

**Mitsui Bussan Commodities Ltd**  
**Annual report and financial statements**  
**for the year ended 31 March 2022**

Registered number: 04395895

FRIDAY



\*ABIIN2KW\*

A13

09/12/2022

#43

COMPANIES HOUSE

# **Mitsui Bussan Commodities Ltd**

## **Contents**

	<b>Page</b>
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	7
Independent auditor's report to the members of Mitsui Bussan Commodities Ltd	8
Consolidated profit and loss account	12
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Company balance sheet	15
Consolidated statement of changes in equity	17
Company statement of changes in equity	18
Consolidated cash flow statement	19
Notes to the financial statements	20

## **Mitsui Bussan Commodities Ltd**

### **Officers and professional advisers**

#### **Directors**

Martin Abbott  
Stuart Aitken  
Peter Allan  
Kengo Iwamoto (appointed 23 April 2021)  
Shu Kondo  
Sho Miichi (resigned 29 October 2021)  
Takeshi Okada  
Ryutaro Takeuchi  
Toshifumi Hatanaka (appointed 12 November 2021)

#### **Secretary**

Kengo Iwamoto

#### **Registered office**

6<sup>th</sup> 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 products to its customers. In addition, the Group offers over the counter ("OTC") derivatives in a broad range of metals and energy 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 \$143.9m for the year, an increase of \$5.3m from 2021. The Group benefited from the trading environment, where the increased volatility resulted in increases in client flows. The regional makeup of the revenue, as seen in note 3, continues to change year on year, with a positive outlook on the overall revenue growth. As the Group expanded its business and trading revenue, the operating expenses have increased to \$93.5m (2021: \$87.0m). The increase in operating expenses as a result of the expanding business resulted in the Group generating pre-tax profit of \$49.0m (2021: \$49.6m). The Group has net assets of \$340.7m (2021: \$251.2m). Please see note 3 for further details on revenue splits, by desk and by geographical location.

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.

### Russia-Ukraine war

On 24 February 2022 Russia invaded Ukraine, causing a widespread change in the macro-economic influences on many of the world's markets, including the energy and metals markets. The result of this was an upwards price spike in most of the markets that the Group is involved in, changing the risk landscape of the Group. The main risks surrounded liquidity and credit risk, with all clients of the Group being affected, as well as increased compliance risk in relation to sanctions on companies and individuals by US, UK and EU lawmakers. These risks, including mitigations in place, are discussed further in note 1 of the accounts.

### COVID-19

The Group has adapted to the post COVID-19 landscape in line with government advice, including a 3-2 approach to working from office and working from home. There has been no material impact on the operations or risk of the business from prior years, although management continue to monitor guidance and current working conditions in case of any further changes or risks surrounding COVID-19. The Group is well prepared for any future lockdowns, if they occur.

### 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 its capital base when required.

### Investment Firms Prudential Regime (IFPR)

On 01 January 2022, the Company adopted the new IFPR regime in line with regulations. Management assessed the impact of the regime ahead of the implementation date and took advantage of the transitional provisions available and there is no significant change to either the compliance risk or the capital requirements to the Company.

### Subsequent events

There are no subsequent events that need to be considered. The ongoing volatility in the market, as well as the large inflation figures both domestically and globally, are being continually monitored by management in relation to risk to the Group.

## Mitsui Bussan Commodities Ltd

### Strategic report (continued)

#### Key performance indicators

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

	2022	2021
	US\$' 000	US\$' 000
Turnover	143,911	138,826
1 day VaR	2,121	959

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 2022 is \$2,121k (2021: \$959k). VaR has increased significantly from the end of 2021 financial year due to a significant increase in market volatility following the outbreak of war in Ukraine.

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

The Group monitors no non-financial KPI's that are necessary for understanding the Group's performance and position.

#### 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, exposure to credit risk, volatility of market prices for commodities traded, 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.

#### S 172 (1) Statement

Under Section 172(1) of the Companies Act 2006, the directors are required to describe how they consider a broad range of stakeholders when performing their duty to promote the success of the Company.

Our business has continued to grow successfully and this is testament to our focus on core values, a clear strategy, the consideration of our stakeholders during our decision making process, in which long term consequences are considered. We detail in this statement how we engage with our key stakeholders. The Company has a number of stakeholders but the key stakeholders with which the firm engage regularly are our employees, our regulators, our clients and our shareholders and together they are central to our long term success.

#### Culture and Value

It is within the Company's culture to promote high standards of conduct within the Company and with all external parties. Senior management realise that the tone from the top is crucial to instilling the right culture and values within the organisation and therefore senior management have focused on demonstrating this, which is evidenced by the results of the annual staff survey. Openness and honesty are encouraged with all stakeholders with the aim of improving how we run our business, improving the outcomes of our stakeholders and driving the long term success of our business.

#### Employees

Our employees are our key asset and central to how we move forward as a business. We are committed to investing in our employees' development and progression. This is achieved by providing a range of benefits, which will help our employees achieve long term success in their careers. The annual appraisal process was changed significantly with the aim of even better engagement with our employees and their careers. We carry out an annual staff survey, which is an important tool to understand how our policies are impacting staff and where there is scope for us to make positive changes to our business.

## Mitsui Bussan Commodities Ltd

### Strategic report (continued)

#### Regulators

As directors of a regulated investment firm, we believe adherence to all relevant regulation is central to the way the Company conducts its business. The Company engages positively and openly with the regulator at all times, which has been particularly relevant during this extended period of regulatory change. This engagement is maintained through regulatory seminars, round table events, participating as members of key industry bodies. This is enhanced by the ongoing training on key regulatory areas.

#### Clients

We have a client focused strategy and this is clearly demonstrated by the way the Company's employees engage with our clients to understand their business and their needs. The Company engages by meeting with its clients on a regular basis; this will include visiting the clients' places of business, phone calls and electronic communications. This engagement has guided some of our strategic decisions regarding the new markets we have entered, as we look to meet the expectations of our clients. The Company continued to review its systems with the aim of improving our servicing capabilities.

#### Shareholders

As a wholly owned subsidiary of Mitsui & Co., Ltd our shareholder engages fully with our strategy, objectives and performance.

#### Environment

Although our activities are primarily office-based, we are aware of the role we can play in protecting the environment. Whether it is reducing wastage, improving recycling or digitising workflows, we aim to improve our efficiency and minimise our environmental impact.

Although as a financial services company we do not have supply chains as such, the company is committed to acting ethically and has taken all reasonable steps to ensure it does not use the services of third parties that represent a slavery and/or human trafficking risk. The full policy is included on our website at [www.mbcl.com](http://www.mbcl.com).

#### Long term decision making

When making decisions, the Company's board considers the long term impact of its decisions on its key stakeholders, including its clients, shareholders and employees.

#### Streamlined energy and carbon reporting for UK

	2022	2021
Emissions from combustion of gas (tCO <sub>2</sub> e)	12.9	13.6
Emissions from purchased electricity (tCO <sub>2</sub> e)	62.9	61.8
Total natural gas consumption (kWh)	70,411	75,020
Total electricity consumption (kWh)	296,366	265,004
Intensity ratio: kgCO <sub>2</sub> e per sqm of occupied office space	55.2	58.1

The assessment has been carried out in accordance to ISO14064-1:2018 Greenhouse Gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.

The assessment measures, where possible, the carbon dioxide equivalent (CO<sub>2</sub>e) emissions associated with business activities. CO<sub>2</sub>e includes the six main GHGs covered by the Kyoto Protocol: carbon dioxide (CO<sub>2</sub>), hydrofluorocarbons (HFCs), nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). It is considered important to report these GHG's as the global warming potential (GWP) of certain GHGs are many times greater than that of CO<sub>2</sub>.

# **Mitsui Bussan Commodities Ltd**

## **Strategic report (continued)**

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



Ryutaro Takeuchi  
Director  
Mitsui Bussan Commodities Ltd  
6<sup>th</sup> Floor, 1 St. Martin's Le Grand  
London  
EC1A 4BB

Date 28 July 2022

# Mitsui Bussan Commodities Ltd

## Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2022.

An indication of likely future developments and post balance sheet events in the business of the Group, and information about the branches, 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, unless noted below:

Martin Abbott	
Stuart Aitken	
Peter Allan	
Kengo Iwamoto	Appointed 23 April 2021
Shu Kondo	
Sho Miichi	Resigned 29 October 2021
Takeshi Okada	
Ryutaro Takeuchi	
Toshifumi Hatanaka	Appointed 12 November 2021

### 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 2022 (2021: \$Nil).

### 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 being at least 12 months from the date of this report. 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 and in the strategic report for the companies reporting.

### Auditor

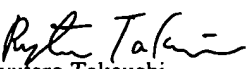
Each of the persons who is a director at the date of approval of this report confirms that:

- 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:

  
Ryutaro Takeuchi  
Director  
Date 28 July 2022



## **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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

## **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 'Parent Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 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 Parent Company balance sheets;
- the Consolidated and Parent Company statements of changes in equity;
- the Consolidated cash flow statement; and
- the related notes 1 to 26.

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 Parent 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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)**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Parent 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 Parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, the UK financial services legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty, including the Group's regulatory solvency and capital requirements.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **Mitsui Bussan Commodities Ltd**

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

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Valuation of financial instrument – our procedures included independent valuation of a sample of positions; and
- Credit valuation adjustment – our procedures included assessment of the Group's model and an independent evaluation of a sample of credit ratings.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports, and reviewing correspondence with HMRC and Financial Conduct Authority.

#### **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 Parent 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.

##### **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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent 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.

## **Mitsui Bussan Commodities Ltd**

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

#### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Christopher Brough (Senior statutory auditor)**  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

Date: 28 July 2022

## Mitsui Bussan Commodities Ltd

### Consolidated profit and loss account

For the year ended 31 March 2022

	Note	2022 US\$' 000	2021 US\$' 000
<b>Turnover</b>	3	143,911	138,556
Administrative expenses		(93,507)	(87,017)
<b>Operating profit</b>		50,404	51,539
Interest receivable and similar income	7	3,114	1,130
Interest payable and similar expenses	8	(4,652)	(3,252)
Dividend received	12	209	179
<b>Profit before taxation</b>		49,075	49,596
Tax on profit	9	(5,081)	(5,586)
<b>Profit for the financial year</b>		43,994	44,010

### Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Note	2022 US\$' 000	2021 US\$' 000
<b>Profit for the financial year</b>		43,994	44,010
Revaluation of investment	12	776	1,339
Translation adjustment		(1,833)	593
(Losses)/gains on cash flow hedge	23	(2,766)	2,705
Tax relating to components of other comprehensive income	19	(637)	(588)
<b>Total comprehensive income</b>		39,534	48,059

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

The notes on pages 20 to 46 form part of these financial statements.

## Mitsui Bussan Commodities Ltd

### Consolidated balance sheet

As at 31 March 2022

	Note	2022 US\$'000	2021 US\$'000
<b>Non-current assets</b>			
Intangible assets	10	919	1,590
Tangible assets	11	6,462	3,536
Investments	12	9,587	8,811
		<u>16,968</u>	<u>13,937</u>
<b>Current assets</b>			
Cash and cash equivalents		378,959	198,379
Financial assets	13	3,819,664	1,369,440
Stocks	14	223,197	42,896
Other debtors	16	20,968	21,096
		<u>4,442,788</u>	<u>1,631,811</u>
<b>Current liabilities</b>			
Financial liabilities	17	(3,973,160)	(1,345,777)
Other creditors	18	(54,904)	(48,789)
		<u>(4,028,064)</u>	<u>(1,394,566)</u>
<b>Net current assets</b>		<u>414,724</u>	<u>237,245</u>
<b>Total assets less current liabilities</b>		<u>431,692</u>	<u>251,182</u>
<b>Non-current liabilities</b>			
Borrowings	21	(90,976)	-
		<u>(90,976)</u>	<u>-</u>
<b>Net assets</b>		<u>340,716</u>	<u>251,182</u>
<b>Capital and reserves</b>			
Called up share capital (78,467k ordinary and fully paid \$1 shares)	25	78,467	28,467
Share premium account	25	97,533	97,533
Capital redemption reserve	25	1,780	1,780
Merger reserve	25	31,270	31,270
Revaluation reserve	25	2,633	5,260
Translation adjustment	25	(1,257)	576
Profit and loss account	25	130,290	86,296
<b>Shareholder's funds</b>		<u>340,716</u>	<u>251,182</u>

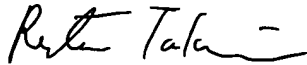
The notes on pages 20 to 46 form part of these financial statements.

## **Mitsui Bussan Commodities Ltd**

### **Consolidated balance sheet**

As at 31 March 2022

The financial statements of Mitsui Bussan Commodities Ltd were approved by the board of directors and authorised for issue on 28 July 2022. They were signed on its behalf by:



Ryutaro Takeuchi  
Director

Registered number: 04395895



## Mitsui Bussan Commodities Ltd

### Company balance sheet

As at 31 March 2022

	Note	2022 US\$'000	2021 US\$'000
<b>Non-current assets</b>			
Intangible assets	10	879	1,575
Tangible assets	11	2,790	1,587
Investments	12	60,268	24,120
Loans to subsidiaries		9,959	-
		<u>73,896</u>	<u>27,282</u>
<b>Current assets</b>			
Cash and cash equivalents		119,162	135,738
Financial assets	13	3,697,682	1,361,095
Stocks	14	223,197	42,896
Other debtors	16	35,774	24,932
		<u>4,075,815</u>	<u>1,564,661</u>
<b>Current liabilities</b>			
Financial liabilities	17	(3,670,504)	(1,313,229)
Other creditors	18	(66,147)	(61,385)
		<u>(3,736,651)</u>	<u>(1,374,614)</u>
<b>Net current assets</b>		<u>339,164</u>	<u>190,047</u>
<b>Total assets less current liabilities</b>		<u>413,060</u>	<u>217,329</u>
<b>Non-current liabilities</b>			
Borrowings		(90,976)	(61,385)
		<u>(90,976)</u>	<u>(1,374,614)</u>
<b>Net assets</b>		<u>322,084</u>	<u>217,329</u>
<b>Capital and reserves</b>			
Called up share capital (78,467k ordinary and fully paid £1 shares)		78,467	28,467
Share premium account		97,533	97,533
Capital redemption reserve		1,780	1,780
Revaluation reserve		2,633	5,260
Translation adjustment		(241)	-
Profit and loss account		141,912	84,289
<b>Total shareholder's funds</b>		<u>322,084</u>	<u>217,329</u>

The profit for the financial year of the Company was \$57,623k (2021: \$31,652k).

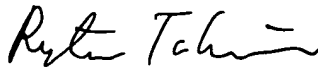
The notes on pages 20 to 46 form part of these financial statements.

## **Mitsui Bussan Commodities Ltd**

### **Company balance sheet**

As at 31 March 2022

The financial statements of Mitsui Bussan Commodities Ltd were approved by the board of directors and authorised for issue on 28 July 2022. They were signed on its behalf by:



Ryutaro Takeuchi  
Director

Registered number: 04395895

## Mitsui Bussan Commodities Ltd

### Group statement of changes in equity

For the year ended 31 March 2022

	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Merger reserve US\$'000	Revaluation reserve US\$'000	Translation adjustment US\$'000	Profit and loss account US\$'000	Total US\$'000
<b>Group</b>								
At 1 April 2021	28,467	97,533	1,780	31,270	5,260	576	86,296	251,182
Share issuance	50,000	-	-	-	-	-	-	50,000
Profit for the year	-	-	-	-	-	-	43,994	43,994
Other comprehensive expense	-	-	-	-	(2,627)	(1,833)	-	(4,460)
At 31 March 2022	<u>78,467</u>	<u>97,533</u>	<u>1,780</u>	<u>31,270</u>	<u>2,633</u>	<u>(1,257)</u>	<u>130,290</u>	<u>340,716</u>
	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Merger reserve US\$'000	Revaluation reserve US\$'000	Translation adjustment US\$'000	Profit and loss account US\$'000	Total US\$'000
<b>Group</b>								
At 1 April 2020	28,467	97,533	1,780	31,270	1,804	(17)	42,286	203,123
Profit for the year	-	-	-	-	-	-	44,010	44,010
Other comprehensive income	-	-	-	-	3,456	593	-	4,049
At 31 March 2021	<u>28,467</u>	<u>97,533</u>	<u>1,780</u>	<u>31,270</u>	<u>5,260</u>	<u>576</u>	<u>86,296</u>	<u>251,182</u>

The revaluation reserve includes cash flow hedge loss of \$2,766k (2021: \$2,705k gain) (note 23).

## Mitsui Bussan Commodities Ltd

### Company statement of changes in equity

For the year ended 31 March 2022

	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Revaluation reserve US\$'000	Translation adjustment US\$'000	Profit and loss account US\$'000	Total US\$'000
<b>Company</b>							
At 1 April 2021	28,467	97,533	1,780	5,260	-	84,289	217,329
Share issuance	50,000	-	-	-	-	-	50,000
Profit for the year	-	-	-	-	-	57,623	57,623
Other comprehensive expense	-	-	-	(2,627)	(241)	-	(2,868)
At 31 March 2022	<u>78,467</u>	<u>97,533</u>	<u>1,780</u>	<u>2,633</u>	<u>(241)</u>	<u>141,912</u>	<u>322,084</u>

	Issued share capital US\$'000	Share premium US\$'000	Capital redemption reserve US\$'000	Revaluation reserve US\$'000	Translation adjustment US\$'000	Profit and loss account US\$'000	Total US\$'000
<b>Company</b>							
At 1 April 2020	28,467	97,533	1,780	1,804	-	84,289	182,221
Profit for the year	-	-	-	-	-	31,652	31,652
Other comprehensive income	-	-	-	3,456	-	-	3,456
At 31 March 2021	<u>28,467</u>	<u>97,533</u>	<u>1,780</u>	<u>5,260</u>	<u>-</u>	<u>84,289</u>	<u>217,329</u>

The notes on pages 20 to 46 form part of these financial statements.

## Mitsui Bussan Commodities Ltd

### Consolidated cash flow statement

For the year ended 31 March 2022

	Note	2022 US\$'000	2021 US\$'000
<b>Cash flows from operating activities</b>			
Operating profit		50,404	51,539
Adjustment for:			
Depreciation and amortisation	10,11	3,070	3,067
Operating cash flow before movement in working capital		53,474	54,606
Increase in stocks	14	(180,301)	(15,251)
(Increase)/decrease in debtors		(2,915,628)	389,467
Increase in creditors		2,993,921	308,513
<b>Cash (absorbed)/generated by operations</b>		(48,534)	120,309
Corporation taxes paid		(4,695)	(2,827)
<b>Net cash (outflow)/inflow from operating activities</b>		(53,229)	117,482
<b>Cash flows from investing activities</b>			
Interest received	7	3,114	1,130
Purchase of intangible/tangible fixed assets	10,11	(5,384)	(1,999)
<b>Net cash outflow from investing activities</b>		(2,270)	(869)
<b>Cash flows from financing activities</b>			
Increase/(decrease) in borrowings	17	194,788	(71,305)
Share issuance		50,000	-
Interest paid	8	(4,652)	(3,252)
<b>Net cash inflow/(outflow) from financing activities</b>		240,136	(74,557)
<b>Net cash flow for the year</b>		184,637	42,056
<b>Cash and cash equivalents at 1 April</b>		194,322	152,266
<b>Net increase in cash and cash equivalents</b>		184,637	42,056
<b>Cash and cash equivalents at 31 March</b>		378,959	194,322
<b>Reconciliation to cash at bank and in hand:</b>			
Cash and cash equivalents		378,959	194,322
Cash and cash equivalents		378,959	194,322

The notes on pages 20 to 46 form part of these financial statements.

# Mitsui Bussan Commodities Ltd

## Notes to the financial statements

For the year ended 31 March 2022

### 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 2006.

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 5.

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 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 and rounded to the nearest \$1,000. Foreign operations are included in accordance with the policies set out below.

Mitsui Bussan Commodities Ltd meets the definition of a qualifying entity in relation to its company only financial statements included herein 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 2022. The Group will remain exposed to volatility due to its current trading portfolio, and notably its credit exposures resulting from the movement of commodity prices. The potential direct and indirect impacts of COVID19 and the Russia-Ukraine war have been considered by the company in making its assessment on going concern. The directors have analysed the potential short term volatility and potential for client defaults against the current capital levels and are confident that there is sufficient capital to absorb any potential short and medium 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 in terms of liquidity and guarantees, the Group is confident that the funding will be continued on normal commercial terms for the foreseeable future, being at least 12 months from the date of these accounts.

## **Mitsui Bussan Commodities Ltd**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2022

#### **1. Statement of accounting policies (continued)**

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 being at least 12 months from the date of the approval of the annual report. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **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 are recognised upfront; and
- commissions and brokerage expenses incurred in generating business are recognised upfront.

##### **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. Where the subsidiaries have a different functional currency the Company will convert these balances to USD resulting in a translation reserve being generated. The French subsidiary's functional currency is EUR and is converted to USD using the end of month rate.

##### **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.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 1. Statement of accounting policies (continued)

##### **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.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write down 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 in the company only balance sheet at cost net of 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. Subsequent measurement of financial assets and liabilities is as follows, financial instruments measured at fair value and movements are recorded in FVTPL, movements in fair value of available for sale investments are recorded through OCI and other financial assets and liabilities are measured at amortised cost.

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 2022

#### 1. Statement of accounting policies (continued)

##### Financial instruments (continued)

Trade debtors relate to unpaid amounts due to the Group relating to ordinary trading activities as at balance sheet date, and are measured at amortised cost.

Trade creditors relate to unpaid amounts due by the Group relating to ordinary trading activities as at the balance sheet date, and are measured at amortised cost.

##### 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.

## **Mitsui Bussan Commodities Ltd**

### **Notes to the financial statements (continued)**

For the year ended 31 March 2022

#### **1. Statement of accounting policies (continued)**

##### **Taxation (continued)**

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.

##### **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, Swiss, France and Netherlands Emissions Trading Registry. 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.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

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

##### 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.

##### 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 profits in the future to utilise the losses. Management took into consideration the profits over the next three years together with its forecasts determined that deferred the tax recognition criteria is met. As a result, a portion of the deferred tax asset has been recognised. Refer to note 19 for details of the deferred tax not currently recognised.

*Credit valuation adjustment* – in determining the fair value of an asset held with a counterparty, Credit Value Adjustment ("CVA") and Debit Value Adjustment ("DVA") are applied to the Company's derivative assets and liabilities, respectively, with the intent to as accurately as possible reflect the true credit risk of the portfolio.

CVA is an adjustment between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default.

DVA is an adjustment between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a default by the Company.

The CVA and DVA models are based on the use of Credit Default Swaps (CDS), which for the current financial year range from 0.19% to 6.35%, depending on the clients rating. Customers in exceptional circumstances may require ad hoc provisions. The Company has performed a sensitivity analysis by applying a general 25% increase to the CDS rates applied, which demonstrated an increase of the total CVA and DVA adjustment of c. \$2m at year end.

#### 3. Turnover

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

	2022 US\$'000	2021 US\$'000
<b>Turnover</b>		
Metals trading desk	55,883	32,076
Energy trading desk	88,028	106,480
	<u>143,911</u>	<u>138,556</u>

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

	2022 US\$'000	2021 US\$'000
<b>Turnover</b>		
UK	75,309	54,592
US	39,362	36,352
Singapore	29,240	47,612
	<u>143,911</u>	<u>138,556</u>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 4. Information regarding directors and employees

	2022 US\$'000	2021(*) US\$'000
<b>Directors' remuneration</b>		
Aggregate of directors' emoluments	2,513	2,328
Contributions to money purchase pension schemes	32	30
	<u>2,545</u>	<u>2,358</u>
<b>Remuneration of the highest paid director</b>		
Emoluments of highest paid director	528	464
	<u>528</u>	<u>464</u>
	2022 US\$'000	2021 US\$'000
<b>Employee costs (including directors) during the year</b>		
Wages and salaries	56,341	50,277
Social security costs	4,985	4,588
Pension costs	1,850	1,674
	<u>63,176</u>	<u>56,539</u>
	No.	No.
<b>Average number (including working directors) of persons employed</b>		
Trading and marketing	65	63
Administration	112	101
	<u>177</u>	<u>164</u>

(\*) In the prior year, the amount reported as the aggregation of director's emoluments was incorrectly disclosed as \$1,398k due to error on input. In the current year, this has been restated to \$2,328k. There was no impact to the prior year consolidated statement of profit and loss.

#### 5. Profit before taxation

	2022 US\$'000	2021 US\$'000
<b>Operating profit after charging</b>		
Rentals under operating leases of land and buildings	2,238	1,904
Depreciation and amortisation (note 10, 11)	3,070	3,067
Foreign exchange gain	(960)	(458)
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for the audit of the Company's financial statements	852	637
The audit of the Company's subsidiaries pursuant to legislation	332	264
Total audit fees	<u>1,184</u>	<u>901</u>
Other services	66	65
Tax services	142	371
Total non-audit fees	<u>208</u>	<u>436</u>

# Mitsui Bussan Commodities Ltd

## Notes to the financial statements (continued)

For the year ended 31 March 2022

### 6. Operating lease commitments

At 31 March 2022, the Group has committed to making the following minimum lease payments in respect of non-cancellable operating leases:

	2022 US\$'000	2021 US\$'000
	Land and Buildings	Land and Buildings
<b>Group</b>		
Expiry date:		
Less than one year	2,163	2,287
Between two and five years	4,019	9,904
After five years	4,668	-
	<u>10,850</u>	<u>12,191</u>
	2022 US\$'000	2021 US\$'000
	Land and Buildings	Land and Buildings
<b>Company</b>		
Expiry date:		
Less than one year	889	933
Between two and five years	-	933
	<u>889</u>	<u>1,866</u>
<b>7. Interest receivable and similar income</b>		
	2022 US\$'000	2021 US\$'000
Non-group interest receivable and similar income	3,114	1,130
	<u>3,114</u>	<u>1,130</u>
<b>8. Interest payable and similar expenses</b>		
	2022 US\$'000	2021 US\$'000
<b>To group undertakings</b>		
Less than one year	(55)	(13)
Subordinated loans	(1,198)	(2,363)
<b>To non-group undertakings</b>		
Other interest payable	(3,399)	(876)
	<u>(4,652)</u>	<u>(3,252)</u>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 9. Tax on profit

The tax charge comprises:

	2022 US\$'000	2021 US\$'000
<b>Current tax (charge)/credit on profit</b>		
Corporation tax - UK	(1,391)	(1,556)
Foreign tax	(3,882)	(5,132)
Adjustment in respect of prior years - UK	(368)	(315)
- Overseas	-	(50)
<b>Total current tax</b>	<b>(5,641)</b>	<b>(7,053)</b>
<b>Deferred tax (charge)/credit</b>		
Timing differences, origination and reversal - UK	1,221	479
- Overseas	(661)	988
<b>Total deferred tax (note 19)</b>	<b>560</b>	<b>1,467</b>
<b>Total tax on profit</b>	<b>(5,081)</b>	<b>(5,586)</b>

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% (2021: 19%).

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:

	2022 US\$'000	2021 US\$'000
Group profit before tax	49,075	49,596
Tax on group profit at standard UK corporation tax rate of 19% (2021: 19%)	(9,325)	(9,423)
<b>Tax effects of</b>		
Income not taxable and expenses not deductible for tax purposes	(57)	104
Utilisation and recognition of previously unrecognised deferred tax assets	5,287	4,000
Difference in tax rates on overseas earnings	145	134
Adjustments to tax charge in respect of previous periods	(368)	(347)
Foreign tax suffered	(763)	(54)
<b>Group total tax charge for the year</b>	<b>(5,081)</b>	<b>(5,586)</b>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 10. Intangible fixed assets

	Group US\$'000	Company US\$'000
<b>Software</b>		
<b>Cost</b>		
At 1 April 2021	12,059	11,742
Additions	756	708
Disposals	(142)	-
At 31 March 2022	12,673	12,450
<b>Accumulated amortisation</b>		
At 1 April 2021	(10,470)	(10,167)
Charge for the year	(1,426)	(1,404)
Depreciation unwind on disposal	142	-
At 31 March 2022	(11,754)	(11,571)
<b>Net book value</b>		
At 31 March 2022	919	879
At 31 March 2021	1,590	1,575

Software comprises a mix of internally generated, as well as off the shelf, software used.

#### 11. Tangible fixed assets

	Group			Total
	Leasehold Improvements US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	US\$'000
<b>Cost</b>				
At 1 April 2021	6,789	1,232	7,142	15,163
Additions	1,996	95	2,537	4,628
Translation adjustment	(8)	(5)	(17)	(30)
Disposal	(3,380)	(37)	(1,801)	(5,218)
At 31 March 2022	5,397	1,285	7,861	14,543
<b>Accumulated depreciation</b>				
At 1 April 2021	(5,420)	(863)	(5,344)	(11,627)
Charge for the year	(655)	(81)	(908)	(1,644)
Translation adjustment	2	1	11	14
Depreciation unwind on disposal	3,380	34	1,762	5,176
At 31 March 2022	(2,693)	(909)	(4,479)	(8,081)
<b>Net book value</b>				
At 31 March 2022	2,704	376	3,382	6,462
At 31 March 2021	1,369	369	1,798	3,536

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 11. Tangible fixed assets (continued)

	Company			
	Leasehold Improvements US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Total US\$'000
<b>Cost</b>				
At 1 April 2021	2,624	651	3,290	6,565
Additions	-	11	1,802	1,813
At 31 March 2022	2,624	662	5,092	8,378
<b>Accumulated depreciation</b>				
At 1 April 2021	(1,656)	(632)	(2,690)	(4,978)
Charge for the year	(333)	(10)	(266)	(610)
At 31 March 2022	(1,989)	(642)	(2,956)	(5,588)
<b>Net book value</b>				
At 31 March 2022	635	20	2,135	2,790
At 31 March 2021	968	19	600	1,587

#### 12. Investments

	Company	
	2022 US\$'000	2021 US\$'000
<b>Subsidiaries</b>		
<b>Cost and net book value</b>		
Opening balance at 1 April	15,309	15,309
Additions	35,372	-
Closing balance at 31 March	50,681	15,309

There is no impairment of investment in the current or prior financial year.

During the year, capital injections totalling €31,150,000 were made in relation to the fully owned subsidiary Mitsui Bussan Commodities (France) S.A..

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

	US\$'000
MB Commodities Limited - 6 <sup>th</sup> 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. - 12 Marina View, #12-01 Asia Square Tower 2, Singapore 018961	657
Mitsui Bussan Commodities (France) SA. - 112 Avenue Kleber, 75116 Paris	46,823

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



## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 12. Investments (continued)

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost and net book value</b>				
Opening balance at 1 April	8,811	7,472	8,811	7,472
Sale of investments	-	-	-	-
Revaluation of investments	776	1,339	776	1,339
Closing balance at 31 March	<u>9,587</u>	<u>8,811</u>	<u>9,587</u>	<u>8,811</u>

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 \$237.86 per share as at 31 March 2022 and the Membership seats have been valued at \$175k 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 £64 per share as at 31 March 2022 based on the last sale by the Company.

A dividend of \$209k was received from CME Group Inc. during the year (2021: \$179k).

#### 13. Financial assets

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Net derivative with</b>				
Third parties	2,367,068	760,817	1,772,221	705,619
Group undertakings (note 24)	80,264	108,883	378,614	139,966
<b>Total derivative financial assets</b>	<b>2,447,332</b>	<b>869,700</b>	<b>2,150,835</b>	<b>845,585</b>
<b>Excess collateral placed with</b>				
Third parties	1,189,134	432,560	1,061,442	427,640
Group undertakings (note 24)	157,902	67,180	477,212	87,870
<b>Total collateral</b>	<b>1,347,036</b>	<b>499,740</b>	<b>1,538,654</b>	<b>515,510</b>
<b>Trade debtors</b>	<b>25,296</b>	<b>-</b>	<b>8,193</b>	<b>-</b>
	<u>3,819,664</u>	<u>1,369,440</u>	<u>3,697,682</u>	<u>1,361,095</u>

Derivative assets are measured at fair value through the profit and loss. Collateral owed and trade debtors are held at amortised cost. Effects of offsetting of collateral and derivative assets and liabilities are shown in note 22.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 14. Stocks

	Group		Company	
	2022	2021	2021	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Stocks	223,197	42,896	223,197	42,896
	<u>223,197</u>	<u>42,896</u>	<u>223,197</u>	<u>42,896</u>

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

#### 15. Impaired assets

Movement in the Group and Company allowance for doubtful debts:

	2022	2021
	US\$'000	US\$'000
<b>Group</b>		
Opening balance at 1 April	14,394	10,691
Additional provision for doubtful debt	1,446	4,001
Amount written off as uncollectible	(624)	(206)
Impairment losses recovered during the year	-	(96)
Closing balance at 31 March	<u>15,216</u>	<u>14,394</u>
	2022	2021
	US\$'000	US\$'000
<b>Company</b>		
Opening balance at 1 April	14,394	10,691
Additional provision for doubtful debt	624	4,001
Amount written off as uncollectible	(624)	(206)
Impairment losses recovered during the year	-	(96)
Closing balance at 31 March	<u>14,394</u>	<u>14,394</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 \$15,216k (2021: \$14,394k) 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 Group recovered \$nil (2021: \$92k). The Group wrote off \$624k relating to Hong Kong Hung Yun International, a metals counterparty. An allowance for doubtful debt has been recognised as well as utilised.

Group also includes an amount of \$822k in relation to an Italian client, Alperg. After the balance sheet date, and agreement was reached with Alperg in which the Group received 80% of the balance owed in final settlement. This amount was therefore reversed from the provision for doubtful debt at that time.

The Group and Company had no past due, but not impaired assets as at 31 March 2022 (2021: \$nil).

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 15. Impaired assets (continued)

Ageing of impaired receivables:

	2022 US\$'000	2021 US\$'000
<b>Group</b>		
90-120 days	822	-
121+ days	14,394	14,394
	<u>15,216</u>	<u>14,394</u>
	2022 US\$'000	2021 US\$'000
<b>Company</b>		
121+ days	14,394	14,394
	<u>14,394</u>	<u>14,394</u>

#### 16. Other debtors

	<b>Group</b>		<b>Company</b>	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Amounts owed by group companies (note 24)	19	37	85	37
Amounts owed by subsidiaries (note 24)	-	142	17,645	6,991
Other debtors and prepayments	6,972	7,898	5,467	6,347
UK corporation tax and group relief	9,146	8,826	8,532	8,826
Deferred tax asset (note 19)	4,831	4,193	4,045	2,731
	<u>20,968</u>	<u>21,096</u>	<u>35,774</u>	<u>24,932</u>

Other debtors is comprised of accrued income, staff loans and amounts due from customers in administration or other credit risk positions, less a specific provision against each customer.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 17. Financial liabilities

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Net derivatives due to</b>				
Third parties	(2,341,909)	(763,060)	(1,603,174)	(684,098)
Group undertakings (note 24)	(345,233)	(237,935)	(787,540)	(292,129)
<b>Total derivative</b>	<b>(2,687,142)</b>	<b>(1,000,995)</b>	<b>(2,390,714)</b>	<b>(976,227)</b>
 <b>Excess collateral pledged from</b>				
Third parties	(766,582)	(166,966)	(736,652)	(163,243)
Group undertakings (note 24)	(119,827)	(6,064)	(166,175)	(6,064)
<b>Total collateral</b>	<b>(886,409)</b>	<b>(173,030)</b>	<b>(902,827)</b>	<b>(169,307)</b>
Overdraft	-	(4,057)	-	-
Loans	(271,506)	(167,695)	(265,974)	(167,695)
Trade creditors	(128,103)	-	(110,989)	-
	<u>(3,973,160)</u>	<u>(1,345,777)</u>	<u>(3,670,504)</u>	<u>(1,313,229)</u>

Derivative liabilities are measured at fair value through the profit and loss. Collateral held and trade creditors are held at amortised cost. Effects of offsetting of collateral and derivative assets and liabilities are shown in note 22.

#### 18. Other creditors

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts owed to group companies (note 24)	(391)	(162)	(290)	(142)
Amounts owed to subsidiaries (note 24)	(195)	(96)	(28,472)	(29,312)
UK corporation tax and group relief	(16,129)	(15,451)	(14,722)	(14,002)
Other creditors	(33,383)	(29,300)	(20,335)	(16,568)
Foreign tax payable	(3,135)	(2,725)	(713)	(378)
Deferred tax liabilities (note 19)	(1,671)	(1,055)	(1,615)	(983)
	<u>(54,904)</u>	<u>(48,789)</u>	<u>(66,147)</u>	<u>(61,385)</u>

Other creditors is comprised of general accruals, accrued bonus and accrued group tax relief payments due.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 19. Deferred tax assets and liabilities

The movement on the deferred tax asset / (liability) over the year has been as follows:

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Opening balance at 1 April	3,138	2,259	1,748	1,857
Tax on investment revaluation	(1,176)	(44)	(1,176)	(44)
Tax on cash flow hedge	638	(544)	638	(544)
Charged to profit and loss account	560	1,467	1,221	479
Closing balance at 31 March	3,160	3,138	2,430	1,748

Tax relating to components of OCI comprises tax on investment revaluation and tax on cash flow hedge.

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax asset (note 16)	4,831	4,193	4,045	2,731
Deferred tax liabilities (note 18)	(1,671)	(1,055)	(1,615)	(983)
Total deferred tax	3,160	3,138	2,430	1,748

Deferred tax is provided as follows:

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Other timing differences	(792)	407	(1,522)	(983)
Tax losses available	3,952	2,731	3,952	2,731
Total deferred tax	3,160	3,138	2,430	1,748

The UK deferred tax balances have been calculated using tax rates which have been enacted or substantively enacted at the balance sheet date and which are expected to apply in the periods in which the timing differences reverse. The enacted rates at the balance sheet date are 19% for the period to 31 March 2023 and 25% thereafter. The effect of the rate change from 1 April 2023 has been reflected in the financial statements, increasing the net deferred tax asset at 31 March 2022 by \$464k.

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.

At 31 March 2022, the Group had tax 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. This includes tax losses of \$24,969k (2021: \$46,057k) and tax credits of \$316k (2021: \$223k) that have not been utilised at 31 March 2022. There is no expiry date on timing differences, unused tax losses or tax credits. A deferred tax asset of \$3,952k (2021: \$2,731k) has been recognised in respect of utilisation of tax losses carried forward

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 19. Deferred tax assets and liabilities (continued)

Deferred tax assets have not been recognised in respect of certain of the above items (those relating to the UK company) as there is insufficient evidence to indicate that taxable timing differences or 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 25% (2021: 19%) is \$2,712k (2021: \$5,755k).

A net deferred tax liability of \$1,522k (2021: \$983k) was recognised due to the changes in fair value of LME shares, Nymex shares and foreign currency contracts.

The group has undistributed profits of \$10,721k in its subsidiaries on which a withholding tax of 5% is expected to apply if distributed up to the Company in the future. No deferred tax liability has been recognised on the basis that the Company is able to control the distribution of these profits and does not intend to make this distribution (meaning it is probable that the timing difference will not reverse in the future).

During the year beginning 1 April 2022, it is expected that a net deferred tax asset of \$1,299k (2021: \$1,342k) will reverse. This is mainly due to the utilisation of tax loss against forecast UK profit.

#### 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;

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 20. Financial instruments (continued)

##### Fair value measurements recognised in the balance sheet (continued)

###### 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.

###### 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</u>	2022			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Financial assets</b>				
Derivative financial assets (note 13)	93,985	2,349,973	3,374	2,447,332
Available for sale investments (note 12)	-	7,486	2,101	9,587
Stocks (note 14)	223,197	-	-	223,197
	<u>317,182</u>	<u>2,357,459</u>	<u>5,475</u>	<u>2,680,116</u>
<b>Financial liabilities</b>				
Derivative financial liabilities (note 17)	(125,484)	(2,561,658)	-	(2,687,142)
	<u>(125,484)</u>	<u>(2,561,658)</u>	<u>-</u>	<u>(2,687,142)</u>
<u>Company</u>	2022			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Financial assets</b>				
Derivative financial assets (note 13)	93,985	2,053,475	3,374	2,150,835
Available for sale investments (note 12)	-	7,486	2,101	9,587
Stocks (note 14)	223,197	-	-	223,197
	<u>317,182</u>	<u>2,060,961</u>	<u>5,475</u>	<u>2,383,619</u>
<b>Financial liabilities</b>				
Derivative financial liabilities (note 17)	(125,484)	(2,265,230)	-	(2,390,714)
	<u>(125,484)</u>	<u>(2,265,230)</u>	<u>-</u>	<u>(2,390,714)</u>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 20. Financial instruments (continued)

<u>Group</u>	2021			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Financial assets</b>				
Derivative financial assets (note 13)	-	869,213	487	869,700
Available for sale investments (note 12)		6,502	2,309	8,811
Stocks (note 14)	27,645	-	-	27,645
	<u>27,645</u>	<u>875,715</u>	<u>2,796</u>	<u>906,156</u>
<b>Financial liabilities</b>				
Derivative financial liabilities (note 17)	-	(1,000,033)	(962)	(1,000,995)
	<u>-</u>	<u>(1,000,033)</u>	<u>(962)</u>	<u>(1,000,995)</u>

<u>Company</u>	2021			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Financial assets</b>				
Derivative financial assets (note 13)	-	845,097	487	845,585
Available for sale investments (note 12)		6,502	2,309	8,811
Stocks (note 14)	27,645	-	-	27,645
	<u>27,645</u>	<u>875,715</u>	<u>2,796</u>	<u>882,041</u>
<b>Financial liabilities</b>				
Derivative financial liabilities (note 17)	-	(975,265)	(962)	(976,227)
	<u>-</u>	<u>(975,265)</u>	<u>(962)</u>	<u>(976,227)</u>

#### Movements in Level 3 financial instruments during the year:

<u>Group &amp; Company</u>	2022		
	Financial instruments FVTPL US\$'000	Financial instruments FVTOCI US\$'000	Total US\$'000
At 1 April 2021	(475)	2,309	1,834
Additions	3,374	-	3,374
Settlements	475	-	475
Revaluations	-	(208)	(208)
As at 31 March 2022	<u>3,374</u>	<u>2,101</u>	<u>5,475</u>



## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 20. Financial instruments (continued)

##### Movements in Level 3 financial instruments during the year (continued):

<u>Group &amp; Company</u>	2021		Total US\$'000
	Financial instruments FVTPL US\$'000	Financial instruments FVTOCI US\$'000	
At 01 April 2020	(1,365)	2,079	714
Additions	189	-	189
Settlements	(2,917)	-	(2,917)
Revaluations	3,618	230	3,848
As at 31 March 2021	(475)	2,309	1,834

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

#### 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, tolerances and limit structures are clearly defined through a risk framework, which includes risk policies, and a governance structure all of which are overseen by the board of directors.

In respect to the impact of the Russian war, markets have become volatile increasing credit, liquidity, market and operational risks. The risks associated with the war risks are being diligently managed with enhanced controls and increased reserves.

From 01 April 2022, the terms on the loan to subsidiary changed from LIBOR based to ESTER based interest rate charges

##### 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.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 21. Risk management (continued)

##### Credit risk (continued)

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 Group 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. 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.

Any limit excesses are reported to the Credit Risk Management Committee, which decides on an appropriate course of action.

As at 31 March 2022, Group exposure to credit risk is \$1,015m (2021: \$373m). The Group's exposure to non-investment grade counterparties is \$290m (2020: \$61m).

As at 31 March 2022, Company exposure to credit risk is \$729m (2021: \$340m). The Group's exposure to non-investment grade counterparties is \$236m (2020: \$59m).

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 (CVA) estimates the potential loss if a counterparty default based on expected positive exposure, creditworthiness and tenor for each counterparty in the Group's portfolio at year end. The CVA figure is then reserved until the exposure matures.

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.

	<b>Group 2022 US\$'000</b>	<b>Group 2021 US\$'000</b>
<b>Maximum exposure to credit risk</b>		
Financial assets held for trading (note 13)	2,367,068	760,817
Trade debtors	25,296	-
Collateral (note 13)	1,189,134	432,560
Other debtors and prepayments (note 16)	6,972	7,898
Cash	378,959	198,379
	<u>3,967,428</u>	<u>1,399,654</u>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 21. Risk management (continued)

##### Operational risks

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 exchange prices or 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 page 2.

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.

In respect of COVID-19 there have been no significant disruptions or restrictions to the day to day operations of our business.

Business continuity planning, Cybersecurity, GDPR and various other operational risks are overseen by both Operational Risk and IT committees who report to the Board of Directors.

##### 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.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 21. Risk management (continued)

##### Liquidity risk (continued)

Stress tests and simulations are performed daily to give management indicative liquidity requirements in the case of a hypothetical severe market movement.

	2022 Financial liabilities FVTPL				
	Less than 1 month US\$'000	1-3 Months US\$'000	3-12 months US\$'000	Over 1 year US\$'000	Total US\$'000
<b>Group derivative financial liabilities</b>					
Third parties	(260,823)	(344,205)	(1,241,090)	(495,791)	(2,341,909)
Group undertakings	(35,445)	(70,409)	(177,629)	(61,750)	(345,233)
Collateral from third parties	(766,582)	-	-	-	(766,582)
Collateral from group undertakings	(119,827)	-	-	-	(119,827)
Loans from group undertakings	(271,506)	-	-	(90,976)	(362,482)
	<u>(1,454,184)</u>	<u>(414,614)</u>	<u>(1,418,719)</u>	<u>(557,541)</u>	<u>(3,936,033)</u>

	2022 Financial liabilities FVTPL				
	Less than 1 month US\$'000	1-3 Months US\$'000	3-12 months US\$'000	Over 1 year US\$'000	Total US\$'000
<b>Company derivative financial liabilities</b>					
Third parties	(161,114)	(239,026)	(895,364)	(307,670)	(1,603,174)
Group undertakings	(107,862)	(117,955)	(376,847)	(184,876)	(787,540)
Collateral from third parties	(736,652)	-	-	-	(736,652)
Collateral from group undertakings	(166,175)	-	-	-	(166,175)
Loans from group undertakings	(265,974)	-	-	(90,976)	(356,950)
	<u>(1,437,777)</u>	<u>(356,981)</u>	<u>(1,272,211)</u>	<u>(583,522)</u>	<u>(3,650,491)</u>

	2021 Financial liabilities FVTPL				
	Less than 1 month US\$'000	1-3 Months US\$'000	3-12 months US\$'000	Over 1 year US\$'000	Total US\$'000
<b>Group derivative financial liabilities</b>					
Third parties	(117,967)	(168,655)	(351,559)	(124,879)	(763,060)
Group undertakings	(17,749)	(83,173)	(97,667)	(39,346)	(237,935)
Collateral from third parties	(166,966)	-	-	-	(166,966)
Collateral from group undertakings	(6,064)	-	-	-	(6,064)
Loans from group undertakings	(167,695)	-	-	-	(167,695)
	<u>(476,441)</u>	<u>(251,828)</u>	<u>(449,226)</u>	<u>(164,225)</u>	<u>(1,341,720)</u>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 21. Risk management (continued)

##### Capital risk management

	2021 Financial liabilities FVTPL				Total US\$'000
	Less than 1 month US\$'000	1-3 Months US\$'000	3-12 months US\$'000	Over 1 year US\$'000	
<b>Company derivative financial liabilities</b>					
Third parties	(103,907)	(157,248)	(317,628)	(105,315)	(684,098)
Group undertakings	(26,753)	(88,021)	(122,317)	(55,038)	(292,129)
Collateral from third parties	(163,243)	-	-	-	(163,243)
Collateral from group undertakings	(6,064)	-	-	-	(6,064)
Loans from group undertakings	(167,695)	-	-	-	(167,695)
	<u>(467,662)</u>	<u>(245,269)</u>	<u>(439,945)</u>	<u>(160,353)</u>	<u>(1,313,229)</u>

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.

#### 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 2022.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 22. Offsetting financial assets and liabilities (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet		Net amounts reported on the balance sheet	Related amounts not offset		
	Gross amount	Amount offset		Financial instruments	Financial collateral	Net amount
<b>From third party</b>						
Derivative financial assets	18,504,954	(16,137,886)	2,367,068	(1,230,143)	-	(1,230,143)
Collateral	1,554,478	(365,344)	1,189,134	-	(424,860)	(424,860)
	20,059,432	(16,503,230)	3,556,202	(1,230,143)	(424,860)	(1,655,003)
<b>Due to group undertakings</b>						
Derivative financial assets	338,538	(258,274)	80,264	-	-	-
Collateral	157,902	-	157,902	-	-	-
	496,440	(258,274)	238,166	-	-	-
<b>Total financial assets</b>	<b>20,555,872</b>	<b>16,761,504</b>	<b>3,794,368</b>	<b>(1,230,143)</b>	<b>(424,860)</b>	<b>(1,655,003)</b>

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet		Net amounts reported on the balance sheet	Related amounts not offset		
	Gross amount	Amount offset		Financial instruments	Financial collateral	Net amount
<b>From third party</b>						
Derivative financial liabilities	(18,177,986)	15,836,077	(2,341,909)	1,139,815	-	1,139,815
Collateral	(1,433,735)	667,153	(766,582)	-	515,188	515,188
	(19,611,721)	16,503,230	(3,108,491)	1,139,815	515,188	1,655,003
<b>Due to group undertakings</b>						
Derivative financial liabilities	(603,497)	258,274	(345,223)	-	-	-
Collateral	(119,827)	-	(119,827)	-	-	-
	(723,324)	258,274	(465,050)	1,139,815	515,188	1,655,003
<b>Total financial liabilities</b>	<b>(20,335,045)</b>	<b>16,761,504</b>	<b>(3,573,541)</b>	<b>1,139,815</b>	<b>515,188</b>	<b>1,655,003</b>

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 22. Offsetting financial assets and liabilities (continued)

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.

#### 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	
	2022 1.34	2021 1.23	2022 £'000	2021 £'000	2022 US\$'000	2021 US\$'000
Sell [Currency GBP]			18,000	19,763	(409)	2,276
Less than 3 months			6,000	3,441	(143)	590

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.

#### 23. Cash flow hedges (continued)

The Group has applied hedge accounting. Loss of \$2,766k (2021: \$2,705k profit) was recognised in other comprehensive income and hedge ineffectiveness resulted in \$nil being recognised in profit or loss.

#### 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. Related party transactions connected to the Company's derivative transactions are traded on an arms length basis, non-derivative transactions are recharged at cost.

## Mitsui Bussan Commodities Ltd

### Notes to the financial statements (continued)

For the year ended 31 March 2022

#### 25. Share capital and other reserves

##### *Called up share capital*

Called up share capital comprises 78,467k of ordinary fully paid £1 shares, measured at historical cost. During the year, Mitsui & Co., Ltd invested and additional \$50m into the Company via 50m fully paid \$1 shares.

##### *Share premium account*

Share premium consists of the premium paid on historic share issuance.

##### *Merger reserve*

A non-distributable reserve for the excess share premium of the acquired business upon merger.

##### *Capital redemption reserve*

A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of the company's own shares out of distributable profits.

##### *Revaluation reserve*

A reserve for the revaluation of held for sale assets and other items designated for cash flow hedge accounting.

##### *Translation reserve*

A foreign currency reserve for the translation from local currency to USD upon consolidation for group companies with a functional currency other than USD.

##### *Profit and loss account*

A reserve for the distributable retained earnings of the Company and Group.

#### 26. 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 2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8631 Japan.