2,711</u>

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

(iii) Foreign currency contracts

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.

	GBP £'000	USD £'000	EUR £'000
31 March 2014	<u>132,452</u>	<u>103,670</u>	<u>28,339</u>
31 March 2013	<u>149,947</u>	<u>84,667</u>	<u>23,180</u>

These arrangements are designed to address significant exchange exposures that the company has for contracted commitments. The vast majority are due to mature within twelve months of the balance sheet date. A very small number extend beyond then, the latest one maturing in January 2016.

At 31 March 2014 the fair value of the company's currency derivatives is estimated to be a net liability of £310,000 (2013: net asset of £1,564,000). These contracts are valued using pricing techniques involving assumptions based on observable market data to determine the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional currency amount, taking into account the need for adjustments for credit risk. This comprises £310,000 (2013: £1,564,000) relating to booked transactions, being accounts receivable and short-term borrowing and this year no effective cash flow hedge was deferred in equity (2013: £54,000) as discussed above under hedge accounting.

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

(iii) Foreign currency contracts (continued)

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2014 for the key currencies held as derivatives.

US Dollars – Euro	1.3781 – 1.3840	(2013: 1.2841 – 1.2973)
US Dollars – Sterling	1.6649 – 1.6672	(2013: 1.5185 – 1.5176)
Sterling – Euro	0.8267	(2013: 0.8456)

The company also acts as agent for its fellow subsidiaries and parent company 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 bear the significant risks and rewards of these instruments other than the fixed agency commission that is recognised as income as earned. The fair value of such contracts as at 31 March 2014 was a gain of £21,130,394 (2013: gain of £74,301,770).

Interest rate risk

The company in its normal course of business requires funding to finance its commodity trading operations. It is exposed to interest rate risk predominantly because of the mismatch between the value of floating rate assets, mainly consisting of cash flows from stock and debtors versus fixed rate liabilities. The company's interest risk management policy is to hedge the overall floating rate exposure by using fixed rate borrowings of a similar short term duration. Longer dated assets over 1 year in duration are normally matched by borrowings obtained from a fellow group undertaking.

From time to time the company uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. As at 31 March 2014 the company has no outstanding interest rate swaps contracts (2013: £nil).

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 2014	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	1,824	-	-	-	-	1,824
Loans to third parties	7,359	-	-	-	-	7,359
Amounts owed by parent company and fellow subsidiary undertakings	15,082	-	-	-	65,617	80,699
Amount owed by associates	5,395	-	-	-	8	5,403
Liabilities:						
Bank loans and overdrafts	6,996	-	-	-	-	6,996
Amounts owed to parent company and fellow subsidiary undertakings	192,218	-	-	-	59,569	251,787

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

Interest rate risk (continued)

As at 31 March 2013	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	2,537	-	-	-	-	2,537
Loans to third parties	7,543	-	-	-	-	7,543
Amounts owed by parent company and fellow subsidiary undertakings	47,917	-	-	-	97,728	145,645
Amount owed by associates	4,899	1,581	-	-	89	6,569
Liabilities:						
Bank loans and overdrafts	8,764	-	-	-	-	8,764
Amounts owed to parent company and fellow subsidiary undertakings	248,068	1,581	-	-	69,901	319,550

Contracted interest rates on cash at bank and deposit range from nil% to 0.25%.

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0.40% to Libor + 0.50%.

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0.125% to Libor +1.00%.

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 2014.

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Notes to the accounts Year ended 31 March 2014

18. Derivatives and financial instruments (continued)

Liquidity risk

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	Total £'000
2014				
Bank loans and overdrafts	(6,996)	-	-	(6,996)
Other loans	(192,218)	-	-	(192,218)
Related interest	(220)	-	-	(220)
Trade and other payables	(87,729)	(70)	-	(87,799)
Derivative liabilities	(4,568)	(129)	-	(4,697)
Total	<u>(291,731)</u>	<u>(199)</u>	<u>-</u>	<u>(291,930)</u>
	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
2013				
Bank loans and overdrafts	(8,764)	-	-	(8,764)
Other loans	(248,068)	(1,581)	-	(249,649)
Related interest	(202)	(6)	-	(208)
Trade and other payables	(114,151)	(92)	-	(114,243)
Derivative liabilities	(1,922)	(7)	-	(1,929)
Total	<u>(373,107)</u>	<u>(1,686)</u>	<u>-</u>	<u>(374,793)</u>

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18. 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).

	2014			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at FVTPL				
Derivative financial assets	-	20,798	-	20,798
Available-for-sale financial assets				
Unquoted equities	-	-	10,107	10,107
Total	-	20,798	10,107	30,905
Financial liabilities at FVTPL				
Derivative financial liabilities	-	4,697	-	4,697
Total	-	4,697	-	4,697
	2013			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets at FVTPL				
Derivative financial assets	-	16,840	-	16,840
Available-for-sale financial assets				
Unquoted equities	-	-	8,500	8,500
Total	-	16,840	8,500	25,340
Financial liabilities at FVTPL				
Derivative financial liabilities	-	1,929	-	1,929
Total	-	1,929	-	1,929

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18. Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities	
	2014 £'000	2013 £'000
Opening balance	8,500	8,072
Total gains or losses:		
- impairment loss in profit and loss	-	(947)
- fair value movement in statement of comprehensive income	(325)	155
- purchases less disposals	1,932	1,220
Closing balance	<u>10,107</u>	<u>8,500</u>

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 the statement of comprehensive income relate to unquoted equities held at the balance sheet date and are reported as fair value movement in investment (note 11).

Netting arrangements

The company enters into netting agreements with counterparties to manage the credit and settlement risks associated with all its derivatives. These netting agreements and similar arrangements enable the company and its counterparties to settle cashflows on a net basis and set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. Gross notional amounts of the company's derivatives are set out above in the sections of this note relating to the risk the derivatives are used to manage.

19. Pension scheme

Defined benefit scheme

The Mitsubishi Corporation Retirement Benefits Scheme ("the defined benefit scheme") is a funded defined benefit pension scheme operated for the benefit of the employees of Mitsubishi Corporation International (Europe) Plc.

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.

An actuarial valuation is performed every three years, the latest as at 1 April 2012. This revealed a funding deficit versus the actuarial provisions for the Scheme's liabilities of £5,565,000. Following this the Trustees of the Scheme reviewed their investment policy in consultation with the company. It was decided to reduce risks in the scheme by purchasing bulk annuities and deferred annuities to cover pensions in payment and deferred pensions. This was funded by a combination of the sale of other scheme investments and a single company contribution of £8.0 million in December 2012. The contribution was part of a Recovery Plan dated 3 December 2012 that was designed to both eliminate the funding deficit revealed in the April 2012 valuation and to substantially cover the additional cost experienced by the Scheme in purchasing annuities.

The "Standard Contribution Rate" increased from 25.8% of basic salaries to 47.8% from 1 April 2012.

A new actuarial valuation will be performed as at 1 April 2015.

The pension charge for the period in respect of employees was £681,000 (2013: £659,000).

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19. Pension scheme (continued)

Defined benefit scheme (continued)

An interim valuation for this reporting period (for accounting purposes) was carried out by a qualified actuary. The major assumptions used for this valuation were:

	2014	2013	2012
Discount rate (pre and post retirement)	4.35%	4.50%	4.85%
Rate of increase in salaries	4.40%	4.60%	4.50%
RPI price inflation	3.40%	3.60%	3.50%
CPI price inflation	2.20%	2.40%	2.30%
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)	3.20%	3.35%	3.35%
Rate of increase for pensions in deferment	2.20%	2.40%	2.30%
Life expectancy at age 60:			
Current pensioners			
- Men	27.9	27.8	28.0
- Women	30.7	30.6	29.4
Future pensioners now aged 40			
- Men	29.5	29.4	29.2
- Women	32.3	32.2	30.5

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 4.6%
Inflation assumption *	Increase/decrease by 0.25%	Increase/decrease by 1.4%
Post retirement mortality	Increase/decrease by 1 year	Increase/decrease by 3.2%

* The inflation sensitivity assumption allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases subject to relevant caps and floors).

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

	2014 £'000	2013 £'000	2012 £'000
Value of insured annuities	31,886	31,399	326
Fair value of other scheme assets	15,007	14,382	47,166
Total value of scheme assets	46,893	45,781	47,492
Present value of funded obligations (including insured annuities)	(43,355)	(41,713)	(35,929)
Surplus in the scheme	3,538	4,068	11,563
Adjustment for IAS 19 asset ceiling	(3,538)	(4,068)	(11,563)
Net pension asset recognised on the balance sheet	-	-	-

The net defined benefit pension asset recognised has been restricted to nil as the company does not have an unconditional right to the refund of the surplus from the scheme and will not obtain economic benefit from a reduction in future contributions.

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Notes to the accounts Year ended 31 March 2014

19. Pension scheme (continued)

Defined benefit scheme (continued)

The fair value of the scheme's invested assets is set out below.

	2014 £'000	2013 £'000	2012 £'000
Bonds	14,915	14,293	43,024
Cash	92	89	4,142
Insurance annuity	31,886	31,399	326
Total	46,893	45,781	47,492

The fair value of the bonds is based on quoted prices. Other assets are unquoted. The scheme does not invest in any of the company's own financial instruments or property occupied by, or other assets used by, the company.

Total expense recognised in profit and loss

	2014 £'000	2013 £'000
Current service cost	529	370
Net interest cost (income) on the net defined benefit liability/(asset)	(201)	(670)
Interest cost/(income) on adjustment for the IAS 19 asset ceiling	183	560
Total expense	511	260

Annual return on scheme assets:

	2014 £'000	2013 £'000
Actual return on scheme assets	1,394	(9,375)

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

	2014 £'000	2013 £'000	2012 £'000
Opening defined benefit obligation	41,713	35,929	30,775
Current service cost	529	370	234
Employee contributions	86	82	81
Interest cost on funded obligations	1,853	1,721	1,664
Actuarial losses	238	4,703	4,298
Disbursement	(1,064)	(1,092)	(1,123)
Closing defined benefit obligation	43,355	41,713	35,929

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Notes to the accounts Year ended 31 March 2014

19. Pension scheme (continued)

Defined benefit scheme (continued)

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

	2014 £'000	2013 £'000	2012 £'000
Opening fair value of Scheme assets	45,781	47,492	39,908
Interest income on assets	2,054	2,391	1,628
Sponsor contributions	696	8,674	1,511
Employee contributions	86	82	81
Actuarial (losses)/gains	(660)	(11,766)	5,487
Disbursements	(1,064)	(1,092)	(1,123)
	<u>46,893</u>	<u>45,781</u>	<u>47,492</u>

Analysis of recognised loss in other comprehensive income:

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(660)	(11,766)
Experience gains and losses arising on the scheme liabilities	144	(1,027)
Changes in assumptions underlying the present value of the scheme liabilities	(382)	(3,676)
Impact of change in irrecoverable surplus	713	8,055
	<u>(185)</u>	<u>(8,414)</u>
Current tax on the pension buy-in	-	655
Deferred tax	(417)	1,282
	<u>(602)</u>	<u>(6,477)</u>

The Scheme is currently in surplus on a funding basis and no regular or one-off deficit reduction contributions are due under the current scheme of contributions. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed with an effective date of 1 April 2015. The company's best estimate of the contributions to be paid in respect of the scheme during the financial year ending 31 March 2015 is £705,000.

Defined contribution scheme

The company also operates a defined contribution scheme which began on 1 April 2003. The charge for the year (being the contributions made by the company) was £502,000 (2013: £492,000). No amounts were accrued or prepaid as at 31 March 2014.

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20. 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 MC Europe Holdings NV, a company incorporated in the Netherlands.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan and are also available on Mitsubishi Corporation's website (www.mitsubishicorp.com). The immediate parent company does not prepare group financial statements.

21. Related party transactions

The disclosures below show transactions with related parties which are not wholly owned within the group headed by Mitsubishi Corporation. The company has taken advantage of the exemption from disclosing details of related party transactions available under FRS101 for transactions with other wholly owned group companies.

	Mozal			Other related parties		
	2014 £'000	2013 £'000	2012 £'000	2014 £'000	2013 £'000	2012 £'000
Turnover	-	-	n/a	2,667	2,778	n/a
Purchases	155,893	176,032	n/a	774	1,130	n/a
Interest income	-	-	n/a	1,106	1,040	n/a
Debtors and loans receivable	-	-	-	5,922	7,799	7,501
Creditors	8,124	14,977	11,160	95	105	49

The company purchases aluminium on normal commercial terms from Mozal s.a.r.l, which is an associate of the company's parent undertaking, Mitsubishi Corporation. Amounts due from other related parties relate primarily to a loan extended to the company's associate, DMCELL, further details of which are disclosed in note 11.

Contributions to the defined benefit pension scheme, which is also a related party of the company, have been disclosed in note 19.

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22. Capital risk management and dividends

Capital risk management

The company manages its capital to ensure that it will be able to fund both its own day-to-day activities and those of its subsidiaries while continuing as a going concern. The capital structure of the company consists of net debt (bank loans, overdrafts and intercompany balances disclosed in note 14 after deducting cash and bank balances) and equity (comprising issued capital, reserves and retained earnings). The company is not subject to any externally imposed capital requirements and does not manage its capital on the basis of specific target gearing or leverage ratios.

Instead, each year the directors make an assessment of the valuation of the company's assets and liabilities using assumptions which are more prudent than those adopted for financial reporting purpose, taking into account unrealised gains and losses on assets and liabilities held at fair value and unrecognised contingent liabilities. Having made this assessment the company pays out all remaining retained earnings as dividends such that the company's equity should remain broadly stable over the long term. Any requirements for additional capital identified by the company through its ongoing cashflow forecasting are met through additional borrowings obtained from the wide range of facilities available to the company, both directly from external banks and from other group undertakings.

Dividends

Amounts recognised as distributions to equity holders in the year:

	2014	2013
	£'000	£'000
Interim dividend for year ended 31 March 2014 of 8.3177p per share	10,036	29,275
Final dividend for year ended 31 March 2014 of 32.5805p per share	39,311	-
	<u>49,347</u>	<u>29,275</u>

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Notes to the accounts Year ended 31 March 2014

23. Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 Reduced disclosure Framework issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 March 2013 and the date of transition to FRS 101 was therefore 1 April 2012.

Reconciliation of equity

	At 1 April 2012 £'000	At 31 March 2013 £'000
Equity reported under previous UK GAAP	184,435	170,444
<i>Adjustments to equity on transition to FRS 101</i>		
1 Adjustment to fair value of available-for-sale investment in partnership where investment previously recognised on a basis similar to equity accounting	(140)	(132)
2 Deferred tax on available-for-sale revaluation reserve	(101)	(145)
3 Irrecoverable pension surplus due to application of asset ceiling (net of tax)	(1,884)	(3,373)
4 Adjustment to discount rate on pension scheme assets (net of tax)	-	240
Equity reported under FRS 101	<u>182,310</u>	<u>167,034</u>

Notes to the reconciliation of equity at 1 April 2012

On transition to FRS101, the company has adjusted the Defined Benefit Pension Scheme's assets to other comprehensive income due to the restriction on the scheme surplus recognised for this on applying the IAS 19 asset ceiling requirement and adjusted the assumption on the expected return on scheme assets by using the discount rate required under IAS19 (2011).

Reconciliation of total comprehensive income for the year ended 31 March 2013

	£
Total comprehensive income for the financial year under previous UK GAAP	15,284
1 Adjustment to discount rate on pension scheme assets	240
2 Irrecoverable pension surplus due to application of asset ceiling (net of tax)	(1,489)
3 Adjustment to available-for-sale revaluation reserve (net of tax)	(36)
Total comprehensive income for the financial year under FRS 101	<u>13,999</u>