Company Registration No. 3674104

TOYOTA TSUSHO METALS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2010

TOYOTA TSUSHO METALS LIMITED

DIRECTORS

Mr Takeo Fujihara
Mr Alan Spinks
Mr Hideki Kondo
Mr Tsuyoshi Iwata
Mr Kouzou Yota

Company secretary	Mr Takeo Fujihara
Registered office	63 Queen Victoria Street, London EC4N 4UA
Auditors	PricewaterhouseCoopers LLP Hay's Galleria 1 Hays Lane London SE1 2RD

TOYOTA TSUSHO METALS LIMITED
DIRECTORS' REPORT

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

Business review and principal activities

Toyota Tsusho Metals Limited ("the company") is a commodity broker and dealer It is an Associate Broker Clearing Member of The London Metal Exchange (LME), a recognised investment exchange under the Financial Services and Markets Act 2000 The company is authorised and regulated by the Financial Services Authority ("FSA") The results of the company are set out in detail on page 8 The post tax profit for the year ended 31 March 2010 of £2,010,738 (2009 £1,454,598) will be transferred to reserves

Given the market conditions that have followed the exceptional market circumstances affecting the last financial year, the directors are satisfied with both the level of growth in business and profit during the year The profit for the year includes £924,827 gain from the sale of LCH Clearnet shares The directors monitor the performance of the company against budgets produced from business plans agreed upon annually There are no other industry standards KPI measurements that the directors use

Future outlook

The company continues to consolidate and develop its present metal activities It still continues to actively pursue its plans to expand into other futures markets and regions

Principle risks

The company's activities expose it to a variety of financial risks price risk, credit risk, liquidity risk and cash flow, and fair value interest rate risk as explained further in note 19 The company's overall risk management programme focuses on the unpredictability of relevant markets and seeks to minimise potential adverse effects on the company's financial performance The company is also exposed to operational and regulatory risk Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events The company operates in a control based environment and is reviewed annually by its parent company The company also complies with J-Sox procedures set down by the parent company Regulatory risk is the risk associated with the potential for laws related to a given industry, country, or type of security to change and impact relevant investments The company uses its trade association membership and keeps abreast of current affairs to be aware of potential changes in regulatory rule

J-SOX

From April 2009 it has been necessary for the company to comply with J-SOX requirements The company's systems and controls were tested during the year for compliance by periodic internal assessments, in accordance with group procedures The results of these tests are reported to our parent company and were found to be satisfactory

Dividends

The directors have recommended a final dividend payment of £1,113,000 in respect of the year ending 31 March 2010 and is to be approved by the shareholders at the AGM held on 11 June 2010 (31 March 2009 £2,475,000)

Political and charitable contributions

The company made no political or charitable contributions during the period (2009 £Nil)

Directors and directors' interests

The directors who held office during the year were as follows

Mr Takeo Fujihara	Executive	
Mr Alan Spinks	Executive	
Mr Hiroto Nakane	Non-executive	(resigned 15 April 2009)
Mr Hideki Kondo	Non-executive	
Mr Haruhiko Inoue	Non-executive	(resigned 15 April 2009)
Mr Tsuyoshi Iwata	Non-executive	(appointed 15 April 2009)
Mr Kouzou Yota	Non-executive	(appointed 15 April 2009)

None of the directors have a disclosable interest in the shares of the company

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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

Statement of disclosure of information to auditors

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Pillar 3 Disclosure

Details of the company's unaudited Pillar 3 disclosures as required by Chapter 11 of FSA Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), is located on the company's website – www ttmetals com

Auditors

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting

By order of the board

Takeo Fujihara

Company Secretary

11 June 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOYOTA TSUSHO METALS LIMITED

We have audited the financial statements of Toyota Tsusho Metals Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOYOTA TSUSHO METALS LIMITED

- 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

Hugh McNaughtan

Hugh McNaughtan (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

11 June 2010

TOYOTA TSUSHO METALS LIMITED
FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2010

	Note	31 March 2010 £	31 March 2009 £
TURNOVER	1d	**3,909,890**	4,113,623
Administrative expenses		**(2,772,215)**	(2,716,220)
Other operating income		**46,533**	122,800
OPERATING PROFIT		**1,184,208**	1,520,203
Profit on sale of fixed asset investments	11	**924,827**	81,000
Income from fixed asset investments	11	**569,133**	217,269
Interest receivable and similar income	6	**452,917**	882,755
Interest payable and similar charges	7	**(485,585)**	(664,234)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**2,645,500**	2,036,993
Taxation charge	8	**(634,762)**	(582,395)
PROFIT FOR THE YEAR	16	**2,010,738**	1,454,598

STATEMENT OF TOTAL GAINS AND LOSSES for the year ended 31 March 2010

	Note	31 March 2010 £	31 March 2009 £
Profit for the financial year	16	**2,010,738**	1,454,598
Revaluation of available for sale investments	16	-	(563,750)
Transfer to profit and loss account	16	-	(84,000)
Total recognised gains and losses for the year		**2,010,738**	806,848

The 2009 profit for the financial year balance has been updated to be consistent with 2010 for presentation purposes only, as opposed to the retained profit disclosed in the prior year financial statements

The notes on pages 10 to 25 form an integral part of these financial statements

TOYOTA TSUSHO METALS LIMITED
FINANCIAL STATEMENTS

BALANCE SHEET as at 31 March 2010

	Note	31 March 2010	31 March 2009
		£	£
Fixed assets			
Tangible assets	9	**41,815**	70,500
Financial assets			
- Available for sale investments	11	**1,391,276**	1,483,870
		1,433,091	1,554,370
Current assets			
Financial assets			
- Derivative financial instruments	10	**32,179,883**	111,257,274
- Debtors	12	**1,738,099**	3,999,657
- Term deposits	13	**14,766,711**	65,067,287
- Cash at bank and in hand		**14,581,334**	13,040,954
		63,266,027	193,365,172
Debtors - amounts falling due after one year			
- Derivative financial instruments	10,12	**9,728,583**	9,817,045
- Other Debtors	12	**6,667**	14,982
		9,735,250	9,832,027
Creditors - amounts falling due within one year	14	**(48,648,641)**	(178,662,505)
Net current assets		**24,352,636**	24,534,694
Creditors - amounts falling due after one year	10,14	**(9,549,134)**	(9,388,209)
Net assets		**16,236,593**	16,700,855
Capital and reserves			
Called up share capital	15	**10,500,000**	10,500,000
Profit and loss reserve	16	**4,550,343**	5,014,605
Available for sale investment reserve	16	**1,186,250**	1,186,250
Total shareholders' funds		**16,236,593**	16,700,855

These financial statements were approved by the Board of Directors on 11 June 2010

Signed on behalf of the Board of Directors

Director, T Fujihara

The notes on pages 10 to 25 form an integral part of these financial statements

TOYOTA TSUSHO METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2010

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

a) Basis of preparation

The financial statements have been prepared under the historical cost convention except, as modified by the revaluation of financial instruments in accordance with the Companies Act 2006, applicable accounting standards and pronouncements of the Urgent Issues Task Force

The results of the company are included within the consolidated financial statements of its ultimate parent company, Toyota Tsusho Corporation, which is incorporated in Japan

The principal accounting policies adopted are described below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

b) Cash flow statement

In accordance with FRS 1 (Revised) the company has not prepared a cash flow statement as the cash flows of the company are consolidated in Toyota Tsusho Corporation, the ultimate parent company's accounts which are publicly available

c) Related party transactions

Under Paragraph 3(c) of FRS 8 'Related Party Disclosures' the Company has taken advantage of the exemptions permitted for related party transactions as a result of being a wholly owned subsidiary of a Group, Toyota Tsusho Corporation, where the Parent prepares consolidated financial statements which include the Company and which are publicly available

d) Turnover

Turnover comprises commission and trading income Trading income also includes revaluation of forward metals positions (refer to Note 1 (j) below) and any associated contracts held for foreign exchange hedging purposes Transactions are recognised in the profit and loss account on the date the trade is conducted

e) Interest income and expense

Interest income and expense are recognised in the profit and loss account on an accruals basis

f) Fixed assets and depreciation

Depreciation is provided to write off the cost plus any associated delivery and labour charges less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Computer software and hardware	3 years
Furniture and fittings	3 years

g) Taxation

The company provides for taxation using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

h) Deferred taxation

Deferred taxation provided at anticipated tax rates and on a non-discounted basis, is recognised in respect of all timing differences, arising from 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, which have occurred at the balance sheet date Assets are recognised on this basis only where they are regarded as more likely than not to be recoverable by reference to anticipated levels of future taxable profits

i) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in other currencies are translated into sterling at the exchange rates ruling at the balance sheet date Income and expenses in foreign currencies have been translated into sterling using average exchange rates during the year Gains or losses on translation are recognised in the profit and loss account for the period

j) Derivative financial instruments

Derivatives are initially accounted for and measured at fair value on the date the contract is entered into and subsequently measured at fair value The gain or loss on re-measurement is taken to the income statement All derivatives are included in assets when their value is positive and liabilities when their fair value is negative

k) Investments: available for sale

Available for sale assets are designated as available for sale and are initially recognised at cost They are subsequently held at fair value Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the profit and loss account Where it is not possible to determine a reliable estimate of fair value, the amounts are held at cost

l) Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to reduce the asset and liability simultaneously

m) Debtors

Debtors relate to accrued commission income and trade debtors Financial assets are recognised initially at fair value and subsequently measured at cost less impairment

n) Creditors

Financial liabilities are recognised initially at fair value on the date the contract is entered into Subsequently, with the exception of derivative financial liabilities, financial liabilities are measured at amortised cost

o) Leased Assets

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by of way of penalty is recognised as an expense in the period in which termination takes place

p) Pension Cost

During the year, the company implemented a defined contribution staff pension plan The amount charged to the profit and loss account in respect of pension costs is the contributions payable for the period Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

TOYOTA TSUSHO METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2010

2 SEGMENTAL ANALYSIS

Substantially the company's entire turnover is generated from a single class of business, namely broking and dealing for clients in metal derivatives Also, in the opinion of the directors, the company, including its branch, trades with customers in a single international market Therefore, no business or geographic segmental information has been provided

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after including

	Note	31 March 2010 £	31 March 2009 £
Auditors' remuneration			
Audit (see below)		**60,000**	60,947
Other services – taxation		**11,765**	6,435
All other services (see below)		**15,988**	11,980
Rent		**127,632**	138,552
Depreciation	9	**50,767**	46,994
Staff costs	5	**1,325,902**	1,447,265
Recharged staff costs payable to parent company and fellow subsidiary	5	**140,884**	117,404
Gain on sale of available for sale investment	11	**(924,827)**	(81,000)

Additional audit costs of £15,000 in respect of year end 31 March 2009 have been included in 'all other services' above

4 REMUNERATION OF DIRECTORS

	31 March 2010 £	31 March 2009 £
Directors' emoluments	**429,306**	474,979

The directors of the company did not receive any remuneration under long term incentive schemes or any shares in the company (2009 £nil) The emoluments of certain directors are paid by Toyota Tsusho UK Limited, a fellow subsidiary company, which recharges the amount to the company as a management fee (see note 5) These amounts are included within administrative expenses The aggregate emoluments paid to or receivable by the highest paid director were £333,981 (2009 £388,675) No amounts were contributed to any pension scheme on behalf of the highest paid director

TOYOTA TSUSHO METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2010

5 STAFF COSTS

The average number of full time equivalent persons employed by the company (including executive directors) during the year analysed by category, was as follows

	31 March 2010	31 March 2009
Operational staff	6	6
Administrative staff	6	6
	12	12

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	1,219,887	1,327,709
Social security costs	106,015	119,556
	1,325,902	1,447,265
Recharged staff costs payable to parent company and fellow subsidiary	140,884	117,404
	1,466,786	1,564,669

During the year the company implemented a defined contribution staff pension plan to which individuals can make voluntary contributions The company contributed £11,054 in the period, and at year end there was an accrual of £1,033 relating to the March 2010 payment

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	31 March 2010 £	31 March 2009 £
Bank deposit interest	444,409	804,180
Group interest	499	-
Other interest	8,009	78,575
	452,917	882,755

7. INTEREST PAYABLE AND SIMILAR CHARGES

	31 March 2010	31 March 2009
	£	£
Bank loan/overdraft interest	457,252	545,076
Group interest	-	35,981
Other interest	28,333	83,177
	485,585	664,234

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of the charge in the period

	31 March 2010	31 March 2009
	£	£
UK corporation tax current period at 28% (2009 28%)	634,762	582,395

b) Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 28% (2009 28%) The timing difference is explained below

Current tax reconciliation	31 March 2010	31 March 2009
	£	£
Profit on ordinary activities before tax	2,645,500	2,036,993
Current tax at 28% (2009 28%)	740,740	570,358
Effects of		
DTR and Overseas Tax	6,857	45,022
Prior year adjustment	-	27,296
Expenses not deductible for tax purposes	4,664	7,635
Accelerated capital allowances	-	(6,429)
Impact of non-taxable income	(117,500)	(61,487)
Total current tax charge (see a)	634,762	582,395
Effective tax rate	22 42%	28 59%

c) Factors that may affect future tax charges

Deferred tax assets have not been recognised to the extent that they are not regarded as recoverable in the foreseeable future The unrecognised asset relating to differences between depreciation and capital allowances is £22,381 (2009 £17,972)

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer hardware & equipment £	Total £
Cost at 1 April 2009	29,377	126,383	155,760
Additions	1,997	20,085	22,082
Disposals	0	(1,110)	(1,110)
At 31 March 2010	**31,374**	**145,358**	**176,732**
Depreciation			
At 1 April 2009	13,818	71,442	85,260
Disposals	0	(1,110)	(1,110)
Charge for the period	9,424	41,343	50,767
At 31March 2010	**23,242**	**111,675**	**134,917**
Net book value 31 March 2010	**8,132**	**33,683**	**41,815**
Net book value 31March 2009	15,559	54,941	70,500

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2010		2009	
Derivative transactions	**Assets £**	**Liabilities £**	Assets £	Liabilities £
Forwards, Futures & options positions	**41,442,999**	**(47,267,873)**	120,326,401	(85,813,645)
Forward foreign exchange positions	**465,467**	**(1,263,295)**	747,918	(6,520,212)
Total	**41,908,466**	**(48,531,168)**	121,074,319	(92,333,857)
Current portion	**32,179,883**	**(38,982,034)**	111,257,274	(82,945,648)
Non current portion	**9,728,583**	**(9,549,134)**	9,817,045	(9,388,209)
Due to/from parent company:				
Current portion	**513,242**	**(15,361,611)**	82,091,223	(261,716)
Non current portion	**2,909**	**(6,384,595)**	7,048,525	(261,490)

Forwards, futures and options positions include metal and options contracts entered into in the normal course of operations The maturity dates range from one day to five years The forward foreign exchange contracts are entered into in order to match settlement amount and maturity of forward, futures & options positions As is normal in the market place, settlements are made on a net basis as they fall due

The fair value of exchange traded, non exchange traded contracts, and foreign currency transactions is based on the market prices, including FX rates, provided by the London Metal Exchange as at the balance sheet date Other relevant data such as discount rates, is provided by LCH Clearnet All fair value movements have been included in turnover for the year ended 31 March 2010

11. AVAILABLE FOR SALE INVESTMENTS

	31 March 2010 £	31 March 2009 £
Shares in		
LME (Holdings) Limited "A" shares	**1**	1
LME (Holdings) Limited "B" shares	**1,186,250**	1,186,250
LCH Clearnet Group Ltd	**205,026**	297,619
	1,391,276	1,483,870

LME (Holdings) Limited "A" shares

The company received 250,000 "A" shares of 10 pence each as part of de-mutualisation process of the London Metal Exchange Ltd in December 2001 followed by a bonus issue of a further 50,000 shares in March 2002 The shares are carried at a nominal value of £1 as no consideration has been paid by the company

LME (Holdings) Limited "B" shares

In May 2006 the company received 30,000 "B" shares in LME (Holdings) Ltd for which no consideration was paid It is a requirement of the LME that 25,000 "B" shares must be held by Category one and two LME clearing members and as a consequence the company will retain such a number As per the prior year, there has not been an active market for these shares since August 2008 and in these circumstances the directors have applied best efforts valuation methods, as required, to ascertain fair value at year end As a result of this exercise, the directors do not believe the value to have changed from the prior year based on the information available

LCH.Clearnet Group Ltd

Following an invitation by LCH Clearnet Group to redeem shares the company elected to redeem 112,903 shares of the original investment of 362,903 Ordinary Shares of one Euro and the profit has been taken to profit and loss The remaining 250,000 shares are stated at original cost

12. DEBTORS

	31 March 2010 £	31 March 2009 £
Amounts due less than one year·		
Trade debtors	**836,051**	3,067,750
Amount due from group undertaking	**30,313**	40,526
Prepayments & accrued income	**477,547**	485,059
LCH members default fund	**156,000**	340,000
Other debtors	**238,188**	66,322
	1,738,099	3,999,657
Amounts due greater than one year:		
Derivative financial instruments (see note 10)	**9,728,583**	9,817,045
Other debtors	**6,667**	14,982
	9,735,250	9,832,027

Concentration of credit risk is disclosed in Note 19 No trade debtors are past their due date or impaired at year end

13 TERM DEPOSITS

		31 March 2010 £	31 March 2009 £
Term deposits	less than 3 months	**14,766,711**	61,067,287
	more than 3 months, less than one year	-	4,000,000
		14,766,711	65,067,287

The fair value of short term deposits is equal to their presented book value

14 CREDITORS: amounts falling due within one year

	31 March 2010 £	31 March 2009 £
Bank loans and overdrafts (see note 15)	**916,760**	16,000,000
Trade Creditors	**7,761,845**	4,759,721
Derivative financial instruments (see note 10)	**38,982,034**	82,945,648
Amounts owed to parent	-	73,957,074
Taxation and Social Security	**566,083**	59,207
Other creditors	-	22,193
Accruals	**421,919**	918,662
	48,648,641	178,662,505
Amounts due greater than one year.		
Derivative financial instruments (see note 10)	**9,549,134**	9,388,209

15 CALLED UP SHARE CAPITAL

	31 March 2010 £	31 March 2009 £
Authorised, allotted, called up and fully paid		
10,500,000 ordinary shares of £1 each	**10,500,000**	10,500,000

Share capital constitutes the managed capital of the Company Called up share capital and the profit and loss reserve on the balance sheet qualify for inclusion as financial resources for regulatory purposes

In addition, the company can call on subordinated loans from third parties to supplement regulatory capital if required and during the year drew down funds under facilities provided for this purpose At the year end no subordinated loan was drawn down (2009 £16,000,000) as per note 14 above The Company is authorised and regulated by the Financial Services Authority ("FSA"), and is subject to the FSA's minimum capital standards and requirements as applicable to UK Non –ISD Firms These require, inter alia, that a minimum ratio of Capital available to risk weighted Capital Requirements of 100% is maintained at all times In addition there are concentration and liquidity mismatch calculations and reporting requirements and is measured on a daily basis

The Company's sets of objectives, policies and processes relating to the management of capital, and for ensuring that the FSA's minimum capital standards are met FSA requirements are fully incorporated into capital management objectives, policies and processes The major risk categories considered by both the FSA and the Company are those pertaining to Credit Risk, Market Risk and Operational Risk

All FSA capital requirements imposed on the Company during the year were met

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Issued Share Capital £	**Available for sale Investment Reserve £**	**Profit and Loss Account £**	**Total 2010 £**	Total 2009 £
At 1 April	**10,500,000**	**1,186,250**	**5,014,605**	**16,700,855**	11,169,007
Profit for the year	-	-	**2,010,738**	**2,010,738**	1,454,598
Additional shares	-	-	-	-	5,000,000
Revaluation	-	-	-	-	(563,750)
Transfer to P&L	-	-	-	-	(84,000)
Dividend paid	-	-	**(2,475,000)**	**(2,475,000)**	(275,000)
At 31 March	**10,500,000**	**1,186,250**	**4,550,343**	**16,236,593**	16,700,855

A dividend of £1,113,000 (£0 106 per share) respect of the year ended 31 March 2010 is to be paid in the financial year ending 31 March 2011 if approved at the Annual General Meeting

17. COMMITMENTS AND CONTINGENCIES

At the end of the financial year the company had two commitments under a software licence agreements, one for a further three years (2009 one years) and the other for a further three years (2009 four years) There were no other material capital commitments or contingencies at the end of the financial year (2009 nil)

18 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2010 the company had an annual service and tenancy commitment under a cancellable operating agreement expiring as follows

	31 March 2010 £	31 March 2009 £
Within one year	**140,940**	141,852

19. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk The company's overall risk management programme focuses on the unpredictability of relevant markets and seeks to minimise potential adverse effects on the company's financial performance by making daily measurements and comparing with limits set down During the year a VaR methodology was introduced to monitor market risk providing company level exposure using both Historical and Monte Carlo simulations at a 95% confidence level and a 1 day holding period The simulations including backtesting are calculated on a daily basis The company's Historical VaR at the year end was $11,421

Price risk:

The Company's principal business involves acting as a broker and dealer in commodity derivatives and it holds positions primarily on a back to back basis with clients and brokers Open trading positions held by the Company are small and largely result from client facilitation activities Where open positions exist the Company is exposed to adverse price movement in the price of commodities in which it trades and holds positions

Trading limits have been set that take into account each commodity's volatility These limits are monitored on a daily basis against both marked to market movement and position structure On a daily basis LCH Clearnet communicate the current fair price of all derivatives financial assets and liabilities traded by the company

At the year end the company had no outright positions with very limited unmatched date exposure and as result was not exposed to significant risk from a change in market value of open derivative contracts at 31 March 2010

AFS investments·

A 10% change in the price of LME "B" shares detailed in note 11 above would have resulted in a net change of £118,630 (2009 £118,630) in the carrying market value of the assets at 31 March 2010

TOYOTA TSUSHO METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Credit risk.

Credit risk arises from a counterparty defaulting on a contractual obligation involving cash and cash equivalents, deposits with banks and financial institutions, and from derivative financial instruments transactions In particular, the company operates in a market that is largely driven by providing credit to counterparties

The company has credit policies and procedures in place under its Adequate Credit Management Policy (ACMP) and this helps ensure it deals only with counterparties of suitable credit standing After considering a counterparty's financial results and other relevant data, all applications for credit lines are submitted to the parent company's credit committee for formal approval, or rejection Such lines granted are advised to the counterparty and are reviewed at least on an annual basis All counterparty positions are monitored at least on a daily basis against lines granted The company calls margin for cover should net exposures covered by netting agreements exceed the lines granted It considers its dealings with the present range commodities as one class of financial asset

The company has determined that concentration risk can arise through exposure to any one counterparty or counterparty group, from the industry segment those counterparties are involved in, and from geographic region Although at the year end there was no financial, geographic or industry concentration, the company continues to have a major part of its business in Asia The company had exposure to a clearing house of £24,960,976 (2009 £0) One counterparty had exceeded its credit limit at the balance sheet date and a margin call was fully met on 1 April with collateral to the value of £258k There were no impaired exposures The amount that best represents the company's maximum exposure to credit risk at the year end, without taking account of collateral or other credit enhancements, was equivalent to the current assets as disclosed on the balance sheet less prepayments and accrued income of £477k (2009 £485k) as disclosed in note 13 Management, however, have in place master netting agreements that reduce the credit exposure significantly and through the netting of assets and liabilities in the event of a default After taking account of the netting provisions and collateral held, the company's overall credit exposure would be £29,491,415 (2009 £27,535,319)

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as the fall due Prudent liquidity risk management requires maintaining sufficient cash, cash equivalent, deposits and adequate bank facilities readily available to fund the company's day to day business Funding levels are reviewed at least annually by the company and its parent company and account taken of both business plans and market levels to ensure an appropriate level of uncommitted bank facilities are available to support the business To achieve this, significant parent support by way of guarantees is provided to the banks that provide these facilities to the company The facilities cover funding for daily operational requirements to LCH Clearnet, and subordinated loan funding when required for regulatory capital purposes At the balance sheet date the company had adequate unutilised facilities

The table below analyses the company's total financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

At 31 March 2010	Less than three months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Assets							
Derivative financial instruments	16,505,674	8,378,332	6,782,635	9,725,674	-	-	41,392,315
Derivative financial instruments - due by parent	176,875	70,506	265,861	2,909	-	-	516,151
Trade debtors	866,364	-	-	-	-	-	866,364
Other debtors	638,967	26,490	13,109	6,667	-	-	685,233
Term deposits	14,766,711	-	-	-	-	-	14,766,711
Cash at bank	14,581,334	-	-	-	-	-	14,581,334
TOTALS	47,535,925	8,475,328	7,061,605	9,735,250	-	-	72,808,108
Liabilities							
Derivative financial instruments	16,575,840	3,816,071	3,228,511	3,164,539		-	26,784,961
Derivative financial instruments -due to parent	5,484,037	5,389,818	4,487,757	6,384,595		-	21,746,207
Trade creditors	7,761,845	-	-	-	-	-	7,761,845
Bank Loans	916,760	-	-	-	-	-	916,760
Other creditors	566,083	-	-	-	-	-	566,083
TOTALS	31,304,565	9,205,889	7,716,268	9,549,134	-	-	57,775,856

TOYOTA TSUSHO METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2010

At 31 March 2009	Less than three months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Assets							
Derivative financial instruments	20,199,158	4,596,371	4,210,546	2,831,149	96,937	-	31,934,161
Derivative financial instruments – due by parent	35,727,567	21,360,683	25,007,377	6,979,321	64,800	-	89,139,748
Trade debtors	3,108,276	-	-	-	-	-	3,108,276
Other debtors	687,630	-	-	14,982	-	-	7,02,612
Term deposits	61,067,287	-	4,000,000	-	-	-	65,067,287
Cash at bank	13,040,954	-	-	-	-	-	13,040,954
TOTAL	133,830,872	25,957,054	33,217,923	9,825,452	161,737	-	202,993,038
Liabilities							
Derivative financial instruments	31,862,557	22,132,454	28,533,759	9,193,518	88,363	-	91,810,651
Derivative financial instruments - due to parent	73,957,074	-	261,716	207,028	54,462	-	74,480,280
Trade Creditors	4,759,751	-	-	-	-	-	4,759,751
Bank loans and overdrafts	12,000,000	-	4,000,000	-	-	-	16,000,000
Other creditors	81,400	-	-	-	-	-	81,400
TOTAL	122,660,782	22,132,454	32,795,475	9,400,546	142,825	-	187,132,082

TOYOTA TSUSHO METALS LIMITED
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For the year ended 31 March 2010

Foreign exchange risk·

The company is exposed to movement in United States dollar (dollar) and sterling exchange rates because it operates mainly in dollar denominated commodities and reports the financial statements in sterling

Management has set a policy that where the company contracts in a currency other than dollar, that contract is immediately covered with respect to the dollar The company is also required to sell its dollar income stream for sterling on a monthly basis The company has receivables and payables in non sterling currencies and the resulting currency exposure within net assets are exposed to currency translation risk

An increase of 5% change in respect of spot exchange rates to sterling at the balance sheet date would have resulted in a debit to profit and loss on translation difference in respect of net currency assets of £18,181 (2009 £42,166) whilst a 5% decrease in the spot exchange rate to sterling would have resulted in a credit of £20,095 (2009 £46,605)

The foreign exchange exposure of the company, net of forward FX hedges, is as follows

	31 March 20109 £	31 March 2009 £
USD	**18,131,025**	27,869,612
Yen	**(17,751,306)**	(28,424,396)
Euro	**2,084**	141,921
	381,803	412,863

Interest rate risk.

The company has an excess of current assets over current liabilities and is exposed to minimal cash flow interest rate risk Surplus cash is invested on term deposits Interest is not charged or incurred on outstanding derivative asset and liabilities with brokers or clients

The average effective interest rate on these deposits at 31 March 2010 wasl 59% (2009 1 24%)

An increase or decrease of 1% in interest rates on deposits and loans held at the balance sheet date would have resulted in a net gain to the profit and loss account of £7,349 (2009 £24,740) in respect of an increase in rate, and a loss of £2,736 in respect of a decrease (2009 £7,713)

Fair value hierarchy

The company has disclosed their derivative positions under the three tier hierarchy for fair value measurement as required under FRS 29 for the year ended 31 March 2010 Level 1 relates to positions where quoted (unadjusted) prices are readily observable and obtainable for identical assets and liabilities in an active market Level 2 relates to positions which require input (other than quoted prices included within level 1) that are observable for the asset and the liability, either directly (prices) or indirectly (derived from prices) Level 3 relates to positions which require inputs for the asset and liability that are not based on observable market data

The company has determined it has futures and options positions which are classified as level 1, and metal forward and FX positions classified as level 2 The total of Level 1 assets and liabilities is respectively £40,491,804 and £46,700,687 (see note 10) Level 2 assets and liabilities are respectively £1,416,662 and £1,830,481, (see note10) All prices are derived from quotes or other information from the London Metal Exchange or LCH Clearnet Ltd Additionally, the company has determined that Available for Sale assets of LME B shares of £1,186,250 which are fair valued at year end using management's best effort valuation methods (see note 11), are classified as level 3 There have been no movements in level 3 on the prior year

20 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking of the company is Toyota Tsusho Corporation, a company incorporated in Japan A copy of the group accounts may be obtained from Toyota Tsusho Corporation, Toyota Building, 9-8 Meiki 4 – chome, Nakamura-ku, Nagoya 450-8575, Japan The immediate and ultimate parent company cannot alter these accounts after they have been signed