

Marubeni Finance Europe plc

Report and Financial Statements

31 March 2022

Registered No. 07983210

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COMPANIES HOUSE

Marubeni Finance Europe plc

Directors

T Hirano
T Ishida
A Mikami
K Mitsunari

Secretary

M Hammill

Auditors

Ernst & Young LLP
1 More London Place
London, SE1 2AF

Bankers

Mizuho Bank, Ltd.
Mizuho House, 30 Old Bailey,
London EC4M 7AU

MUFG Bank, Ltd.
Ropemaker Place 25 Ropemaker St,
London EC2Y 9AN

Registered Office

95 Gresham Street,
London EC2V 7AB

Strategic report

The Directors present their strategic report for Marubeni Finance Europe plc (“the Company”) for the year ended 31 March 2022.

Principal activities

The Company was incorporated on 9 March 2012 and issued 50,000 ordinary shares on incorporation. The Company incorporated in England and Wales is a subsidiary of Marubeni Corporation (the “Parent”), Tokyo, Japan. As at 31 March 2022, Marubeni Corporation owns 100% shares directly.

The Company’s principal activities are the financing of the business activities of Marubeni Corporation’s subsidiaries (“affiliated companies”). The Parent and affiliated companies are collectively referred to as the group.

Business review

The Company’s total net assets equal \$307,290,000 (2021 – \$306,498,000) at 31 March 2022. Long-term lending to affiliated companies this year was mainly funded by long-term borrowings and share capital. Financing operations resulted in \$11,211,000 (2021 – \$9,359,000) of net interest income for the year ended 31 March 2022.

The Company’s key financial and other performance indicators during the year were as follows:

	2022	2021
	\$000	\$000
Net interest income	11,211	9,359
Profit for the year	7,192	6,414
Shareholder’s equity	307,290	306,498
Average number of employees	3	3

Principal risk and uncertainties

The principal financial risks faced by the Company are limited interest rate risk, foreign currency exchange rate risk, credit risk and liquidity risk. The Company borrows both short-term and long-term loans to finance its operations.

Interest rate risk

The Company has both short-term and long-term borrowings used to fund ongoing activities. The interest rate exposure on the Company’s principal financial assets and liabilities is matched and therefore minimised.

Foreign currency exchange rate risk

The Company has both deposits and borrowings denominated other than in U.S. Dollars. The Company’s exposure to the risk of changes in foreign exchanges rates is minimised by maintaining the net foreign currency position at a low level.

Strategic report (continued)

Principal risk and uncertainties (continued)

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash and lending to affiliated companies. Long-term loans and all short-term loans are guaranteed by the Parent company. The Company's cash is placed with high credit quality financial institutions. The Company has no other significant credit risk.

Liquidity risk

The Company has access to short-term and long-term borrowing facilities with banks in order to mitigate the risk that the Company is unable to meet the payment obligations associated with its financial liabilities when they fall due. The Company has \$1,344.5m of short-term borrowing facilities with banks. The amount drawn down under these facilities as at 31 March 2022 was \$305 million.

On behalf of the board



Director
Tetsuya Ishida
17 June 2022

Registered No. 07983210

Registered No. 07983210

Directors' report

The Directors present their report and financial statements for the year ended 31 March 2022.

Directors and their interests

The Directors who held office in Marubeni Finance Europe plc during the year are set out on page 1. No director had an interest in the shares of the Company.

Future developments

No significant change in the activities of the Company is foreseen.

Going concern

Having reviewed the Company's operations, its financial position, liquid resources and borrowing facilities, together with the continuing strong performance of its parent undertaking, and the financial strength of its own balance sheet, the Directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future despite the uncertain economic environment. The Company is in a net current asset position of \$147m as of 31 March 2022 and the Company has \$1,344.5m of short-term borrowing facilities with banks under which the amount drawn down as of 31 March 2022 was \$305m. However, the Parent has confirmed its intention to continue to support the Company by letter of support and the Company is party to long-term committed multi-borrower bank facilities up to the amount of \$900 million (the long-term facilities are shared with other group finance companies, as well as the Parent), which the Directors believe contribute to the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the reports and financial statements.

COVID-19 is having a significant impact on financial markets as well as the economy. Under this circumstance, the principal risks faced by the Company are interest rate risk and liquidity risk. After the COVID-19 pandemic, the interest rate level of major currencies has decreased due to monetary easing by the central banks. The Company manages interest rate risk by matching the exposure on assets and liabilities. Therefore, although lower interest rates may reduce the Company's profit through the decrease of interest income to some extent, it is not expected to fall into a net interest loss position. Furthermore, it is expected that the short-term interest rates of major currencies will rise during 2022/2023 in light of rising inflation. This will contribute to improving the Company's profit. In terms of liquidity risk, the Company has access to the above-mentioned borrowing facilities with banks and a stable flow of cash through deposits and loans from Marubeni group companies. Therefore, although liquidity risk exists, the actual level of liquidity risk borne by the Company is considered to be minimal. In terms of credit risk, loans receivable from affiliated companies are supported by guarantees from the Parent. Therefore, the Company is considered not exposed to risks of bad debt loss, even if affiliated companies' financial conditions deteriorate by the direct or indirect impact of COVID-19. Furthermore, in case loans receivable increase due to the rise of affiliated companies' working capital caused by the delay of collections of funds, it may improve the Company's profit through the increase of interest income.

The rise in geopolitical risk due to the Russia/Ukraine incident seriously increased the risk of damaging value of Russia-related assets and the risk of collection of funds from Russia. The Company has no exposure to Russia/Ukraine and to any other assets which are closely related to these countries. Therefore, the Company is not affected by these risks. Other impacts of the Russia/Ukraine incidents which might affect the Company are rising energy and commodity prices or potential rising volatility in financial markets such as the foreign exchange market. Although soaring resource prices may affect the Company's operations through fluctuations in working capital of affiliated companies, there is no major concern about liquidity as already mentioned. Furthermore, the Company endeavours to ensure that the currencies used for its liabilities and assets are matched, so that they act as a natural offset. Therefore, the impact of rising volatility in the foreign exchange market is controlled and minimal.

Directors' report (continued)

Distributions

The Company paid a final dividend of \$6,400,000 in July 2021. In June 2022, the Directors of the Company resolved to recommend a final dividend of \$7,100,000.

Auditors

Ernst & Young LLP have been appointed as auditors and a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



Director
Tetsuya Ishida
17 June 2022

Registered No. 07983210

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

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

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- provide additional disclosures when the compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- present information, including accounting policies in a manner that provides relevant, reliable, comparable and understandable information; and
- present fairly the financial position, financial performance and cashflows of the company.

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.

Independent auditors' report

to the members of Marubeni Finance Europe plc

Opinion

We have audited the financial statements of Marubeni Finance Europe plc for the year ended 31 March 2022 which comprise Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report (continued)

to the members of Marubeni Finance Europe plc

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

Independent auditors' report (continued)

to the members of Marubeni Finance Europe plc

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Data Protection Act 1998, Health and Safety at Work Act 1974, Corporation Taxes Act, HMRC regulations, UK Bribery Act, Equality Act and Anti-Money Laundering Regulations.
- We understood how Marubeni Finance Europe plc is complying with those frameworks by making inquiries of management and those charged with governance to understand the policies and procedures in place, and to understand the adoption of accounting standards. We reviewed corroborative evidence as necessary.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiring of management and those charged with governance to understand:
 - the policies and procedures in place to detect fraud and action accordingly;
 - any instances of actual and potential litigation & claims and whistleblowing activities;
 - any instances of non-compliance with laws and regulations, including communications with regulators and tax authorities;
- Based on this understanding we considered the risk of management override, and the potential incentive and ability to override controls. We designed our audit procedures to identify non-compliance with such laws and regulations.
- Our procedures included reviewing minutes of meetings of the Board of Directors, reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations. We tested judgements made by management, including corroborating relevant inputs and considering contradictory evidence.
- We incorporated data analytics into our testing of manual journals to support the audit of the risk of management override of controls. We tested specific transactions identified by risk criteria back to source documentation or independent confirmation as appropriate.

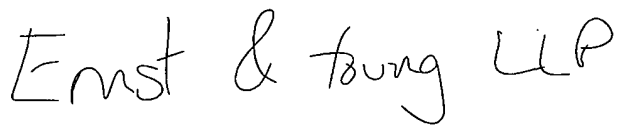
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report (continued)

to the members of Marubeni Finance Europe plc

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

William Binns (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 June 2022

Income statement

for the year ended 31 March 2022

		<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
	<i>Notes</i>	<i>\$000</i>	<i>\$000</i>
Interest income	4	16,369	19,001
Interest expense	5	(5,158)	(9,642)
Net interest income		11,211	9,359
Administrative expenses		(1,686)	(1,678)
Other income/(expense)	6	(2,767)	41
Profit before taxation	7	6,758	7,722
Tax expense	10	434	(1,308)
Profit for the year		7,192	6,414

The notes on page 15 to 25 are an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 March 2022

	<i>Year ended 31 March 2022</i>	<i>Year ended 31 March 2021</i>
<i>Note</i>	<i>\$000</i>	<i>\$000</i>
Profit for the year	7,192	6,414
Other comprehensive income:		
Items that can be reclassified to profit or loss:		
Gain/ (Losses) arising during the year	—	—
Total comprehensive income for the year	<u>7,192</u>	<u>6,414</u>

The notes on page 15 to 25 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2022

	<i>Equity share capital \$000</i>	<i>Retained earnings \$000</i>	<i>Total equity \$000</i>
At 31 March 2020	300,000	13,984	313,984
Profit for the year	—	6,414	6,414
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	6,414	6,414
Equity dividends paid (Note 15)	—	(13,900)	(13,900)
At 31 March 2021	300,000	6,498	306,498
Profit for the year	—	7,192	7,192
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	7,192	7,192
Equity dividends paid (Note 15)	—	(6,400)	(6,400)
At 31 March 2022	300,000	7,290	307,290

The notes on page 15 to 25 are an integral part of these financial statements.

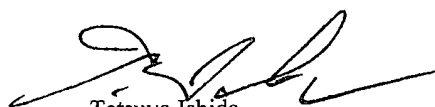
Balance sheet

at 31 March 2022

	Notes	2022 \$000	2021 \$000
Non-current assets			
Loans	11	160,719	698,305
Tangible assets	12	2	2
		<u>160,721</u>	<u>698,307</u>
Current assets			
Loans	11	819,648	659,947
Prepayments and accrued income		1,061	724
Income tax refundable		1,756	105
Cash at bank and in hand		110,034	204,021
		<u>932,499</u>	<u>864,797</u>
Creditors: Amounts falling due within one year			
Interest-bearing borrowings	13	784,800	919,418
Income tax payable		601	—
Accruals and deferred income		529	491
		<u>785,930</u>	<u>919,909</u>
Net current assets / (liabilities)		146,569	(55,112)
Total assets less current liabilities		307,290	643,195
Creditors: Amounts falling due after more than one year			
Interest-bearing borrowings	13	—	336,697
Net assets		<u>307,290</u>	<u>306,498</u>
Capital and reserves			
Equity share capital	14	300,000	300,000
Retained earnings		7,290	6,498
Total equity		<u>307,290</u>	<u>306,498</u>

The notes on page 15 to 25 are an integral part of these financial statements.

These financial statements were approved by the board of Directors on 17 June 2022 and were signed on its behalf by


Tetsuya Ishida
Director

Notes to the financial statements

at 31 March 2022

1. General

The Company incorporated in England and Wales is a subsidiary of Marubeni Corporation (the 'Parent'), Tokyo, Japan. As at 31 March 2022, Marubeni Corporation owns 100% shares directly. The Company's principal activities are the financing of the business activities of Marubeni Corporation's subsidiaries ("affiliated companies").

The Parent and other affiliated companies are collectively referred to as the group.

2. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Marubeni Finance Europe plc for the year ended 31 March 2022 were authorised for issue by the board of Directors on 17 June 2022 and the balance sheet was signed on the board's behalf by Tetsuya Ishida. Marubeni Finance Europe plc is incorporated and domiciled in England and Wales.

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards and the Companies Act 2006.

The Company's financial statements are presented in U.S. Dollars and all values are rounded to the nearest thousand U.S. Dollars (\$000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 3.

3. Summary of significant accounting policies

3.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2022. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 10(d), 10(f) of IAS 1 Presentation of Financial Statements;
- (b) the requirement of IAS 7 Statement of Cash Flows;
- (c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (f) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (g) the requirements of IFRS 7 Financial Instruments.
- (h) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following items:

- Financial instruments: amortized cost, fair value through profit or loss, or fair value through other comprehensive income

Notes to the financial statements

at 31 March 2022

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

Going concern

Having reviewed the Company's operations, its financial position, liquid resources and borrowing facilities, together with the continuing strong performance of its parent undertaking, and the financial strength of its own balance sheet, the Directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future despite the uncertain economic environment. The Company is in a net current asset position of \$147m as of 31 March 2022 and the Company has \$1,344.5m of short-term borrowing facilities with banks under which the amount drawn down as of 31 March 2022 was \$305m. However, the Parent has confirmed its intention to continue to support the Company by letter of support and the Company is party to long-term committed multi-borrower bank facilities up to the amount of \$900 million (the long-term facilities are shared with other group finance companies, as well as the Parent), which the Directors believe contribute to the Company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the reports and financial statements.

COVID-19 is having a significant impact on financial markets as well as the economy. Under this circumstance, the principal risks faced by the Company are interest rate risk and liquidity risk. After the COVID-19 pandemic, the interest rate level of major currencies has decreased due to monetary easing by the central banks. The Company manages interest rate risk by matching the exposure on assets and liabilities. Therefore, although lower interest rates may reduce the Company's profit through the decrease of interest income to some extent, it is not expected to fall into a net interest loss position. Furthermore, it is expected that the short-term interest rates of major currencies will rise during 2022/2023 in light of rising inflation. This will contribute to improving the Company's profit. In terms of liquidity risk, the Company has access to the above-mentioned borrowing facilities with banks and a stable flow of cash through deposits and loans from Marubeni group companies. Therefore, although liquidity risk exists, the actual level of liquidity risk borne by the Company is considered to be minimal. In terms of credit risk, loans receivable from affiliated companies are supported by guarantees from the Parent. Therefore, the Company is considered not exposed to risks of bad debt loss, even if affiliated companies' financial conditions deteriorate by the direct or indirect impact of COVID-19. Furthermore, in case loans receivable increase due to the rise of affiliated companies' working capital caused by the delay of collections of funds, it may improve the Company's profit through the increase of interest income.

The rise in geopolitical risk due to the Russia/Ukraine incident seriously increased the risk of damaging value of Russia-related assets and the risk of collection of funds from Russia. The Company has no exposure to Russia/Ukraine and to any other assets which are closely related to these countries. Therefore, the Company is not affected by these risks. Other impacts of the Russia/Ukraine incidents which might affect the Company are rising energy and commodity prices or potential rising volatility in financial markets such as the foreign exchange market. Although soaring resource prices may affect the Company's operations through fluctuations in working capital of affiliated companies, there is no major concern about liquidity as already mentioned. Furthermore, the Company endeavours to ensure that the currencies used for its liabilities and assets are matched, so that they act as a natural offset. Therefore, the impact of rising volatility in the foreign exchange market is controlled and minimal.

3.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Notes to the financial statements

at 31 March 2022

3. Summary of significant accounting policies (continued)

3.2 Significant accounting judgements, estimates and assumptions (continued)

Fair value of financial assets and liabilities

Management judgement is required to determine the fair value of financial assets and liabilities. Valuation pricing models and their underlying assumptions impact the amount and timing of unrealised gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Changes in the fixed income and foreign exchange markets can impact the Company's estimates of fair value in the future, potentially affecting fair value gains and losses.

3.3 Significant accounting policies

Interest

Interest income and interest expense are recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Translation of foreign currencies

The Company's financial statements are presented in U.S. Dollars, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial assets

Financial assets within the scope of IFRS 9 are classified as financial assets subsequently measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits and loan notes.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement in administrative expenses.

Notes to the financial statements

at 31 March 2022

3. Summary of significant accounting policies (continued)

3.3 Significant accounting policies (continued)

Impairment of financial assets

The Company assesses, at each reporting date, whether the credit risk on a financial instrument has increased significantly since initial recognition. The increase of credit risk may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company's impairment assessment of financial assets is based on expected credit losses (ECLs) that result from those default events on the financial instrument that are possible within 12 months after the reporting date or lifetime ECLs at each reporting date.

A loss allowance for the ECLs is recognized for financial assets not held at fair value through profit or loss and the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the income statement.

When the Company assesses the ECLs, it considers the history of credit losses and delays in cash collection, the fact that all of its long term loans and all short term loans are guaranteed by the Parent company, and future factors specific to the receivables and the economic environment are also considered.

The ECLs for the current year and prior years are not material and therefore not disclosed in the respective note.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities subsequently measured at amortised cost, fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The EIR amortisation is included in the interest expense in the income statement.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derivative financial instruments and hedging

Until middle of the year ended 31 March 2022 the Company used derivative financial instruments such as forward currency contracts and foreign currency swaps to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts and foreign current swap contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Notes to the financial statements

at 31 March 2022

3. Summary of significant accounting policies (continued)

3.3 Significant accounting policies (continued)

Fair values (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Income taxes

The income taxes are calculated in accordance with tax requirements in the UK.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

4. Interest income

	2022	2021
	\$000	\$000
Interest income from group loans and others	16,283	18,981
Interest income from time deposits	86	20
Total interest income	<u>16,369</u>	<u>19,001</u>

Notes to the financial statements

at 31 March 2022

5. Interest payable

	2022	2021
	\$000	\$000
Interest expenses due to bank	4,087	8,335
Interest expenses on group borrowings and others	1,071	1,307
Total interest expenses	<u>5,158</u>	<u>9,642</u>

6. Other income/(expense)

	2022	2021
	\$000	\$000
Write off of the upfront fee	(2,538)	—
Others	(229)	41
Total other income/(expenses)	<u>(2,767)</u>	<u>41</u>

Other expense is mainly arising from write off of the upfront fee for the long term loans which were repaid in the year ended 31 March 2022.

7. Profit before taxation

This is stated after charging:

	2022	2021
	\$000	\$000
Auditor's remuneration (Note 8)	169	159

8. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2022	2021
	\$	\$
Audit of financial statements	88,838	89,300
Taxation compliance services	80,251	69,566
Other non-audit services	—	—
	<u>169,089</u>	<u>158,866</u>

Notes to the financial statements

at 31 March 2022

9. Staff costs and Directors' remuneration

(a) Staff costs including Directors' remuneration

	2022	2021
	\$	\$
Wages and salaries	469,091	437,073
Other Personnel Expense		
Pension cost	4,551	5,679
	<u>473,642</u>	<u>442,752</u>

The average monthly number of employees during the year was made up as follows:

	2022	2021
	No.	No.
Management grades	<u>3</u>	<u>3</u>

(b) Directors' remuneration

	2022	2021
	\$	\$
Aggregate remuneration in respect of qualifying services	<u>334,823</u>	<u>297,935</u>

The total amount payable to the highest paid Director in respect of remuneration was \$244,140 (2021: \$217,134).

10. Taxation

(a) Tax charged in the income statement

	2022	2021
	\$000	\$000
Current income tax:		
Current income tax charge	(478)	(1,361)
Adjustment in respect of prior year	912	53
Total current income tax	<u>434</u>	<u>(1,308)</u>
Deferred tax:		
Origination and reversal of temporary differences	—	—
Adjustment in respect of prior year	—	—
Total deferred tax	<u>—</u>	<u>—</u>
Tax expense in the income statement	<u>434</u>	<u>(1,308)</u>

Notes to the financial statements

at 31 March 2022

10. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are reconciled below:

	2022	2021
	\$000	\$000
Accounting profit before income tax	6,758	7,722
Tax calculated at UK standard rate of corporation tax of 19% (2021 – 19%)	(1,284)	(1,467)
Expenses not deductible for tax purposes	(1)	(0)
Effects of compensating adjustments	611	–
Adjustment in respect of prior year	912	53
Effects of group relief	204	96
Others	(8)	10
Tax expense reported in the income statement	434	(1,308)

Adjustment in respect of prior year is arising from compensating adjustments claimed as the lender of its loans to a sister company.

Deferred tax balances should be calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the balance sheet date. Therefore, the deferred tax balances have been calculated with reference to these rates.

(c) Deferred tax

The deferred tax included in the Company balance sheet is as follows:

	2022	2021
	\$000	\$000
<i>Deferred tax asset</i>		
Opening balance	–	–
Movement - Decelerated capital allowance	–	–
	–	–
<i>Disclosed on the balance sheet</i>		
Deferred tax asset	–	–
	–	–

Notes to the financial statements

at 31 March 2022

11. Loans and receivables

	2022 \$000	2021 \$000
After more than one year:		
Amounts owed by group companies	<u>160,719</u>	<u>698,305</u>
Within one year:		
Amounts owed by group companies	<u>819,648</u>	<u>659,947</u>

Loans are denominated in U.S. Dollars, Sterling or Euro and are provided to group companies. These loans accrue interest at floating rate. All of long-term loans and most of short-term loans are guaranteed by the Parent company.

The loans are neither past due nor impaired as at 31 March 2022.

12. Tangible fixed assets

	<i>Machinery and Equipment</i> \$000
Cost:	
At 1 April 2021	5
Additions	—
At 31 March 2022	<u>5</u>
Depreciation:	
At 1 April 2021	3
Provided during the year	—
At 31 March 2022	<u>3</u>
Carrying amount:	
At 31 March 2022	<u>2</u>
At 1 April 2021	<u>2</u>

Notes to the financial statements

at 31 March 2022

13. Financial liabilities - borrowings

Borrowings comprise the following:

	2022 \$000	2021 \$000
<i>Within one year</i>		
Short-term bank loans and group deposits	784,800	919,418
	<u>784,800</u>	<u>919,418</u>
<i>After more than one year</i>		
Long-term bank loans	—	336,697
	<u>—</u>	<u>336,697</u>

Short term bank loans and group deposit

Short term bank loans and group deposits have a maximum one year maturity with a floating interest rate and are denominated in U.S. Dollars, Sterling and Euro.

Borrowing facilities

The Company has \$1,344.5m of short-term borrowing facilities with banks. The amount drawn down under these facilities as at 31 March 2022 was \$305 million and included in the above schedule.

14. Authorised and issued share capital

The Company's share capital that the Directors are authorised to issue in accordance with the provisions of Article of Association is £50,000 and \$500,000,000 divided into 50,000 shares of £1 each and 500,000,000 shares of \$1 each.

Allotted, called up and fully paid

	2022 Number 000	Fully paid consideration \$000
Ordinary shares of \$1 each	299,920	299,920
Ordinary shares of £1 each	50	80
	<u>299,970</u>	<u>300,000</u>

The company issued 200,000,000 ordinary shares of \$1.00 each on 31 March 2016.

Allotted, called up and fully paid

	2021 Number 000	Fully paid consideration \$000
Ordinary shares of \$1 each	299,920	299,920
Ordinary shares of £1 each	50	80
	<u>299,970</u>	<u>300,000</u>

15. Dividend paid

In July 2021, a dividend of \$6,400,000 (\$13,900,000 in July 2020) was paid.

Notes to the financial statements

at 31 March 2022

16. Dividends proposed

	2022	2021
	\$000	\$000
Proposed dividend for approval by shareholders at the AGM:	<u>7,100</u>	<u>6,400</u>

In June 2022, the Directors of the Company resolved to recommend a final dividend of \$7,100,000 (\$6,400,000 in June 2021) which is subject to the stockholder's (Marubeni Corporation's) approval.

17. Post balance sheet event

In June 2022, the Directors of the Company resolved to recommend a final dividend of \$7,100,000 (\$6,400,000 in June 2021) which is subject to the stockholder's (Marubeni Corporation's) approval.

18. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

19. Ultimate group undertaking

The immediate and ultimate parent undertaking and controlling party is Marubeni Corporation, which is incorporated in Japan. Copies of Marubeni Corporation's financial statements, which represent the only group in which this Company's financial statements are included, can be obtained from Marubeni Corporation's head office at 4-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo, Japan.