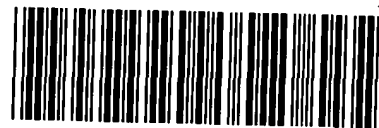


Mitsui Bussan Commodities Ltd
Annual report and financial statements
for the year ended 31 March 2018

Registered number: 04395895

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Mitsui Bussan Commodities Ltd

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Mitsui Bussan Commodities Ltd

Officers and professional advisers

Directors

Martin Abbott
Stuart Aitken
Peter Allan
Hiroyuki Aoyagi
Tsuguo Kato
Sho Miichi
Ryutaro Takeuchi

Secretary

Kota Uno

Registered office

6th Floor
1 St. Martin's Le Grand
London
United Kingdom
EC1A 4BB

Bankers

JP Morgan Chase

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Mitsui Bussan Commodities Ltd

Strategic report

This Strategic report is made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

Mitsui Bussan Commodities Ltd (“the Company”) and its subsidiaries (“the Group”) offers commodity risk management services to its global customer base. As a Category 2 member of the London Metal Exchange (“LME”), the Group is able to offer LME exchange products to its customers. In addition the Group offers over the counter (“OTC”) derivatives in non-ferrous, ferrous, precious metals, oil, gas and emissions products to its customers. The Group trades a combination of exchange based and OTC commodity derivatives to reduce its risk. The Company has branches in the United States and Singapore.

Business review and future outlook

Trading revenue was \$52.3m for the year with \$2.2m lower than 2017. Although the trading environment improved in the second half of the year, as the volatility and prices increased the Group was unable to achieve its forecast or prior year trading revenue levels. The Group generated increased pre-tax profit of \$7.9m (2017: \$7.5m) as the reduced trading revenue was offset by a combination of reduced costs and interest income. The Group has net assets of \$160m (2017: \$151m).

The Group will continue to focus on growing a diversified customer business and will seek further business opportunities within the commodity markets. The directors are confident that the strategy of a customer focused business will enable it to generate consistent returns.

Capital structure

The capital structure of the Group consists of equity from the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. The Group also make use of the subordinated loan facilities to supplement capital base when it required.

Subsequent events

At the point of reporting there are no subsequent events that need to be considered.

Key performance indicators

The directors of the Group use different measure to monitor performance of the Group. The following are the key performance indicators:

	2018	2017
	US\$'000	US\$'000
Turnover	52,278	54,513
1 day VaR	1,011	701

Market risk is actively monitored and reviewed by the Group to ensure compliance with market risk limits imposed by the board. Our internal Value at Risk (“VaR”) model uses a historical simulation method. The Group applies a 1 day and 10 day holding periods with a 99% confidence level. The Group’s 1 day 99% VaR at 31 March 2018 is \$1,011k (2017: \$701k).

VaR is computed and reported daily to the management as well as the expected shortfall figure. The Group undertakes regular VaR model validation exercises through regular back testing.

Mitsui Bussan Commodities Ltd

Strategic report (continued)

Principal risks and uncertainties

The key business risks and uncertainties affecting the Group as set out in note 21 relate to the impact of changes to the regulatory environment, volatility of market prices for commodities traded, competition from other global trading houses and divisions and key employee retention.

The disclosures required in respect of the Group's exposure to financial risk and its financial risk management policies are given in note 21 to the accounts.

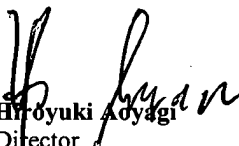
The Company continues to monitor the progress in respect of the Brexit negotiations. At the time of reporting there remains uncertainty how the UK will trade with the EU both during the transitional period and post the transitional period. The Company continues to investigate the options available, to ensure that it can continue to offer services to its EU clients if there is no agreement between the UK and EU.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue 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 the Statement of accounting policies in note 1 to the financial statements.

Approved by the board of directors and signed on its behalf by:



Hiroyuki Aoyagi

Director
Mitsui Bussan Commodities Ltd
6th Floor, 1 St. Martin's Le Grand
London
EC1A 4BB

Date 20 July 2018

Mitsui Bussan Commodities Ltd

Directors' responsibilities statement

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2018.

An indication of likely future developments in the business of the Group is included in the Strategic report.

Information about the use of financial instruments by the Group is given in note 20 to the financial statements.

Directors

The directors who served during the year and up to the date of this report are listed below, all of whom have served throughout the year, except where otherwise stated:

Martin Abbott

Stuart Aitken

Peter Allan

Hiroyuki Aoyagi

Tsuguo Kato

Sho Miichi

Takeshi Ninomiya

Resigned 11 May 2018

Ryutaro Takeuchi

Resigned 28 April 2017

Shigeo Tanaka

Directors' indemnities

The Group has granted an indemnity to all of its directors against liability in respect of proceedings brought by third parties as outlined in section 21 of the Group's Articles of Association. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Dividends

The directors have not recommended the payment of an ordinary dividend for the year ended 31 March 2018 (2017: \$nil).

Auditor

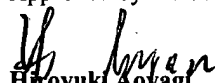
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 ought to have taken as a director to make himself 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 has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming board of directors meeting.

Approved by the board of directors and signed on its behalf by:


Hiroyuki Aoyagi
Director

Mitsui Bussan Commodities Ltd
6th Floor, 1 St. Martin's Le Grand
London
EC1A 4BB

Date: 20 July 2018

Mitsui Bussan Commodities Ltd

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Mitsui Bussan Commodities Ltd

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mitsui Bussan Commodities Ltd (the 'Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated profit and loss account;
- the Consolidated statement of comprehensive income ;
- the Consolidated and Company balance sheets;
- the Consolidated and Company statements of changes in equity;
- the Consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Mitsui Bussan Commodities Ltd

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Mitsui Bussan Commodities Ltd

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Alan Chaudhuri (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 20 July 2018.....

Mitsui Bussan Commodities Ltd

Consolidated profit and loss account

For the year ended 31 March 2018

	Note	2018 US\$'000	2017 US\$'000
Turnover	3	52,278	54,513
Administrative expenses		(45,287)	(46,469)
Operating profit		6,991	8,044
Interest receivable and similar income	7	3,685	594
Interest payable and similar expenses	8	(2,978)	(1,333)
Dividend received		185	170
Loss on disposal of fixed assets		(1)	(17)
Profit on ordinary activities before taxation		7,882	7,458
Tax on profit on ordinary activities	9	(970)	93
Profit for the financial year		6,912	7,551

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 US\$'000	2017 US\$'000
Profit for the financial year		6,912	7,551
Revaluation of investment	12	1,469	389
Gain on cash flow hedge	23	1,331	62
Deferred tax	19	(377)	158
Total comprehensive income		9,335	8,160

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

The notes on pages 14 to 35 form part of these financial statements.

Mitsui Bussan Commodities Ltd


Consolidated balance sheet

As at 31 March 2018

	Note	2018 US\$'000	2017 US\$'000
Fixed assets			
Intangible assets	10	4,612	471
Tangible assets	11	4,937	6,064
Investments	12	7,501	6,032
		<u>17,050</u>	<u>12,567</u>
Current assets			
Cash and cash equivalents		147,402	80,402
Financial assets	13	543,627	436,316
Stocks	14	20,417	1,122
Other debtors	16	13,545	12,574
		<u>724,991</u>	<u>530,414</u>
Creditors: amounts falling due within one year			
Financial liabilities	17	(558,650)	(371,616)
Other creditors	18	(23,214)	(20,523)
		<u>(581,864)</u>	<u>(392,139)</u>
Net current assets		<u>143,127</u>	<u>138,275</u>
Total assets less current liabilities		<u>160,177</u>	<u>150,842</u>
Net assets		<u>160,177</u>	<u>150,842</u>
Capital and reserves			
Called up share capital (28,467k ordinary and fully paid £1 shares)		28,467	28,467
Share premium account		97,533	97,533
Capital redemption reserve		1,780	1,780
Merger reserve		31,270	31,270
Revaluation reserve		3,353	930
Profit and loss account		(2,226)	(9,138)
Shareholder's funds		<u>160,177</u>	<u>150,842</u>

The notes on pages 14 to 35 form part of these financial statements.

The financial statements of Mitsui Bussan Commodities Ltd were approved by the board of directors and authorised for issue on 20 July 2018. They were signed on its behalf by:


Hiroyuki Aoyagi
Director

Registered number: 04395895

Mitsui Bussan Commodities Ltd

Company balance sheet


As at 31 March 2018

	Note	2018 US\$'000	2017 US\$'000
Fixed assets			
Intangible assets	10	4,411	426
Tangible assets	11	3,023	3,880
Investments	12	11,359	9,890
		<u>18,793</u>	<u>14,196</u>
Current assets			
Cash and cash equivalents		127,719	61,972
Financial assets	13	543,627	436,316
Stocks	14	20,417	1,122
Other debtors	16	17,526	19,074
		<u>709,289</u>	<u>518,484</u>
Creditors: amounts falling due within one year			
Financial liabilities	17	(558,650)	(371,616)
Other creditors	18	(28,492)	(29,090)
		<u>(587,142)</u>	<u>(400,706)</u>
Net current assets		<u>122,147</u>	<u>117,778</u>
Total assets less current liabilities		<u>140,940</u>	<u>131,974</u>
Net assets		<u>140,940</u>	<u>131,974</u>
Capital and reserves			
Called up share capital (28,467k ordinary and fully paid £1 shares)		28,467	28,467
Share premium account		97,533	97,533
Capital redemption reserve		1,780	1,780
Revaluation reserve		3,353	930
Profit and loss account		9,807	3,264
Shareholder's funds		<u>140,940</u>	<u>131,974</u>

The profit for the financial year of the Company was \$6,543k (2017: \$5,937k).

The notes on pages 14 to 35 form part of these financial statements.

The financial statements of Mitsui Bussan Commodities Ltd were approved by the board of directors and authorised for issue on 20 July 2018. They were signed on its behalf by:


Hiroyuki Aoyagi
Director

Registered number: 04395

Mitsui Bussan Commodities Ltd

Consolidated statement of changes in equity

For the year ended 31 March 2018

	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Merger reserve US\$'000	Revaluation reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
Group							
At 1 April 2017	28,467	97,533	1,780	31,270	930	(9,138)	150,842
Comprehensive income for the year	-	-	-	-	2,423	6,912	9,335
At 31 March 2018	28,467	97,533	1,780	31,270	3,353	(2,226)	160,177
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Merger reserve	Revaluation reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
Group							
At 1 April 2016	28,467	97,533	1,780	31,270	321	(16,689)	142,682
Comprehensive income for the year	-	-	-	-	609	7,551	8,160
At 31 March 2017	28,467	97,533	1,780	31,270	930	(9,138)	150,842

The revaluation reserve includes cash flow hedge gain of \$1.4m (2017: \$62k) (note 23).

Company statement of changes in equity

For the year ended 31 March 2018

	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Revaluation reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
Company						
At 1 April 2017	28,467	97,533	1,780	930	3,264	131,974
Comprehensive income for the year	-	-	-	2,423	6,543	8,966
At 31 March 2018	28,467	97,533	1,780	3,353	9,807	140,940
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Revaluation reserve US\$'000	Profit and loss account US\$'000	Total US\$'000
Company						
At 1 April 2016	28,467	97,533	1,780	321	(2,673)	125,428
Comprehensive income for the year	-	-	-	609	5,937	6,546
At 31 March 2017	28,467	97,533	1,780	930	3,264	131,974

The notes on pages 14 to 35 form part of these financial statements.

Mitsui Bussan Commodities Ltd

Consolidated cash flow statement

For the year ended 31 March 2018

	Note	2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Operating profit		6,991	8,044
Adjustment for:			
Depreciation and amortisation	10,11	2,059	1,736
Loss on disposal of assets		1	842
Operating cash flow before movement in working capital		9,051	10,622
(Decrease)/increase in stocks	14	(19,295)	2,180
(Decrease)/increase in debtors		(33,245)	184,566
Increase/(decrease) in creditors		97,237	(174,253)
Cash generated by operations		53,748	23,115
Corporation taxes paid		(566)	(302)
Net cash inflows from operating activities		53,182	22,813
Cash flows from investing activities			
Interest received	7	3,685	594
Dividends received	12	185	170
Purchase of intangible/tangible fixed assets	10,11	(5,074)	(2,436)
Net cash outflows from investing activities		(1,204)	(1,672)
Cash flows from financing activities			
Increase in borrowings		18,000	20,000
Interest paid	8	(2,978)	(1,333)
Net cash inflows from financing activities		15,022	18,667
Net increase in cash and cash equivalents		67,000	39,808
Cash and cash equivalents at 1 April 2017		80,402	40,594
Net increase in cash and cash equivalents		67,000	39,808
Cash and cash equivalents at 31 March 2018		147,402	80,402
Reconciliation to cash at bank and in hand:			
Cash and cash equivalents		147,402	80,402
Cash and cash equivalents		147,402	80,402

The notes on pages 14 to 35 form part of these financial statements.

Mitsui Bussan Commodities Ltd

Notes to the financial statements

For the year ended 31 March 2018

1. Statement of accounting policies

The principal accounting policies are set out below and have all been applied consistently throughout the current and preceding year.

General information and basis of accounting

Mitsui Bussan Commodities Ltd is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and its subsidiaries ("the Group") and the nature of the Group's operations are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The functional currency of Mitsui Bussan Commodities Ltd is considered to be US dollars because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in US dollars. Foreign operations are included in accordance with the policies set out below.

Mitsui Bussan Commodities Ltd meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of the Company cash flow statement and remuneration of key management personnel.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on page 2 of the Strategic report.

The Group meets its day to day working capital and regulatory capital requirements through its banking arrangements with its parent and fellow subsidiaries which were renewed in April 2017. The Group will remain exposed to volatility in the short term due to its current trading portfolio. The directors have analysed the potential short term volatility against the current capital levels and are confident that there is sufficient capital to absorb any potential short term losses. Based on prior experiences, the on-going communication with the parent and the long term commitment of the parent company to the Group, the Group is confident that the funding will be continued on normal commercial terms.

Based on the above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Statement of accounting policies (continued)

Turnover

The Company and the Group presents revenue on a net basis. Turnover comprises profits and losses on dealing operations, being:

- net gains and losses on financial instruments designated as held for trading and movements in fair value adjustments on such instruments;
- gross commissions earned from investment business; and
- commissions and brokerage expenses incurred in generating business.

Interest receivable/interest payable

Interest receivable and payable are recognised on assets and liabilities at amortised cost in the profit and loss account over the term of such instruments at an effective interest rate on the carrying amount of the underlying investment.

Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year and are included as part of staff costs. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Intangible fixed assets

Software - research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised on straight line basis over the period during which the Group is expected to benefit. Provision is made for any impairment. Amortisation expenses are recognised in the administrative expenses.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Statement of accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	over lease term
Furniture and fittings	4 years
Office equipment	4 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Statement of accounting policies (continued)

Impairment of financial asset

Financial assets, other than those measured at fair value through the profit and loss account ("FVTPL") are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is probable that the borrower will enter bankruptcy or financial re-organisation.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment is measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Statement of accounting policies (continued)

Cash and cash equivalents

Cash balances comprise demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Stocks

Stocks comprises of emissions certificates held in the UK Registry and Swiss Emissions Trading Registry and Metal held in LME registered warehouses. Stocks are carried at fair value with changes in the valuation being recorded in the profit and loss account. The directors are of the view that fair value through profit and loss is a more relevant measure of entity's performance. The inventory is readily realisable and an active market with published prices exists.

Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents causes for hedge ineffectiveness.

Note 23 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. 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.

Critical accounting judgements

There are no critical judgement areas that directors have made in the process of applying the Group's accounting policies and that had a significant effect on the amounts recognised in the financial statements.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Deferred tax assets - in determining whether deferred tax assets should be recognised on the accumulated tax losses, management must determine whether it is more probable than not that the Company will generate revenue in the future to utilise the losses. Management took into consideration the profits over the past three years together with its forecasts and the potential for future losses and determined that deferred tax recognition criteria is met, as a result a portion of the potential deferred tax asset has been recognised. Refer to note 19 for details of the deferred tax not currently recognised.

3. Turnover

An analysis of the Group's turnover by class of business is set out below:

	2018 US\$'000	2017 US\$'000
Turnover		
Metals trading desk	19,183	18,510
Energy trading desk	33,095	36,003
	<u>52,278</u>	<u>54,513</u>

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

	2018 US\$'000	2017 US\$'000
Turnover		
UK	27,430	25,419
US	16,203	14,594
Singapore	8,645	14,500
	<u>52,278</u>	<u>54,513</u>

4. Information regarding directors and employees

	2018 US\$'000	2017 US\$'000
Directors' remuneration		
Aggregate of directors' emoluments	2,525	2,223
Contributions to money purchase pension schemes	77	89
	<u>2,602</u>	<u>2,312</u>
Remuneration of the highest paid director		
Emoluments of highest paid director	486	481
Contributions to money purchase pension schemes	-	62
	<u>486</u>	<u>543</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

4. Information regarding directors and employees (continued)

Employee costs (including directors) during the year

Wages and salaries	24,017	22,843
Social security costs	1,958	1,829
Other pension costs	1,204	1,069
	<u>27,179</u>	<u>25,741</u>

Average number (including directors) of persons employed

Trading and marketing	No. 55	No. 42
Administration	70	76
	<u>125</u>	<u>118</u>

5. Profit on ordinary activities before taxation

	2018 US\$'000	2017 US\$'000
Operating profit after charging		
Rentals under operating leases of land and buildings	1,919	2,016
Depreciation and amortisation (note 10, 11)	2,059	1,736
Foreign exchange (gain)/loss	(1,081)	1,697
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's financial statements	482	404
The audit of the Company's subsidiaries pursuant to legislation	165	179
Total audit fees	<u>647</u>	<u>583</u>
Other services	10	37
Tax services	162	147
Total non-audit fees	<u>172</u>	<u>184</u>

6. Operating lease commitments

At 31 March 2018 the Group has committed to making the following minimum lease payments in respect of non-cancellable operating leases:

	2018 US\$'000	2017 US\$'000
Group		
Expiry date:		
Less than one year	2,005	2,170
Between two and five years	8,020	8,682
	<u>10,025</u>	<u>10,852</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

6. Operating lease commitments (continued)

Company	2018	2017
Expiry date:	US\$'000	US\$'000
	Land and Buildings	Land and Buildings
Less than one year	950	849
Between two and five years	3,799	3,395
	<u>4,749</u>	<u>4,244</u>

7. Interest receivable and similar income

	2018	2017
	US\$'000	US\$'000
Non-group interest receivable and similar income	3,685	594
	<u>3,685</u>	<u>594</u>

8. Interest payable and similar expenses

	2018	2017
	US\$'000	US\$'000
To group undertakings		
Less than one year	(243)	(593)
Subordinated loans	(1,743)	(430)
To non-group undertakings		
Other interest payable	(992)	(310)
	<u>(2,978)</u>	<u>(1,333)</u>

9. Tax on profit on ordinary activities

The tax charge comprises:

	2018	2017
	US\$'000	US\$'000
Current tax on profit on ordinary activities		
Corporation tax - UK	(37)	-
Foreign tax	(344)	(382)
Adjustment in respect of prior years - UK	(8)	(23)
- Overseas	(349)	(126)
Total current tax	<u>(738)</u>	<u>(531)</u>
Deferred tax		
Timing differences, origination and reversal - UK	-	762
- Overseas	(232)	(138)
Total deferred tax (note19)	<u>(232)</u>	<u>624</u>
Total tax on profit on ordinary activities	<u>(970)</u>	<u>93</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

9. Tax on profit on ordinary activities (continued)

The standard rate of tax applied to reported profit on ordinary activities is 19% (2017: 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015.

During the year beginning 1 April 2018, the net reversal of deferred tax assets and liabilities is expected to increase the corporation tax charge for the year by \$378k (2017:\$123k). This is mainly due to the utilisation of tax loss against forecast UK profit.

There is no expiry date on timing differences, unused tax losses or tax credits.

The tax charge assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 19% (2017: 20%).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2018 US\$'000	2017 US\$'000
Group profit on ordinary activities before tax	7,882	7,458
Tax on group profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	(1,498)	(1,491)
Tax effects of		
Income and expenses not deductible for tax purposes	81	94
Deferred tax not recognised	1,422	1,644
Difference in tax rates on overseas earnings	(247)	44
Adjustments to tax charge in respect of previous periods	(670)	(139)
Foreign tax suffered	(58)	(59)
Group total tax charge for the year	(970)	93

10. Intangible fixed assets

Software	Group US\$'000	Company US\$'000
Cost		
At 1 April 2017	5,121	4,877
Additions	4,634	4,440
Disposals	(46)	(45)
At 31 March 2018	9,709	9,272
Accumulated amortisation		
At 1 April 2017	(4,650)	(4,451)
Charge for the year	(492)	(455)
Amortisation unwind on disposal	45	45
At 31 March 2018	(5,097)	(4,861)
Net book value		
At 31 March 2018	4,612	4,411
At 31 March 2017	471	426

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Tangible fixed assets

	Group			Total US\$'000
	Leasehold Improvements US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	
Cost				
At 1 April 2017	6,546	822	4,733	12,101
Additions	40	13	387	440
Disposals	-	-	(1)	(1)
At 31 March 2018	6,586	835	5,119	12,540
Accumulated depreciation				
At 1 April 2017	(3,093)	(200)	(2,744)	(6,037)
Charge for the year	(575)	(195)	(797)	(1,567)
Depreciation unwind on disposal	-	-	1	1
At 31 March 2018	(3,668)	(395)	(3,540)	(7,603)
Net book value				
At 31 March 2018	2,918	440	1,579	4,937
At 31 March 2017	3,453	622	1,989	6,064

	Company			Total US\$'000
	Leasehold Improvements US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	
Cost				
At 1 April 2017	2,585	611	2,385	5,581
Additions	40	8	80	128
Disposals	-	-	(1)	(1)
At 31 March 2018	2,625	619	2,464	5,708
Accumulated depreciation				
At 1 April 2017	(327)	(146)	(1,228)	(1,701)
Charge for the year	(332)	(154)	(498)	(984)
At 31 March 2018	(659)	(300)	(1,726)	(2,685)
Net book value				
At 31 March 2018	1,966	319	738	3,023
At 31 March 2017	2,258	465	1,157	3,880

The Company and its US subsidiary moved premises during the year 2017 which largely explains the movement in additions, disposals and transfer for prior year.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Investments

	Company	
	2018 US\$'000	2017 US\$'000
Subsidiaries		
Cost and net book value		
Opening balance at 1 April	3,858	3,858
Closing balance at 31 March	<u>3,858</u>	<u>3,858</u>

There is no impairment of investment in the current financial year. The prior year impairment of MB Commodities Limited's investment value is due to dividends paid to the Company.

Investments represent investment in the following subsidiaries (100% owned):

	US\$'000
MB Commodities Limited – 6 th Floor, 1 St. Martins Le Grand, London, EC1A 4BB	501
Mitsui Bussan Commodities (USA), Inc – 200 Park Avenue, New York, NY 10166	2,700
Mitsui Bussan Commodities (Singapore) Pte. Ltd. – 80 Robinson Road, #15-02, Singapore 068898	657

All subsidiaries are engaged in exchange based and over the counter derivatives trading.

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Available for sale investments				
Cost and net book value				
Opening balance at 1 April	6,032	5,643	6,032	5,643
Revaluation of investments	1,469	389	1,469	389
Closing balance at 31 March	<u>7,501</u>	<u>6,032</u>	<u>7,501</u>	<u>6,032</u>

Available for sale investments represent member shares in the CME Group Inc comprising, Class A shares and Membership seats. The Class A shares are listed on NASDAQ and were valued at \$161.74 per share as at 31 March 2018 and the Membership seats have been valued at \$140,000 per seat based on the last sale.

The Company acquired 25,000 Class B London Metal Exchange shares from its subsidiary MB Commodities Limited on 1 April 2015. The shares were valued at £67 per share as at 31 March 2018.

Other investments represent shares in Tokyo Commodity Exchange Inc. The shares are not listed and are recorded at cost in Japanese Yen and any foreign exchange gains or losses are recorded in the revaluation reserve.

A dividend of \$185k was received from CME Group Inc during the year (2017: \$170k).

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Financial assets: amounts falling due within one year

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Net derivative with				
Third parties	265,834	154,521	204,300	154,521
Group undertakings	67,842	47,639	67,842	47,639
Total derivative financial assets	333,676	202,160	272,142	202,160
Excess collateral placed with				
Third parties	195,460	234,156	256,994	234,156
Group undertakings	14,491	-	14,491	-
Total collateral	209,951	234,156	271,485	234,156
	<u>543,627</u>	<u>436,316</u>	<u>543,627</u>	<u>436,316</u>

14. Stocks

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Stocks	20,417	1,122	20,417	1,122
	<u>20,417</u>	<u>1,122</u>	<u>20,417</u>	<u>1,122</u>

Stocks relates to emissions certificates held at the UK Registry and Swiss Emissions Trading Registry.

15. Impaired assets

Movement in the Group and Company allowance for doubtful debts:

	2018 US\$'000	2017 US\$'000
Opening balance at 1 April	371	1,697
Additional provision for doubtful debt	697	-
Amount written off as uncollectible	-	(1,279)
Impairment losses recovered during the year	(36)	(47)
Closing balance at 31 March	<u>1,032</u>	<u>371</u>

In determining the recoverability of a financial asset the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date.

Included in the allowance for doubtful debts are individually impaired receivables of \$1,032k (2017: \$371k) due from companies which have defaulted. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected liquidation proceeds. During the year, the Company recovered \$36k (2017:47k) and made an additional provision of \$697k against a single debt for a company that entered liquidation.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

15. Impaired assets (continued)

The Group and Company had no past due, but not impaired assets as at 31 March 2018 (2017: \$nil).

Ageing of impaired receivables:

	2018 US\$'000	2017 US\$'000
121+ days	1,032	371
	<u>1,032</u>	<u>371</u>

16. Other debtors: amounts falling due within one year

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Amounts owed by group companies and subsidiaries	8	4	5,015	8,181
Other debtors and prepayments	3,432	3,184	2,986	2,315
UK corporation tax	8,762	7,832	8,763	7,832
Deferred tax asset (note 19)	1,343	1,554	762	746
	<u>13,545</u>	<u>12,574</u>	<u>17,526</u>	<u>19,074</u>

17. Financial liabilities: amounts due within one year

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Net derivatives due to				
Third parties	(339,222)	(177,733)	(339,222)	(177,733)
Group undertakings	(64,952)	(28,427)	(64,952)	(28,427)
Total derivative	(404,174)	(206,160)	(404,174)	(206,160)
Excess collateral pledged for				
From third parties	(50,678)	(41,453)	(50,678)	(41,453)
From group undertakings	(798)	(39,003)	(798)	(39,003)
Total collateral	(51,476)	(80,456)	(51,476)	(80,456)
Loans with fellow subsidiary	(103,000)	(85,000)	(103,000)	(85,000)
	<u>(558,650)</u>	<u>(371,616)</u>	<u>(558,650)</u>	<u>(371,616)</u>

The loans are from Mitsui & Co Financial Services (Europe) Plc, a 100% subsidiary of Mitsui & Co., Ltd.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Other creditors

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Amounts owed to parent company and group companies	(2,452)	(80)	(12,555)	(12,715)
UK corporation tax and group relief	(12,779)	(11,404)	(11,217)	(10,025)
Other creditors	(7,169)	(8,298)	(3,996)	(5,694)
Foreign tax	(12)	(337)	(12)	(337)
Deferred tax liabilities (note 19)	(802)	(404)	(712)	(319)
	<u>(23,214)</u>	<u>(20,523)</u>	<u>(28,492)</u>	<u>(29,090)</u>

19. Deferred tax assets and liabilities

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

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Opening balance at 1 April	1,150	368	427	(493)
Tax on investment revaluation	(69)	115	(69)	115
Tax on cash flow hedge	(308)	43	(308)	43
Charged to profit and loss account	(232)	624	-	762
Closing balance at 31 March	<u>541</u>	<u>1,150</u>	<u>50</u>	<u>427</u>

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Deferred tax asset (note 16)	1,343	1,554	762	746
Deferred tax liabilities (note 18)	(802)	(404)	(712)	(319)
Provision for deferred tax	<u>541</u>	<u>1,150</u>	<u>50</u>	<u>427</u>

Deferred tax is provided as follows:

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Other timing differences	(221)	388	(712)	(335)
Tax losses available	762	762	762	762
Provision for deferred tax	<u>541</u>	<u>1,150</u>	<u>50</u>	<u>427</u>

At 31 March 2018, the Group had losses available for offset against future taxable profits, a capital allowance pool with a value in excess of the net book value of the qualifying plant and machinery and other short term timing differences.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

19. Deferred tax assets and liabilities (continued)

Deferred tax assets have not been recognised in respect of certain of these items (those relating to the UK company) as there is insufficient evidence to indicate that profits will arise within the foreseeable future against which these assets will be recovered. The estimated value of the deferred tax asset not recognised on the Group's balance sheet, measured at the standard rate of 17% (2017: 17%) is \$14,635k (2017: \$15,863k).

At 31 March 2018, a deferred tax asset of \$762k has been recognised in respect of utilisation of losses carried forward.

A deferred tax liability of \$712k (2017: \$319k) was recognised due to the revaluation of LME shares to changes in fair value and revaluation of future years foreign exchange hedging transaction.

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

20. Financial instruments

The use of financial instruments is governed by the policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management policy. Instruments including exchange traded futures and options, OTC swaps, forwards and options are entered into for hedging purposes.

The carrying value of financial instruments held for trading recorded in the financial statements approximates to their fair value. Futures and exchange traded option transactions are recorded as contractual commitments on a trade-date basis and are carried at fair value based on Market Price Validation ("MPV").

Commodity swaps and forward transactions are accounted for as contractual commitments on a trade-date basis and are carried at fair value using market data consensus information providers or internally developed valuation methodologies based on available market information.

OTC options purchased and written are recorded on a trade-date basis. OTC options are carried at fair value based on the use of valuation models that utilise, among other things, current interest, commodity and volatility rates, as applicable. For long-dated forward transactions, fair values are derived using internally developed valuation methodologies based on available market information. Where market rates are not quoted or where management deems appropriate, current interest, commodity and volatility rates are estimated by reference to current market levels. Given the nature, size and timing of transactions, estimated values may differ from realised values. Changes in the fair value are recorded currently in the income statement.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments of the Group and the Company 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

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

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in markets that are not active.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

20. Financial instruments (continued)

Fair value measurements recognised in the balance sheet (continued)

Level 3

Unobservable inputs for the asset or liability.

The key input and valuation technique is the discounted cash flow model where prices are adjusted, as required, to account for differential in quality and origin.

<u>Group & Company</u>	2018			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets				
Derivative financial assets (note 13)	1,898	329,470	2,308	333,676
Available for sale investments (note 12)	-	5,151	2,350	7,501
Stocks (note 14)	20,417	-	-	20,417
	<u>22,315</u>	<u>334,621</u>	<u>4,658</u>	<u>361,594</u>
Financial liabilities				
Derivative financial liabilities	(12,909)	(390,475)	(790)	(404,174)
	<u>(12,909)</u>	<u>(390,475)</u>	<u>(790)</u>	<u>(404,174)</u>
<u>Group & Company</u>	2017			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets				
Derivative financial assets (note 13)	1,378	200,644	138	202,160
Available for sale investments (note 12)	-	3,932	2,100	6,032
Stocks (note 14)	1,122	-	-	1,122
	<u>2,500</u>	<u>204,576</u>	<u>2,238</u>	<u>209,314</u>
Financial liabilities				
Derivative financial liabilities	(9,533)	(196,313)	(314)	(206,160)
	<u>(9,533)</u>	<u>(196,313)</u>	<u>(314)</u>	<u>(206,160)</u>

There were no transfers between Level 1, 2 and 3 during the year.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

21. Risk management

In the ordinary course of business, the Group is exposed to a variety of credit, market, liquidity and operational risks. These risks are identified, measured, mitigated and monitored using the 3 lines of defence model. Risk appetites and limit structures are clearly defined through a risk framework which includes risk policies, tolerances and a governance structure all of which are overseen by the board of directors.

Financial risk management

The Group's risk management function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These include liquidity and operational risks.

The Group 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 Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by internal audit on a continuous basis.

Credit risk

The credit risk of an asset is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The Group's principal financial assets are derivatives, bank balances and cash, trade and other receivables.

The credit risk is primarily attributable to mark to market exposure, trade receivables in the balance sheet and potential future exposure. Therefore the management of our credit lines and to whom the Company give credit is paramount to a strongly controlled business. The Company follows an approval process for all new or renewed lines which involves both quantitative and qualitative analysis of our counterparties. The internal credit limits given to any counterparty is reviewed from both a Mitsui Bussan Commodities Ltd and board of directors as the appropriate mix of credit risks has to be determined within the overall global credit risk of the Group. The review process involves financial analysis, industry analysis, review of the concentration risk mix, documentation, guarantees, margin agreements etc.; all of these are assessed with other discretionary elements to determine counterparty creditworthiness and credit limits allocation.

The Group employs various controls to manage potential future exposure, trade tenor and current exposure which are monitored continuously. Any limit excesses are reported to the Market Risk Management Committee which decides on an appropriate course of action.

As at 31 March 2018 exposure to credit risk is \$76.2m (2017: \$78.3m). The Group's exposure to non-investment grade counterparties is \$12.2m (2017: \$17.4m).

Credit lines are extended to counterparties based on our credit rating system, their creditworthiness and the Group's credit risk appetite. Creditworthiness is determined using a number of factors that are linked to external credit ratings provided by independent third parties, analysis of the counterparty's financials focusing in particular on liquidity and cash flow as well as other qualitative procedures.

The creditworthiness of these counterparties is subject to regular scrutiny by the Group, both through analysis by the Group's Credit Department and the Credit Risk Management Committee which reports to the Group's board.

The credit valuation adjustment represents the expected loss for each counterparty based on expected positive exposure, creditworthiness and tenor for each counterparty in the Group's portfolio at year end.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties, customers and industries, other than exposure with the Group's clearers and the LME Clear Limited.

To manage the level of credit risk, the Group enters into netting agreements whenever possible and, where appropriate, obtains collateral netting agreements which incorporate right of set-off which provides for the net settlement of contracts with the same counterparty in the event of default.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

21. Risk management (continued)

Credit risk (continued)

	Group 2018 US\$'000	Group 2017 US\$'000
Maximum exposure to credit risk		
Financial assets held for trading (note 13)	265,834	154,521
Collateral (note 13)	195,460	234,156
Other debtors and prepayments (note 16)	3,432	3,184
Cash	147,402	80,402
	<u>612,128</u>	<u>472,263</u>

This table relates to maximum exposure to credit risk under FRS 102. This exposure does not take into consideration legally enforceable netting agreements with individual counterparties.

Market risk and sensitivity

Market risk is the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates. Accordingly, these movements may affect the Company's profitability.

Key risk sensitivities are measured daily. These measures include sensitivity to price changes (delta), rate of delta change (gamma), implied volatility changes (vega), interest rates (rho), and time decay (theta). On a daily basis reports are prepared with limits and warning levels by portfolio covering sensitivity measurements.

Stress tests are performed regularly to give management indicative losses in the case of a hypothetical severe market movement and to estimate potential losses in these extreme conditions. Stress tests and scenarios are both broad movements affecting all markets and targeted which affect a specific asset class, geographic location, or maturity. These are provided as a supplement to the VaR to mitigate the limitations associated with the VaR methodologies.

The Group's policy is not to take speculative position on currencies. Where non-US Dollar transactions are undertaken in trading related activities hedging instruments are utilised. Small positions may arise and the net foreign exchange position is therefore monitored daily.

The Group has a mandate to verify all exposures with a third party source in order to calculate and determine prices independently. Currently the Group uses the ICE service named MPV. This service is a consensus based service that involves most of the markets biggest and most active participants. If no independent price can be obtained (from exchange, consensus service or third party broker) the Company assumes a lack of liquidity and so makes an adjustment called a "Reserve" to ensure all derivatives are held at fair value. The Group's and Company's VaR are disclosed on the page 2.

Operational risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

This broad category extends across all departments throughout the Group. The Group strives to mitigate operational risks through reviewing processes and controls continuously. The Group being part of Mitsui & Co., Ltd falls under the Japanese Financial Instruments and Exchange Law and as such the Group are continuously audited on our internal controls from within our own company by our parent's internal audit function.

Employee retention is managed in accordance with good practice standards through the Group's remuneration policy on rewards, compensation benefits and continued employee development.

Competition is managed through competitive pricing strategies and transparency of the market.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

21. Risk management (continued)

Liquidity risk

Is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

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

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements in order to facilitate an on-going stable flow of funds.

The table below shows maturity analysis of non-derivative and derivative financial liabilities of the Group and the Company (all amounts are discounted):

	2018 Financial liabilities				
	Less than 1 month US\$'000	1-3 months US\$'000	3-13 months US\$'000	Over 1 year US\$'000	Total US\$'000
Derivative financial liabilities					
Third parties	(71,907)	(52,781)	(134,517)	(80,017)	(339,222)
Group undertakings	(11,274)	(8,454)	(24,842)	(20,382)	(64,952)
Liabilities held at amortised cost					
Collateral from third parties	(50,678)	-	-	-	(50,678)
Collateral from group undertakings	(798)	-	-	-	(798)
Loans from group undertakings	(103,000)	-	-	-	(103,000)
	<u>(237,657)</u>	<u>(61,235)</u>	<u>(159,359)</u>	<u>(100,399)</u>	<u>(558,650)</u>

	2017 Financial liabilities				
	Less than 1 month US\$'000	1-3 months US\$'000	3-12 months US\$'000	Over 1 year US\$'000	Total US\$'000
Derivative financial liabilities					
Third parties	(28,467)	(62,712)	(68,766)	(17,788)	(177,733)
Group undertakings	(7,370)	(10,874)	(4,063)	(6,120)	(28,427)
Liabilities held at amortised cost					
Collateral from third parties	(41,453)	-	-	-	(41,453)
Collateral from group undertakings	(39,003)	-	-	-	(39,003)
Loans from group undertakings	(85,000)	-	-	-	(85,000)
	<u>(201,293)</u>	<u>(73,586)</u>	<u>(72,829)</u>	<u>(23,908)</u>	<u>(371,616)</u>

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to stakeholders through the optimisation of the debt and equity mix. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of changes in equity. The Company is authorised and regulated by the Financial Conduct Authority (FCA). The FCA stipulates the minimum level of regulatory capital to be maintained by the Group and the Company. The Group and the Company were in compliance with externally imposed capital requirements throughout the year.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

22. Offsetting financial assets and liabilities

In accordance with IAS 32 - *Financial Instruments: Presentation*, the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table provides an analysis of amounts that have been offset in the consolidated statement of financial position and also those amounts that are covered by enforceable netting arrangements but do not qualify for netting under the requirements of IAS 32 described above, as of 31 March 2018.

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amount	Amount offset	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount
Third parties						
Derivative financial assets	3,392,915	(3,127,081)	265,834	(131,350)	-	(131,350)
Collateral	195,546	(86)	195,460	-	(39,356)	(39,356)
	<u>3,588,461</u>	<u>(3,127,167)</u>	<u>461,294</u>	<u>(131,350)</u>	<u>(39,356)</u>	<u>(170,706)</u>
Group undertakings						
Derivative financial assets	173,790	(105,948)	67,842	(798)	-	(798)
Collateral	14,491	-	14,491	-	-	-
	<u>188,281</u>	<u>(105,948)</u>	<u>82,333</u>	<u>(798)</u>	<u>-</u>	<u>(798)</u>
Total financial assets	<u>3,776,742</u>	<u>(3,233,115)</u>	<u>543,627</u>	<u>(132,148)</u>	<u>(39,356)</u>	<u>(171,504)</u>

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

22. Offsetting financial assets and liabilities (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amount	Amount offset	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount
From third party						
Derivative financial liabilities	(3,378,043)	3,038,821	(339,222)	152,895	-	152,895
Collateral	(139,024)	88,346	(50,678)	-	17,811	17,811
	<u>(3,517,067)</u>	<u>3,127,167</u>	<u>(389,900)</u>	<u>152,895</u>	<u>17,811</u>	<u>170,706</u>
Due to group undertakings						
Derivative financial liabilities	(170,900)	105,948	(64,952)	-	-	-
Collateral	(798)	-	(798)	-	798	798
	<u>(171,698)</u>	<u>105,948</u>	<u>(65,750)</u>	<u>-</u>	<u>798</u>	<u>798</u>
Total financial liabilities	<u>(3,688,765)</u>	<u>3,233,115</u>	<u>(455,650)</u>	<u>152,895</u>	<u>18,609</u>	<u>171,504</u>

Financial collateral is reflected at its fair value, but has been limited to the net exposure reported on the consolidated statement of financial condition so as not to include any over-collateralisation.

For the financial assets and liabilities subject to enforceable master netting or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis; however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Mitsui Bussan Commodities Ltd

Notes to the financial statements (continued)

For the year ended 31 March 2018

23. Cash flow hedges

Foreign currency contracts

The following table details the foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2018	2017	2018	2017	2018	2017
	1.35	1.26	£'000	£'000	US\$'000	US\$'000
Sell [currency GBP]			24,540	18,086	1,331	62
Less than 3 months			4,110	4,179	523	3

The Group has forecasted expenses exposure in currency GBP. The Group has entered into foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges. The hedged cash flows are expected to occur and to affect profit or loss in the future.

The Group has applied hedge accounting. Gain of \$1.4m was recognised in other comprehensive income and hedge ineffectiveness resulted in \$nil being recognised in profit or loss. Gain of \$12k was reclassified to profit or loss for the period due to instrument expiry.

24. Related party transactions

As a member of a group of companies whose consolidated accounts are publicly available, the Company is exempt from the disclosure requirements of FRS 102 relating to other group companies. FRS 102.33.1A states that disclosure is not required in the financial statements of subsidiary undertakings for transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly-owned by a member of that group. There were no other related party transactions with non-group companies.

25. Parent company

The parent company and the ultimate controlling party of Mitsui Bussan Commodities Ltd is Mitsui & Co., Ltd which is incorporated in Japan. Mitsui & Co., Ltd directly own 100% of the shares in the Company. A copy of the consolidated financial statements of the parent company can be obtained from that company's registered office at 1-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8631 Japan.