

**Company Registration No. 02214224**

**Mitsubishi Corporation International  
(Europe) Plc**

**Annual Report and Financial Statements**

**For the year ended 31 March 2019**



# **Mitsubishi Corporation International (Europe) Plc**

## **Annual report and financial statements 2019**

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# **Mitsubishi Corporation International (Europe) Plc**

## **Annual report and financial statements 2019**

### **Officers and professional advisers**

#### **Directors**

I Kano  
H Niwa  
K Fukuhara  
G Williams  
M Pratt  
A Fraser  
J Rogers

#### **Secretary**

H Hayakawa

#### **Registered Office**

Mid City Place  
71 High Holborn  
London  
WC1V 6BA

#### **Principal Bankers**

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

#### **Solicitors**

Clifford Chance LLP  
10 Upper Bank Street  
London  
E14 5JJ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# Mitsubishi Corporation International (Europe) Plc

## Strategic report

The Directors present their Strategic Report for the year ended 31 March 2019 in accordance with section 414C of the Companies Act 2006.

The company's principal activities are those of trading in a broad range of commodities, industrial and consumer products, and the provision of services, including financing.

### Review of the business and key performance indicators

The company's key performance indicators include turnover and profit after tax.

Turnover for the year ended 31 March 2019 amounted to £2,727 million (2018: £746 million) and the gross profit percentage was 1.01% (2018: 3.18%). The increase in turnover was mainly due to a new crude oil trading business as well as an increase in metal transactions. Profit after taxation for the year ended 31 March 2019 amounted to £18.5 million (2018: £48.2 million), including dividend income of £37.1million (2018: £6.3million) from the company's European subsidiaries. The decrease in profit after tax was mainly due to the impairment of fixed assets investment in the year ended 31 March 2019 and the capital gains arising on the sale of several investments in the year ended 31 March 2018. Although dividend income was higher, the company recognised impairment loss of £24.3 million (2018: nil) and higher interest expenses of £14 million (2018: £3 million) from the trading operations. The impairment amount was calculated based on the investee company's net assets value net of dividend distribution as well as any future liabilities that might arise. Please refer to note 11 for details.

Other operating income and expenses for the current year amounted to £23.7 million which is £9.5 million higher than the previous year. Service and management fee income decreased by £3 million. On the other hand the company has recognised foreign exchange gains of £5.6 million (2018: losses of £2.8 million) and mark to market gains on forward contracts of £1.8 million (2018: losses of £0.8 million). The total dividend income received during the year including dividends from European subsidiaries and from other investments amounted to £37.4 million (2018: £7.4 million). The increase was mainly due to an increase in dividends from the European subsidiaries.

The inventory holding level has increased slightly by approximately £2.5 million to £136 million as at 31 March 2019 compared to the prior year (2018: increase of £25 million to £134 million). The increase in inventories is mainly due to an increase in aluminium inventory levels. The proportion of current liabilities to current assets is 90.5% which is slightly higher than the previous year (2018: 84.1%).

During the year, the company has merged with the immediate parent company, MC Europe Holdings NV, a company incorporated in the Netherlands. As a result of the merger, the company recognized a share premium of £33.7 million. This is part of a strategic decision to streamline the group structure. Please refer to note 15 and 19 for details.

Taking into account the challenging market conditions for commodities the company has continued to perform reasonably well during the year ended 31 March 2019. The directors expect that the company will continue to perform satisfactorily, although the prevailing market conditions present some challenges for the business. The directors remain committed to further strengthening internal controls and compliance to manage the risks to which the company is exposed.

### Principal risks and uncertainties and financial risk management objectives and policies

Due to the nature of the company's trading and business model, it is exposed to various risks, all of which are monitored and controlled. However these risks could potentially have a material impact on the company's performance. The principal areas of risk relate to credit risk, foreign exchange currency risk, interest rate risk, price risk and liquidity risk. These are discussed below and in more detail in notes 13 and 17 to the financial statements.

#### *Price risk*

Price risk is the risk that commodities that are bought at market price will fall in value before the company has been able to sell them. By the nature of its trading, the company is exposed to price risk.

This risk is managed and controlled in different ways. Where possible the company enters into back-to-back transactions so that the buying price and selling price are fixed at the same time. Also for some of the commodities that are traded, there is a commodities exchange market. In this instance commodity futures are bought and sold to hedge physical trading positions.

# Mitsubishi Corporation International (Europe) Plc

## Strategic report (continued)

### Principal risks and uncertainties and financial risk management objectives and policies (continued)

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk primarily arises since trade in most cases requires extending credit to customers, without which many would not trade with the company.

This risk is managed through taking out credit insurance wherever possible and also having rigorous monitoring and investigation carried out by the risk management department.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company trades in many products in many countries in different currencies and is exposed to currency risk.

To manage this, the company has established and follows a strict policy of entering into forward exchange contracts to match sales and purchases in different currencies, wherever this risk exists.

#### *Interest rate risk*

Interest rate risk is split into two different types of risks - cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. As the company has variable rate bank deposits and loans, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. A significant proportion of activity centres around funding made available to related parties, for which interest is charged at a market rate. Funding for this is borrowed and so a potential risk of movements in interest rates arises on both the borrowing and lending side.

As a matter of policy, risk is managed by ensuring that lending is on the same basis as borrowing so movements on one side are matched by movements on the other side.

#### *Liquidity risk*

Liquidity risk is the risk that the company will have insufficient short-term assets to finance short-term liabilities. The company has significant levels of short-term liabilities so it is open to liquidity risk.

The risk is managed by effective cash management and continual monitoring of short-term funding requirements and an enhanced risk management system to identify any potential problems early with the realisation of liquid assets. The company also has quick access to short-term funding from group sources.

The use of derivatives is governed by the company's policies approved by the board of directors, which provides written principles on the use of financial derivatives. The company wishes to strictly control risk positions that are taken. All significant foreign exchange risk should be hedged. Where price risk occurs this needs to be within pre-approved limits and the company will use futures to hedge that exposure. The overall position is constantly monitored to ensure adherence to agreed limits.

### Future prospects

While the directors do not anticipate any significant changes in the business in the near future, the current economic environment does present a challenge to the company in maintaining its performance.

The company has a close relationship with its parent company and follows the group's strategic plan whenever possible. The company will continue to take up new challenges and adapt to changes which best suit the group's development plan. It is considered that the company is in a good position to deal with these challenges. Internal controls that identify and manage risk exposures and good relationships with customers will continue to be fundamental management tools in the day-to-day business operations.

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

I Kano  
Managing Director  
22 July 2019



# Mitsubishi Corporation International (Europe) Plc

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

### Directors

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

K Kawakami (resigned 31 March 2019)  
J Nagase (resigned 31 March 2019)  
H Hayashi (resigned 11 April 2018)  
I Kano (appointed 11 April 2018)  
H Niwa (appointed 1 April 2019)  
K Fukuhara (appointed 1 April 2019)  
N Suzuki (appointed 23 May 2018 & resigned 30 April 2019)  
Y Katayama (appointed 23 May 2018 & resigned 30 April 2019)  
K Ninomiya (appointed 23 May 2018 & resigned 30 April 2019)  
T Matsushita (appointed 26 Nov 2018 & resigned 30 April 2019)  
G Williams  
M Pratt  
A Fraser  
J Rogers

### Dividends

The directors have recommended and paid a dividend of £48.2 million during the year (2018: £16.8 million).

### Financial risk management objectives and policies and future prospects

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

### Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. In addition the company has financing sources both from the group as well as third party banks. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

### Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

I Kano  
Managing Director  
22 July 2019



# **Mitsubishi Corporation International (Europe) Plc**

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

*In preparing these financial statements, the directors are required to:*

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# **Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Mitsubishi Corporation International (Europe) Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.



# **Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc (continued)**

## **Other information**

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

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

We have nothing to report in respect of these matters.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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.

## **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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc (continued)**

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

### **Use of our report**

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



Kevin Thompson (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

22 July 2019

## Mitsubishi Corporation International (Europe) Plc

### Income statement

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	1, 2	2,726,774	745,833
Cost of sales		(2,699,126)	(722,145)
<b>Gross profit</b>		<b>27,648</b>	<b>23,688</b>
Administrative expenses		(32,507)	(31,617)
Other operating income and expenses	5	23,689	14,186
<b>Operating profit</b>	4	<b>18,830</b>	<b>6,257</b>
Dividend income from shares in group undertakings		37,156	6,512
Dividend income from other investments		216	902
Profit from sale of fixed asset investment	11	-	38,234
Loss from sale of fixed asset investment	11	-	(55)
Impairment of fixed asset investment	11	(24,303)	-
Interest income	6	1,540	585
Interest expense	7	(14,065)	(3,103)
<b>Profit before taxation</b>		<b>19,374</b>	<b>49,332</b>
Tax	8	(917)	(1,138)
<b>Profit for the financial year attributable to owners of the Company</b>		<b>18,457</b>	<b>48,194</b>

# Mitsubishi Corporation International (Europe) Plc

## Statement of comprehensive income For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
<b>Profit for the financial year</b>		18,457	48,194
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial gains on pension scheme	18	-	69
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Losses arising on available for sale financial assets during the period	11	-	(1,407)
Movement on cash flow hedges	17	-	3
Tax relating to items that may be reclassified		-	239
<b>Other comprehensive expense for the year net of tax</b>		-	(1,096)
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<u>18,457</u>	<u>47,098</u>

# Mitsubishi Corporation International (Europe) Plc

## Balance sheet

As at 31 March 2019

	Notes	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Intangible assets	9	165	172
Property, plant and equipment	10	344	1,031
Investments	11	62,829	87,120
Derivative assets	17	104	28
Deferred tax assets	8	347	468
Other non-current asset	13	-	13
		<u>63,789</u>	<u>88,832</u>
<b>Current assets</b>			
Inventories	12	136,311	133,796
Trade and other receivables	13	971,086	359,642
Derivative assets	17	13,559	20,489
Cash and cash equivalents		65	2,223
		<u>1,121,021</u>	<u>516,150</u>
<b>Current liabilities</b>			
Bank loans and overdrafts	14	(154)	(3,506)
Trade and other payables	14	(1,005,292)	(422,506)
Derivative liabilities	17	(4,370)	(7,682)
Deferred income	14	(4,882)	(310)
		<u>(1,014,698)</u>	<u>(434,004)</u>
<b>Net current assets</b>		<u>106,323</u>	<u>82,146</u>
<b>Total assets less current liabilities</b>		<u>170,112</u>	<u>170,978</u>
<b>Non-current liabilities</b>			
Derivative liabilities	17	(57)	(89)
Deferred income and contract liabilities	14	(1,697)	(1,958)
		<u>(1,754)</u>	<u>(2,047)</u>
<b>Net assets</b>		<u>168,358</u>	<u>168,931</u>
<b>Equity</b>			
Share capital	15	120,658	120,658
Share premium	15	33,665	-
Revaluation reserve	15	3	3
Profit and loss account	15	14,032	48,270
<b>Equity attributable to owners of the company</b>		<u>168,358</u>	<u>168,931</u>

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 22 July 2019.

Signed on behalf of the Board of Directors

I Kano  
Managing Director



# Mitsubishi Corporation International (Europe) Plc

## Statement of changes in equity For the year ended 31 March 2019

	Notes	Called up share capital £'000	Share premium £'000	Revaluation reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2017</b>		<b>120,658</b>	-	<b>1,170</b>	<b>(2)</b>	<b>16,807</b>	<b>138,633</b>
Profit for the year		-	-	-	-	48,194	48,194
Other comprehensive (expense)/income for the year		-	-	(1,167)	2	69	(1,096)
<b>Total comprehensive (expense)/income for the year</b>		-		<b>(1,167)</b>	<b>2</b>	<b>48,263</b>	<b>47,098</b>
Dividends payable	21	-	-	-	-	(16,800)	(16,800)
<b>Balance at 31 March 2018</b>		<b>120,658</b>		<b>3</b>	-	<b>48,270</b>	<b>168,931</b>
Profit for the year		-	-	-	-	18,457	18,457
Capital contribution from merger of MEH	15	-	33,665	-	-	(4,487)	29,178
IFRS 9 opening adjustment	1	-	-	-	-	(8)	(8)
<b>Total comprehensive income for the year</b>		-	<b>33,665</b>	-	-	<b>13,962</b>	<b>47,627</b>
Dividends payable	21	-	-	-	-	(48,200)	(48,200)
<b>Balance at 31 March 2019</b>		<b>120,658</b>	<b>33,665</b>	<b>3</b>	-	<b>14,032</b>	<b>168,358</b>

# **Mitsubishi Corporation International (Europe) Plc**

## **Notes to the financial statements For the year ended 31 March 2019**

### **1. General information and accounting policies**

#### **a) General information**

Mitsubishi Corporation International (Europe) Plc is incorporated in England, the United Kingdom under the Companies Act. The company is a public company limited by shares and the address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and inventories that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

#### **Adoption of new and revised standards**

##### **Impact of the adoption of IFRS 15**

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Company has applied IFRS 15 using the modified approach and therefore the comparatives information has not been restated and continue to be reported under IAS18. The impact of changes is also disclosed in note 2.

The Company's revenue recognition policy under IAS 18 was broadly consistent with IFRS 15. The Company's accounting policies for its revenue streams are disclosed in detail below. The requirement which has resulted in an impact on revenue recognition is the consideration of principal versus agent sales.

The Company has assessed their trading activities when another party is involved in providing goods or services to a customer, in order to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (the Company acting as a principal) or to arrange for those goods and services to be provided by the other party (the Company acting as an agent). The Company determines whether it is a principal or an agent for each specified good and service promised to the customer. A specified good and service is a distinct good and service to be provided to the customer. If a contract with customer includes more than one specified good and service, the Company could be principal for some specified goods or services and an agent for others.

Under the new IFRS 15 definition, the Company has concluded that some of their promises are performance obligations to arrange for the other party to provide those goods and services rather than to provide the specific goods and services. This has resulted in an overall impact of approximately £6 million decrease in revenue and cost of sales. The gross profit however, remains the same.

##### **Impact of the adoption of IFRS 9**

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The Company has taken the transition provisions of IFRS 9 allowing an entity not to restate comparatives.

There is a restatement of opening balances of £8k due to additional credit loss recognised in accordance with the new requirements as stated in IFRS 9. There is no material impact on the financial statements.

#### **b) Principal accounting policies**

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

# **Mitsubishi Corporation International (Europe) Plc**

## **Notes to the financial statements (continued) For the year ended 31 March 2019**

### **1. General information and accounting policies (continued)**

#### **b) Principal accounting policies (continued)**

##### **Group financial statements**

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

##### **Cash flow statement and disclosure exemptions**

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective, presentation of comparative information in respect of certain assets, certain disclosure in respect of revenue from contracts with customers, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Mitsubishi Corporation which are available to the public and can be obtained as set out in note 19.

##### **Going concern**

The company has policies in place to ensure the risks mentioned in the Strategic Report and Directors' Report and notes 13 and 17 are within management's scrutiny and control. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. In addition the company has financing sources both from the group as well as third party banks.

As discussed in the Review of the business and key performance indicators in the Strategic Report, the company has continued to perform reasonably well given the difficult market conditions for commodities during the year ended 31 March 2019. The company has a strong balance sheet with positive net current assets and shareholders' equity. The total borrowings of the company as at 31 March 2019 of £794.0 million (2018: £332.0 million) (bank loans, overdrafts and intergroup balances – see note 14) are short-term facilities.

These are matched to a large extent against the aggregate of cash and cash equivalents of £0.07 million (2018: £2.2 million), trade receivables of £925.0 million (2018: £265.0 million) (see note 13), amounts receivable from other group companies of £36.7 million (2018: £72.5 million) (see note 13) which are on terms similar to the borrowings and inventories of £136 million (2018: £134 million) (see note 12), a large portion of which relates to commodities that are traded on international exchanges and therefore considered to be liquid and easily convertible to cash. The company has current and uncommitted bank borrowings and facilities of £2,724 million, the directors are of the opinion that these will remain available to the company for the foreseeable future.

Based on the above factors, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and financial statements.

##### **Intangible assets**

Software assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives, estimated to be approximately three years. Amortisation expenses are recognised within administration expenses in profit and loss. Provision is made for any impairment.

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. Office equipment has an estimated useful life of four years and IT equipment has an estimated useful life of three years, all other assets have an estimated useful life of four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.



# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 1. General information and accounting policies (continued)

#### b) Principal accounting policies (continued)

##### Inventories

Inventories except aluminium are stated at the lower of cost and net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and cost to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

All aluminium inventories are valued at fair value less costs to sell. This is determined at the quoted price of aluminium at the London Metal Exchange (LME) at the balance sheet date, plus the approximate market premium/discount published by *Metal Bulletin* at that date adjusted to take account of location of inventory. Location factors are determined based on actual transport costs incurred.

##### Revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Turnover is recognised at the point where control of the goods has transferred, being when the goods have been shipped to the specific location instructed by the customers. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For those transactions where the company is to provide the specified goods or services itself, turnover is recognised as principal. Where the company is to arrange for another party to provide those goods and services and the company acts as either agent or broker then only the commission receivable is recorded as turnover.

##### Other income

Interest income is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income consists mainly of fees charged for non-trading services which are recognised over time where the customer receives and consumes the benefits provided by the entity.

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

##### Foreign exchange

The company's financial statements are presented in pounds sterling which is the currency of the primary economic environment in which it operates and is deemed to be its functional currency.

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to profit and loss.

In order to hedge its exposure to certain foreign exchange risks the company enters into forward contracts. See below for details of the company policy on such derivatives and financial instruments.

##### Leases

Rental costs under operating leases are charged to profit and loss in equal annual amounts over the period of the leases. For operating leases where the company acts as lessor, rental income is credited to profit and loss in equal instalments over the period of the lease.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 1. General information and accounting policies (continued)

#### b) Principal accounting policies (continued)

##### Pension costs

The company operates a defined contribution pension scheme. The defined benefit scheme closed to future accrual of final salary benefits on 28 February 2015. The company completed the buyout of the pension scheme in March 2018.

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

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at the amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are not discounted.

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

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

##### Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when it becomes a principal party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade receivables are measured at amortised cost using the effective interest rate method.

In relation to the impairment of trade receivables, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 1. General information and accounting policies (continued)

#### b) Principal accounting policies (continued)

##### Financial instruments (continued)

The company has assessed the lifetime expected credit losses for its trade receivables as required and permitted under IFRS 9, and identified no material impact to the trade receivables amount due to the robust and comprehensive credit risk management procedure as describe in note 13.

Investments are stated at cost less any provision for impairment in all cases where the ultimate holding company holds a majority stake, as the company has no control of the cash flows or the eventual selling price. All other investments, including investments held as current assets, are classified as available-for-sale and are stated at fair value except where the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed, in which case the investment is stated at cost less provisions for impairment as an approximation to fair value. Changes in fair value are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period. Provisions for impairment are recognised in profit and loss.

Cash and cash equivalents comprise cash and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit and loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables are measured at amortised cost, using the effective interest rate method.

Equity instruments issued by the company are recorded when the proceeds are received net of direct issue costs.

##### *Derivative financial instruments and hedge accounting*

The company's activities expose it primarily to the financial risks of changes in price and changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge its foreign exchange exposure and uses futures as traded on the London Metal Exchange to manage against any price risk exposure on its aluminium trading operations. However, the company does not apply hedge accounting under IFRS 9 Financial Instruments for these derivatives used to manage price risk on commodities. The company only uses derivative financial instruments for speculative purposes to a limited extent with board approval.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### *Hedge accounting*

The company designates certain hedging instruments, which include derivatives, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis the company documents whether the

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 1. General information and accounting policies (continued)

#### b) Principal accounting policies (continued)

##### Financial instruments (continued)

hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 17 sets out the details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of other comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

Amounts deferred in equity are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

#### c) Critical accounting judgements and key sources of estimation uncertainty

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

#### Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### *Principal versus agent considerations*

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

Management is required to exercise judgement in order to determine to what extent, the Company nature of its promise is a performance obligation to provide the specified goods or services itself (the Company acting as a principal) or to arrange for the other party to provide those goods and services (the Company acting as an agent). Management judgement is also required to determine the specified good or service is a distinct good or service to be provided to the customer. If a contract with a customer includes more than one specified good or service, the Company could be a principal for some specified goods or services and an agent for others.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 1. General information and accounting policies (continued)

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

##### Critical judgements in applying the Company's accounting policies (continued)

To determine the nature of promise, management considers the detailed guidance set out in IFRS 15 *Revenue from contracts with customer*, identify the specified goods and services to be provided to customer and assess whether it controls each specified good or service before that good or service is transferred to the customer.

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### Fair value measurements

The company has material assets and liabilities which are measured at fair value or fair value less costs to sell, most notably the company's derivatives and aluminium inventories. Fair value measurements are based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. In almost all cases where fair value accounting is applied the company has chosen not to apply the hedge accounting requirements of IFRS 9 and as a result the full unrealised gains and losses resulting from the revaluation of these assets and liabilities at each reporting date are recognised directly in profit and loss.

Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to judgement, particularly where comparable market-based transactions rarely exist. Further details of the techniques applied, inputs used and the sensitivity to changes are given in notes 12 and 17 to the financial statements.

### 2. Turnover and revenue

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

	2019 £'000	2018 £'000
Sales of goods and services ("turnover")	2,726,774	745,833
Service and management fees income	15,674	18,589
Interest income (note 6)	1,540	585
Dividend income	37,373	7,414
Total revenue	2,781,361	772,421

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

Turnover represents:

- gross sales with respect to transactions in which the company is named as principal;
- commission receivable for transactions in which the company acts as a disclosed settlement agent; and
- brokerage commission receivable.

The Company has assessed the substance of transactions and gross versus net presentation of revenue and determined that, under IFRS 15 definition, the Company nature of some of their promises is a performance obligation to arrange for the other party to provide those goods and services rather than to provide the specific goods and services. In other words, the Company is acting as an intermediary for certain transactions as compared to the previous financial year.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 2. Turnover and revenue (continued)

This has resulted in an overall impact of approximately £6 million decrease in both revenue and cost of sales. The gross profit however, remains the same.

Turnover comprises:

	2019 £'000	2018 £'000
Principal	2,721,017	740,258
Agency	5,566	3,768
Brokerage	191	1,807
	<u>2,726,774</u>	<u>745,833</u>

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

	2019 £'000	2018 £'000
From customers located within:		
United Kingdom	1,779,366	298,310
Europe other than United Kingdom	622,244	436,772
Others	325,164	10,751
	<u>2,726,774</u>	<u>745,833</u>

### 3. Information regarding directors and employees

	2019 £'000	2018 £'000
<b>Directors' emoluments:</b>		
Emoluments	1,866	1,958
Company contributions to money purchase pension scheme	36	51
	<u>1,902</u>	<u>2,009</u>
	No.	No.
Number of directors who are members of a money purchase pension scheme	<u>2</u>	<u>2</u>
	£'000	£'000
Remuneration of the highest paid director	<u>771</u>	<u>1,047</u>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 3. Information regarding directors and employees (continued)

	No.	No.
<b>Average number of persons employed (including directors)</b>		
Trading	70	78
Administration	86	86
	<u>156</u>	<u>164</u>
	<b>£'000</b>	<b>£'000</b>
<b>Employee costs (excluding directors' emoluments)</b>		
Wages and salaries	9,154	8,492
Social security costs	1,091	1,014
Pension costs	979	965
Cost in respect of parent company's employees on secondment	6,288	6,363
	<u>17,512</u>	<u>16,834</u>

### 4. Operating profit

Operating profit is stated after charging/(crediting) the following amounts:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	746	796
Amortisation of intangible assets	160	164
Net rentals payable under operating leases - property (note 16)	2,314	2,322
Staff costs including directors	19,414	18,843
Net foreign exchange (gains)/losses (note 5)	(5,601)	2,817
Mark to market (gains)/losses on foreign contracts	(1,809)	764
Gain on disposal of property, plant and equipment	1	-
Impairment loss recognised on trade receivables	-	600
Reversal of impairment loss recognised on trade receivables	(383)	-
Fees payable to the company's auditor for the audit of the company's annual financial statements	205	214
Fee payable to the company's auditor and their associates for other services to the company		
– Audit-related assurance services	213	242
– Taxation compliance services	89	120
– Others	119	1
	<u>119</u>	<u>1</u>

### 5. Other operating income and expenses

	2019 £'000	2018 £'000
Service and management fees income	15,674	18,589
Net foreign exchange gains/(losses)	5,601	(2,817)
Other items of operating income/(expenses)	2,414	(1,586)
	<u>23,689</u>	<u>14,186</u>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 5. Other operating income and expenses (continued)

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

### 6. Interest income

	2019 £'000	2018 £'000
Interest receivable from group undertakings	800	493
Bank and other interest receivable	740	92
	<u>1,540</u>	<u>585</u>

### 7. Interest expense

	2019 £'000	2018 £'000
Interest on bank loans and overdrafts	1,040	642
Interest payable to group undertakings	13,025	2,461
	<u>14,065</u>	<u>3,103</u>

### 8. Tax

(i) The tax charge comprises:

	2019 £'000	2018 £'000
Corporation tax:		
United Kingdom corporation tax	1,371	1,587
Adjustment in respect of prior years	(575)	(184)
Total current tax	<u>796</u>	<u>1,403</u>
Deferred tax:		
Origination and reversal of temporary differences	121	(265)
Total deferred tax	<u>121</u>	<u>(265)</u>
Total tax on profit	<u>917</u>	<u>1,138</u>



# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 8. Tax (continued)

(ii) The charge for the year can be reconciled to the income statement as follows:

	2019 £'000	2018 £'000
Profit before tax	19,374	49,332
Tax at 19% (2018: 19%) thereon:	(3,681)	(9,373)
Effects of:		
Expenses not deductible for tax purposes	(76)	(311)
Fixed asset temporary differences	(112)	(113)
Other temporary differences	35	214
Utilisation of capital items	(152)	238
United Kingdom dividend income	7,101	1,237
Other expense/income not chargeable for tax purposes	(4,607)	22
Profit from disposal of investment not chargeable for tax purposes	-	6,764
Prior year adjustments	575	184
Total tax charge for the year	(917)	(1,138)

(iii) Tax recognised in other comprehensive income comprises:

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

	2019 £'000	2018 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income		
Revaluation of available-for-sale financial assets	-	240
Revaluations of financial instruments treated as cash flow hedges	-	(1)
Total income tax recognised in other comprehensive income	-	239

(iv) Deferred taxation

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

	Accelerated tax depreciation £'000	Others £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2018	122	347	(1)	-	468
Charge to profit or loss	78	(199)	-	-	(121)
At 31 March 2019	200	148	(1)	-	347

The company has no unused trading or capital losses (2018: £0.8m) as at balance sheet date.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 8. Tax (continued)

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

	2019 £'000	2018 £'000
Deferred tax liabilities	(1)	(1)
Deferred tax assets	348	469
	<u>347</u>	<u>468</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax assets and liabilities at 31 March 2019 has been calculated at 19% specified blended rate reflecting the tax rate at which the deferred tax assets and liabilities is expected to be utilised in future periods.

We estimate that the future rate change to 17% would further reduce our UK deferred tax assets and liabilities recognised at 31 March 2019. The actual impact will be dependent on our deferred tax position at that time.

### 9. Intangible assets

	Software £'000
<b>Cost</b>	
At 1 April 2018	2,391
Additions	153
At 31 March 2019	<u>2,544</u>
<b>Accumulated depreciation</b>	
At 1 April 2018	2,219
Charge for the year	160
At 31 March 2019	<u>2,379</u>
<b>Net book value</b>	
At 31 March 2019	<u>165</u>
At 31 March 2018	<u>172</u>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 10. Property, plant and equipment

	Vehicles £'000	Furniture, fixtures and fittings £'000	Office and IT equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2018	27	4,037	1,156	5,220
Additions	-	38	22	60
Disposals	-	(23)	(2)	(25)
At 31 March 2019	27	4,052	1,176	5,255
<b>Accumulated depreciation</b>				
At 1 April 2018	22	3,400	767	4,189
Charge for the year	5	538	203	746
Disposals	-	(22)	(2)	(24)
At 31 March 2019	27	3,916	968	4,911
<b>Net book value</b>				
At 31 March 2019	-	136	208	344
At 31 March 2018	5	637	389	1,031

### 11. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Other investments £'000	Total £'000
<b>Cost</b>				
At 1 April 2018	87,100	94	-	87,194
Addition	-	-	12	12
At 31 March 2019	87,100	94	12	87,206
<b>Provision</b>				
At 1 April 2018		74	-	74
Additions	24,303	-	-	24,303
At 31 March 2019	24,303	74	-	24,377
<b>Net book value</b>				
At 31 March 2019	62,797	20	12	62,829
At 31 March 2018	87,100	20	-	87,120

#### *Shares in subsidiary undertakings*

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

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 11. Investments (continued)

Shareholdings in subsidiaries are as follows:

Company name	Registered office and Country of incorporation	Class of shareholding	Shareholding %	£'000
Mitsubishi International G.m.b.H	Kennedydamm 19, 40476 Duesseldorf, Federal Republic of Germany	Ordinary shares	100	35,422
Mitsubishi France S.A.	3 Avenue Hoche 75008 Paris, France	Ordinary shares	100	15,072
Mitsubishi Italia S.p.A	Largo Toscanini, 1 20122 Milano, Italy	Ordinary shares	100	1,055
Mitsubishi Nederland B.V.	500 Beethovenstraat, 3 <sup>rd</sup> floor, Beethovenstraat 514, 1082 PR, Amsterdam, The Netherlands	Ordinary shares	100	7,292
Mitsubishi Espana S.A.	Orense, 58 1-Planta 28020 Madrid, Spain	Ordinary shares	100	3,866
Mitsubishi Hellas A.E.E.	68 Vassilisis Sofias Avenue & 2 Aiginitou Street, GR 115 28 Athens, Greece	Ordinary shares	100	90
<b>Total</b>				<b>62,797</b>

The company has reviewed the carrying value of the subsidiaries. As a result an impairment loss of £0.4 million and £23.9 million for Mitsubishi Italia S.p.A and Mitsubishi International G.m.b.H respectively have been included in the profit and loss account. The impairment amount was calculated based on the investee company's net assets value net of the special dividend distribution as well as any future liabilities that might arise. In the opinion of the directors, the written down value of the two subsidiaries was appropriately assessed.

### Shares in other group undertakings

Company name	Registered office and Country of incorporation	Shareholding %	£	Class	Principal business activity
Green Power Development Fund Cooperatief U.A.	WTC, Tower H, Level 13, Zuidplein 110, 1077 XV Amsterdam, Netherlands	0.12	20,199	Special Member	Development of wind power projects
			<u>20,199</u>		

Green Power Development Fund Cooperatief U.A. is the only investment in other group undertakings and represents non-controlling interests in the company. The share does not have a quoted market price in an active market. Given the lack of marketability of the shares and the fact that the company's investments in the shares do not give it control or significant influence over the cash flows or operating and financial policies of the investment the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in the group undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured the investment at cost as an approximation to fair value.

### Other investments

The other investments represent a debenture in Wentworth Golf Club.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 12. Inventories

	2019 £'000	2018 £'000
Aluminium inventories held at fair value less costs to sell	129,183	125,458
Other inventories held at the lower of cost and net realisable value	7,128	8,338
Finished goods and goods for resale	<u>136,311</u>	<u>133,796</u>

### 13. Trade and other receivables

	2019 £'000	2018 £'000
<b>Amounts due within one year:</b>		
Trade receivables	925,807	266,526
Less: allowance for doubtful receivables	(1,002)	(1,563)
	<u>924,805</u>	<u>264,963</u>
Amounts owed by parent company and fellow subsidiary undertakings	36,713	72,517
Loans to third parties	4,650	5,891
Corporation tax receivable	2,133	-
VAT receivable	-	402
Prepayments	2,785	15,853
Accrued income	-	16
	<u>971,086</u>	<u>359,642</u>
<b>Amounts due after more than one year:</b>		
Other non-current asset	-	13
	<u>-</u>	<u>13</u>
Total trade and other receivables	<u>971,086</u>	<u>359,655</u>

All trade receivables that are due within one year have a maturity of nine months or less and are non-interest bearing and therefore do not expose the company to material interest rate risk.

The loans to fellow subsidiary undertakings have no fixed repayment terms. The loans carry interest at LIBOR plus an appropriate margin for group finance. In the opinion of the directors the carrying amount is a reasonable approximation of fair value. The loan to the associated company carries interest at the company's borrowing rate plus an appropriate margin.

#### **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk arises from trade receivables due to the fact that trading in most cases requires extending of credit to customers which otherwise may not trade with the company. The company's principal customers, suppliers and financial institutions with which it conducts business are spread across diverse geographical areas.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 13. Trade and other receivables (continued)

#### *Credit risk management (continued)*

The company has stringent policies in place, managed by a specialist risk management team, which govern the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals in line with the company's delegation of authority. The company limits the credit risk by evaluating the potential counterparties before entering into transactions with them and continues to monitor and assess their creditworthiness after transactions have been initiated. Creditworthiness is assessed using information from various sources, an internal credit rating system and qualitative and quantitative data. The system of internal credit rating is based on statistical analysis, with customers being individually rated.

The company attempts to minimise credit risk through using credit insurance wherever considered appropriate and rigorous monitoring of receivables. Depending on the creditworthiness of the counterparty the company may require collateral in the form of guarantees, letters of credit and cash. As at 31 March 2019 the company has credit exposure of £31 million (31 March 2018: £50 million) covered by parent and third party guarantees in relation to its trade receivables. Credit exposure to any low rated single non-related counterparty or any group of counterparties having similar characteristics is not considered to be significant. The company defines counterparties as having similar characteristics if they are part of the same corporate group.

The company's maximum exposure to credit risk is largely limited to the carrying amount of its receivables, cash and derivatives.

Included in the company's trade receivables balance are debtors with a carrying amount of £nil (31 March 2018: £nil) which are more than 30 days overdue at the reporting date for which the company has not provided since there has not been a significant change in credit quality and the company believes that the amounts are still recoverable.

Below is the table showing the movement in the provision against doubtful receivables which are aged from current to over one year. Provisions are made based on the expected credit loss model requires under IFRS 9, reflecting the expected credit losses.

#### *Movement in the allowance for doubtful receivables*

	2019 £'000	2018 £'000
Balance at the beginning of the year	1,563	1,027
Exchange difference	12	(43)
Provision charged during the year	8	728
Provision reversed during the year	(391)	(149)
Provision written off during the year	(190)	-
Balance as at end of the year	<u>1,002</u>	<u>1,563</u>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 14. Trade and other payables

	2019 £'000	2018 £'000
<b>Amounts falling due within one year</b>		
Trade payables	202,759	87,453
Amounts owed to parent company and fellow subsidiary undertakings	793,841	328,456
Corporation tax	-	265
VAT payable	1,398	-
Other taxation and social security	347	400
Accruals	6,947	5,932
	<u>1,005,292</u>	<u>422,506</u>
<b>Deferred income</b>		
Amounts falling due within one year	4,882	310
Amounts falling due after more than one year	1,697	1,958
	<u>6,579</u>	<u>2,268</u>
<b>Total trade and other payables including deferred income</b>	<u>1,011,871</u>	<u>424,774</u>

All trade payables and amounts owed to the parent for trading transactions are due within one year and are non-interest bearing and therefore do not expose the company to material interest rate risk.

			2019 £'000	2018 £'000
<i>Bank loans and overdrafts (unsecured)</i>				
The borrowings are repayable as follows:				
On demand or within one year			154	3,506
<i>Analysis of borrowings by currency</i>				
	EUR £'000	US\$ £'000	GBP £'000	JPY £'000
31 March 2019				
Bank loans	106	42	6	-
31 March 2018				
Bank loans	-	-	-	3,506

In the opinion of the directors the contracted interest rates for borrowings are not materially different from the effective interest rates and accordingly the carrying amount of bank loans and overdrafts and amounts owed to parent company and fellow subsidiary undertakings is a reasonable approximation of fair value. Further information in respect of interest rate risk is presented in note 17 to the income statements.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 15. Share capital, revaluation reserve, share premium and profit and loss account

	2019 £'000	2018 £'000
<b>Authorised, issued and fully paid:</b>		
120,658,154 (2018: 120,658,154) ordinary shares of £1 each	120,658	120,658
	<u>          </u>	<u>          </u>
	2019 £'000	2018 £'000
<b>Revaluation reserve</b>	3	3
	<u>          </u>	<u>          </u>

Revaluation reserve represents accumulated gains arising from available for sale investments.

	2019 £'000	2018 £'000
<b>Share premium</b>	33,665	-
	<u>          </u>	<u>          </u>

Share premium arises as a result of the merger with MC Europe Holding NV, the company's immediate parent company before the merger. Please refer to note 19 for further details.

### Profit and loss account

Profit and loss reserve represents cumulative profit or losses net of dividends paid and other adjustments.

### 16. Operating lease commitments

At 31 March 2019, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>Land and buildings</b>	
	2019 £'000	2018 £'000
Within one year	4141	4,122
In the second to fifth years inclusive	16,487	16,487
After five years	10,304	14,426
	<u>          </u>	<u>          </u>

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

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2019 is £11.3 million (2018: £13.4 million).

The gross rental expense charged to profit and loss is £4.1 million (2018: £4.1 million) with sub-lease income from the fellow group companies of £1.5 million (2018: £1.8 million).

### 17. Derivatives and financial instruments

#### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.



# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Financial risk management objectives*

The company's treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles for the management of foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. It is not the policy of the company to enter into these derivative positions on a speculative basis except to a very limited extent with board approval, and firm rules and procedures are in place to ensure that the company follows these policies and that the company risk position is properly managed.

The company has entered into a number of financial instruments as part of its trading portfolio, which are used as hedging tools to match the risks to which the company is exposed. It is the company policy to use these financial instruments and derivatives to hedge outstanding assets and liabilities or transactions that have not yet been undertaken but to which there is a firm commitment or highly probable forecast transaction.

The company is exposed to certain risks and applies the appropriate hedge to match that risk. Where trading exposes the company to foreign exchange risk, forward exchange contracts are entered into to hedge the risk. If the company is exposed to credit risk it will, where appropriate, take out credit insurance to help manage that risk. Where it trades in commodities physically that are also traded on terminal markets it will use futures contracts to hedge any price exposure that it may have. A summary of the financial instruments of the company, by category, including the estimate of fair value is as follows:

#### At 31 March 2019

	Loans and receivables £'000	Available- for-sale £'000	Amortised cost £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
<b>Financial assets</b>						
Non-derivative assets	966,168	-	-	-	966,168	966,168
Derivative assets	-	-	-	13,663	13,663	13,663
Available-for-sale investments	-	32	-	-	32	32
Cash and cash equivalents	65	-	-	-	65	65
<b>Sub-total</b>	<b>966,233</b>	<b>32</b>	<b>-</b>	<b>13,663</b>	<b>979,928</b>	<b>979,928</b>
<b>Financial liabilities</b>						
Non-derivative liabilities	-	-	(210,469)	-	(210,469)	(210,469)
Derivative liabilities	-	-	-	(4,427)	(4,427)	(4,427)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(210,469)</b>	<b>(4,427)</b>	<b>(214,896)</b>	<b>(214,896)</b>
<b>Bank overdrafts and other loans</b>						
Current	-	-	(786,285)	-	(786,285)	(786,285)
<b>Total</b>	<b>966,233</b>	<b>32</b>	<b>(996,754)</b>	<b>9,236</b>	<b>(21,253)</b>	<b>(21,253)</b>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### Financial risk management objectives (continued)

At 31 March 2018

	Loans and receivables £'000	Available- for-sale £'000	Amortised cost £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
<b>Financial assets</b>						
Non-derivative assets	343,371	-	-	-	343,371	343,371
Derivative assets	-	-	-	20,517	20,517	20,517
Available-for-sale investments	-	20	-	-	20	20
Cash and cash equivalents	2,223	-	-	-	2,223	2,223
<b>Sub-total</b>	<b>345,594</b>	<b>20</b>	<b>-</b>	<b>20,517</b>	<b>366,131</b>	<b>366,131</b>
<b>Financial liabilities</b>						
Non-derivative liabilities	-	-	(92,800)	-	(92,800)	(92,800)
Derivative liabilities	-	-	-	(7,771)	(7,771)	(7,771)
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>(92,800)</b>	<b>(7,771)</b>	<b>(100,571)</b>	<b>(100,571)</b>
<b>Bank overdrafts and other loans</b>						
Current	-	-	(326,615)	-	(326,615)	(326,615)
<b>Total</b>	<b>345,594</b>	<b>20</b>	<b>(419,415)</b>	<b>12,746</b>	<b>(61,055)</b>	<b>(61,055)</b>

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

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Financial risk management objectives (continued)*

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

	2019 £'000	2018 £'000
Assets:		
Current derivative assets		
- Currency derivatives	2,561	1,690
- Aluminium commodity contracts	10,998	18,799
	<u>13,559</u>	<u>20,489</u>
Non-current derivative assets		
- Currency derivatives	36	13
- Aluminium commodity contracts	68	15
	<u>104</u>	<u>28</u>
Liabilities:		
Current derivative liabilities		
- Currency derivatives	841	1,182
- Aluminium commodity contracts	3,529	6,500
	<u>4,370</u>	<u>7,682</u>
Non-current derivative liabilities		
- Currency derivatives	-	33
- Aluminium commodity contracts	57	56
	<u>57</u>	<u>89</u>

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

#### **Hedge accounting**

While the company makes extensive use of derivative financial instruments to hedge the risks to which it is exposed, it applies hedge accounting under IFRS 9 Financial Instruments only in limited circumstances. The hedging transactions the company undertakes that are not recognised in profit and loss are cash flow hedges in respect of foreign exchange forward contracts and other financial instruments used to hedge variations in cash flows likely to arise out of changes in foreign currency exchange rates and commodity prices for highly probable forecast future transactions and firm commitments.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Financial risk management objectives (continued)*

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

	2019 £'000	2018 £'000
Aggregated losses on foreign exchange hedges	-	-
Net losses on foreign exchange hedges	-	-
Losses for the year deferred to other comprehensive income	-	-
Recycling of amounts from hedging reserve to profit and loss	-	3
Net gains for the year	-	3

As at 31 March 2019, there were four designated and effective cash flow hedges which have been deferred in other comprehensive income but the amount was minimal.

The following table details the forward foreign currency contracts outstanding as at the year end designated for cash flow hedges:

Outstanding contracts	Foreign currency		Contract value		Fair value	
	2019	2018	2019	2018	2019	2018
<b>Cash flow hedges</b>						
Buy US dollars	\$'000	\$'000	£'000	£'000	£'000	£'000
Less than three months	160	12	122	9	-	-
	160	12	122	9	-	-

Effectiveness testing is carried out on each cash flow hedge on inception and at the reporting dates. Management have assessed the above hedges to be highly effective.

#### **Market risk**

The company's activities expose it to the financial risks of changes in commodity price and foreign currency exchange rates. The company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk; and
- futures as traded on the exchanges to hedge against any price risk exposure on its aluminium trading operations.

The major commodity traded in the current year was aluminium. The company's risk management objective and strategy for undertaking the hedge is to eliminate any commodity price risk within a transaction in line with the company and departmental guidelines and rules concerning the internal risk position.

Market risk exposures are measured using sensitivity analysis, disclosed below. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk over the last financial year.

#### **(i) Commodity price risk exposure**

The company utilises derivative contracts to hedge price fluctuation on aluminium. The company buys and sells commodity futures on the commodity exchanges as a means to hedge its price risk exposure. The futures are traded on a back-to-back basis with each physical contract and as a result very few speculative positions are held.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### (i) Commodity price risk exposure (continued)

At the balance sheet date, the total notional amount of outstanding future commodity contracts was as follows:

	Aluminium	
	£'000 Long	£'000 Short
31 March 2019	178,489	297,496
31 March 2018	136,274	253,990

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in December 2020. 'Long' refers to the buying position of aluminium future contracts whereas 'Short' refers to the selling position of aluminium future contracts. The company has a notional 'long' and 'short' position of approximately £6 million and £9 million for copper future contracts as at year end.

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

Aluminium: US\$1,900 – US\$2,040 per metric ton (2018: US\$1,991 – US\$2,031 per metric ton).

#### (ii) Commodity price sensitivity analysis

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

	2019 Impact on profit and loss	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	939	2,917
Total	939	2,917

	2018 Impact on profit and loss	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	1,334	1,838
Total	1,334	1,838

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

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Foreign currency risk*

The company's treasury department will undertake cash management to ensure the foreign currency cash balances are maintained as working capital based on the estimate of future needs. When a transaction results in a foreign exchange exposure in any currency then this exposure is hedged by the treasury department. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

#### *(i) Foreign Currency risk exposure*

A significant portion of the company's earnings are denominated in foreign currencies. Consequently the company has significant risk in the translation of these earnings to its functional currency in sterling. The foreign currency profits before tax by major currency (other than sterling which comprise most of the company operating expenses) for the company are:

	2019 £'000	2018 £'000
US Dollar	19,678	17,696
Euro	38,388	6,695
Japanese Yen	94	354
	<u>58,160</u>	<u>24,745</u>

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to sterling. Additionally any changes to budgeted earnings figures are also taken into account. Where required, hedging action is undertaken and a report on the outstanding positions and valuations is presented to the management at each month end.

Monetary assets and liabilities by major foreign currency at the balance sheet date are:

	Monetary liabilities		Monetary assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
US Dollar	969,232	371,071	930,247	310,754
Euro	18,393	11,432	16,484	24,804
Japanese Yen	1,672	4,569	987	4,547
	<u>989,297</u>	<u>387,072</u>	<u>947,718</u>	<u>340,105</u>

#### *(ii) Foreign currency sensitivity analysis*

The following table shows the company's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity analysis demonstrates the impact to the company profit and loss as a result of the change in foreign currency exchange rates based on the earnings and the value of foreign currency monetary assets and liabilities shown above.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### (ii) Foreign currency sensitivity analysis

Sensitivity analysis (loss)/profit impact:

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(4,332)	2,186	(6,702)	1,966
Euro	(191)	4,265	1,337	744
Japanese Yen	(76)	10	(2)	39
Total impact (loss)/profit	(4,599)	6,461	(5,367)	2,749

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

#### (iii) Foreign currency contracts

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposure. The instruments purchased are primarily denominated in the currencies of the commodity or the marketplace that the physical transaction takes place in.

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

	GBP £'000	USD £'000	EUR £'000	JPY £'000
31 March 2019	97,686	140,868	22,933	684
31 March 2018	103,802	157,357	30,805	-

These arrangements are designed to address significant exchange exposures that the company has for contracted commitments. The vast majority are due to mature within twelve months of the balance sheet date. A very small number extend beyond then, the latest one maturing in October 2019.

At 31 March 2019 the fair value of the company's currency derivatives is estimated to be a net asset of £1.8 million (2018: net asset of £0.5 million). These contracts are valued using pricing techniques involving assumptions based on observable market data to determine the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional currency amount, taking into account the need for adjustments for credit risk. This comprises £1.8 million (2018: £0.5 million) relating to booked transactions, being accounts receivable and short-term borrowing and this year the amount of effective cash flow hedges which have been deferred in other comprehensive income was nil (2018: £nil) as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2019 for the key currencies held as derivatives.

US Dollars – Euro	1.1229 – 1.1824	(2018: 1.2298 – 1.2883)
US Dollars – Sterling	1.3031 – 1.3059	(2018: 1.4028 – 1.4089)

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### (iii) Foreign currency contracts (continued)

The company also acts as agent for its fellow subsidiaries and parent company in contracting foreign exchange forward contracts. These foreign exchange contracts are not included on the company's balance sheet on the basis that the company is only acting as agent and does not bear the significant risks and rewards of these instruments other than the fixed agency commission that is recognised as income as earned. The fair value of such contracts as at 31 March 2019 was a gain of £12,649,084 (2018: loss of £23,725,671).

#### Interest rate risk

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

The table below summarises the contractual maturity dates of the company's financial instruments, from the year end, which are exposed to cash flow interest rate risk.

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000	Non- interest bearing £'000	Total £'000
<b>As at 31 March 2019</b>						
Assets:						
Cash at bank and in hand	65	-	-	-	-	65
Loans to third parties	4,650	-	-	-	-	4,650
Amounts owed by parent company and fellow subsidiary undertakings	22,604	-	-	-	14,109	36,713
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	154	-	-	-	-	154
Amounts owed to parent company and fellow subsidiary undertakings	786,131	-	-	-	7,710	793,841
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As at 31 March 2018</b>						
Assets:						
Cash at bank and in hand	2,223	-	-	-	-	2,223
Loans to third parties	5,891	-	-	-	-	5,891
Amounts owed by parent company and fellow subsidiary undertakings	40,855	-	-	-	31,662	72,517
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	3,506	-	-	-	-	3,506
Amounts owed to parent company and fellow subsidiary undertakings	323,109	-	-	-	5,347	328,456
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Contracted interest rates on cash at bank and deposit range from -0.40% to nil%.



# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### Interest rate risk (continued)

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from nil to Libor + 0.20%.

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0.125% to Libor +0.30%.

The directors are of the opinion that the above contracted interest rates are a fair approximation of the effective interest rates as at 31 March 2019.

#### Liquidity risk

The financing requirements of the company are predominantly short-term in nature and therefore liquidity management is one of the key risks that the company faces. The company manages its financing requirement and hence its liquidity risk with the aid of a cash-flow forecast that is continuously updated to reflect the actual requirement in each currency. Where appropriate the company seeks to match the duration of liabilities to the underlying assets so as to minimise liquidity risk.

The company meets its financing requirements mainly through a combination of inter-group loans and reserves. The company also has access to uncommitted facilities from a range of banks.

An analysis of the liquidity profile of the company's financial liabilities is as follows:

	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
<b>2019</b>				
Bank loans and overdrafts	(154)	-	-	(154)
Other loans	(786,131)	-	-	(786,131)
Related interest	(2,150)	-	-	(2,150)
Non-derivative liabilities	(210,469)	-	-	(210,469)
Derivative liabilities	(4,370)	(57)	-	(4,427)
<b>Total</b>	<b>(1,003,274)</b>	<b>(57)</b>	<b>-</b>	<b>(1,003,331)</b>
	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
<b>2018</b>				
Bank loans and overdrafts	(3,506)	-	-	(3,506)
Other loans	(323,109)	-	-	(323,109)
Related interest	(673)	-	-	(673)
Non-derivative liabilities	(92,800)	-	-	(92,800)
Derivative liabilities	(7,682)	(89)	-	(7,771)
<b>Total</b>	<b>(427,770)</b>	<b>(89)</b>	<b>-</b>	<b>(427,859)</b>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Fair value measurements recognised in the balance sheet*

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

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

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at FVTPL</b>				
Derivative financial assets	-	13,663	-	13,663
<b>Available-for-sale financial assets</b>				
Unquoted equities	-	-	32	32
<b>Total</b>	<u>-</u>	<u>13,663</u>	<u>32</u>	<u>13,695</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	-	4,427	-	4,427
<b>Total</b>	<u>-</u>	<u>4,427</u>	<u>-</u>	<u>4,427</u>
	2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at FVTPL</b>				
Derivative financial assets	-	20,517	-	20,517
<b>Available-for-sale financial assets</b>				
Unquoted equities	-	-	20	20
<b>Total</b>	<u>-</u>	<u>20,517</u>	<u>20</u>	<u>20,537</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	-	7,771	-	7,771
<b>Total</b>	<u>-</u>	<u>7,771</u>	<u>-</u>	<u>7,771</u>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 17. Derivatives and financial instruments (continued)

#### *Reconciliation of Level 3 fair value measurements of financial assets:*

	Available-for-sale Unquoted equities	
	2019	2018
	£'000	£'000
Opening balance	20	6,706
Total losses or gains:		
- fair value movement in other comprehensive income	-	(1,407)
- addition	12	-
- disposals	-	(5,279)
Closing balance	32	20

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

#### *Netting arrangements*

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

### 18. Pension scheme

#### *Defined benefit scheme*

The Mitsubishi Corporation Retirement Benefits Scheme ("the defined benefit scheme") is a funded defined benefit pension scheme. The scheme operated for the benefit of the employees of Mitsubishi Corporation International (Europe) Plc and provided benefits linked to salary at retirement or earlier date of leaving service until the scheme closed to future accrual of benefits on 28 February 2015.

The company finalised the buy out of the pension scheme in the year ended 31 March 2018. A loss on settlement of £0.1 million has been recognised in the year ended 31 March 2018.

An interim valuation for the previous financial year (for accounting purposes) was carried out by a qualified actuary. The major assumptions used for this valuation were:

	2019	2018
Discount rate (pre and post retirement)	N/A	2.60%
RPI price inflation	N/A	3.30%
CPI price inflation	N/A	2.30%
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)	N/A	3.25%
Rate of increase for pensions in deferment	N/A	2.30%
Life expectancy at age 60:		
Current pensioners		
- Men	N/A	28.2
- Women	N/A	30.9
Future pensioners now aged 40		
- Men	N/A	29.7
- Women	N/A	32.6

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 18. Pension scheme (continued)

#### *Defined benefit scheme (continued)*

As the scheme has no liabilities at 31 March 2019 the assumptions were only used in assessing the settlement during the year ended 31 March 2018.

The surplus in the scheme at each assessment date was:

	2019 £'000	2018 £'000
Value of insured annuities	-	-
Fair value of other scheme assets	-	11
	<hr/>	<hr/>
Total value of scheme assets	-	11
Present value of funded obligations (including insured annuities)	-	-
	<hr/>	<hr/>
Surplus in the scheme	-	11
Adjustment for IAS 19 asset ceiling	-	(11)
	<hr/>	<hr/>
Net pension asset recognised on the balance sheet	-	-
	<hr/>	<hr/>

The net defined benefit pension asset recognised has been restricted to nil as the company does not have an unconditional right to the refund of the surplus from the scheme.

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

	2019 £'000	2018 £'000
Cash	-	11
Insurance annuities	-	-
	<hr/>	<hr/>
<b>Total</b>	-	11
	<hr/>	<hr/>

The scheme does not invest in any of the company's own financial instruments or property occupied by, or other assets used by, the company.

Total income recognised in profit and loss

	2019 £'000	2018 £'000
Losses on settlement	-	69
Administration expenses	-	39
Net interest income on the net defined benefit liability/asset	-	(2)
Interest cost on adjustment for the IAS 19 asset ceiling	-	2
	<hr/>	<hr/>
Total expense	-	108
	<hr/>	<hr/>

Actual return on scheme assets:

	2019 £'000	2018 £'000
Actual gains on scheme assets	-	535
	<hr/>	<hr/>

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 18. Pension scheme (continued)

#### *Defined benefit scheme (continued)*

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

	2019 £'000	2018 £'000
Opening defined benefit obligation	-	61,924
Interest cost on funded obligations	-	1,259
Actuarial gains	-	(725)
Disbursement	-	(1,090)
Liabilities extinguished on settlements	-	(61,368)
	<hr/>	<hr/>
Closing defined benefit obligation	-	-

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

	2019 £'000	2018 £'000
Opening fair value of Scheme assets	11	62,003
Interest income on assets	-	1,261
Sponsor contributions	-	39
Actuarial losses	-	(726)
Disbursements	-	(1,090)
Administration expenses	(11)	(39)
Assets distributed on settlements	-	(61,437)
	<hr/>	<hr/>
Closing fair value of scheme assets	-	11

Analysis of recognised gain in other comprehensive income:

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	-	(726)
Experience gains arising on the scheme liabilities	-	725
Impact of change in irrecoverable surplus	-	70
	<hr/>	<hr/>
	-	69
Deferred tax	-	-
	<hr/>	<hr/>
Actuarial gain recognised in other comprehensive income	-	69

The scheme closed to future accrual of final salary benefits on 28 February 2015. At 31 March 2017 the scheme held buy-in policy assets with three insurance companies to match its liabilities. Over the course of the year ended 31 March 2018 the scheme has settled its liabilities with the insurance companies, who are now wholly responsible for meeting all benefits payable. At 31 March 2019 the scheme has no liabilities remaining. At 31 March 2019 the scheme held no invested assets.

#### *Defined contribution scheme*

The company also operates a defined contribution scheme which began on 1 April 2003. The charge for the year (being the contributions made by the company) was £1.0 million (2018: £1.0 million). No amounts were accrued or prepaid as at 31 March 2019.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 19. Immediate and ultimate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. This is the smallest and largest group in which the company is consolidated. During the year the company has merged with its immediate parent company, MC Europe Holdings NV ('MEH'), a company incorporated in the Netherlands. As a result of the merger, the company recognised an amount of £29.2 million in the equity, which consists of £33.7 million share premium and £4.5 million retained loss of MEH. This is part of a strategic decision to streamline the group structure

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan and are also available on Mitsubishi Corporation's website ([www.mitsubishicorp.com](http://www.mitsubishicorp.com)).

### 20. Related party transactions

The disclosures below show transactions with related parties which are not wholly owned within the group headed by Mitsubishi Corporation. The company has taken advantage of the exemption from disclosing details of related party transactions available under FRS 101 for transactions with other wholly owned group companies.

	Mozal		Other related parties	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Turnover	-	-	292	227
Purchases	-	-	-	-
Interest income	-	-	-	-
Sublease income	-	-	194	255
Trade and other receivables	-	-	50	66
Payables	16,549	29,491	-	-

The company purchased aluminium on normal commercial terms from Mozal s.a.r.l, which is an associate of the company's parent undertaking, Mitsubishi Corporation until May 2014. Thereafter the company changed its arrangement and purchases aluminium directly from the parent company, but remains as a settlement agent for the parent company with Mozal.

Contributions to the defined benefit pension scheme, which is also a related party of the company, have been disclosed in note 18.

# Mitsubishi Corporation International (Europe) Plc

## Notes to the financial statements (continued) For the year ended 31 March 2019

### 21. Capital risk management and dividends

#### *Capital risk management*

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

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

#### *Dividends*

Amounts recognised as distributions to equity holders in the year:

	2019 £'000	2018 £'000
Dividend for the year ended 31 March 2019 of 39.94762p per share (for year ended 31 March 2018: 13.92365p per share)	48,200	16,800
	<u>48,200</u>	<u>16,800</u>

### 22. Event after the balance sheet date

In April 2019 the company's Board of directors has approved the transfer of the Seafood business of the company's Food and Consumer Industry Division to the international food and drinks group Princes, a wholly owned subsidiary of MC, based in Liverpool.

The transfer of contracts and inventory is effective from 1 July 2019. The transfer contains inventory valued at a cost of £4.9 million. The company does not expect to recognise any gain from the transfer.