

Registration number: 01974199

# Sumitomo Corporation Capital Europe Plc

Annual Report and Financial Statements

for the Year Ended 31 March 2020



# **Sumitomo Corporation Capital Europe Plc**

## **Contents**

|  |          |
|--|----------|
| Strategic report   | 1 to 3   |
| Directors' report  | 4        |
| Statement of directors' responsibilities   | 5        |
| Independent Auditor's Report to the members of Sumitomo Corporation Capital Europe Plc | 6 to 8   |
| Profit and Loss Account and Other Comprehensive Income                                 | 9        |
| Balance Sheet  | 10       |
| Statement of Changes in Equity   | 11       |
| Notes to the Financial Statements  | 12 to 36 |

# **Sumitomo Corporation Capital Europe Plc**

## **Strategic report for the Year Ended 31 March 2020**

The directors present their strategic report for the year ended 31 March 2020.

### **Principal activities**

The principal activity of the Company is the provision of financing and management of cash to Sumitomo Corporation's overseas subsidiaries. The Company's activity is mainly financed by raising funds on the European capital and money markets through the programmes for the issuance of Euro Commercial Paper ("ECP") and Euro Medium Term Notes ("MTN").

There has not been any significant change in the Company's principal activity in this year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the forthcoming year.

### **Business review and future prospects**

#### **Trading**

The Company's profit and loss account for the year ended 31 March 2020 is set out on page 9. Turnover for the year was \$30,372,000 (2019: \$38,704,000) and profit before tax was \$10,972,000 (2019: \$38,948,000).

The balance sheet on page 10 shows net assets of \$280,325,000 (2019: \$271,090,000), an increase of 3%.

The Sumitomo Corporation manages its operations on a divisional basis and relevant key performance indicators have been presented in their accounts which can be found on their website, [www.sumitomocorp.co.jp](http://www.sumitomocorp.co.jp). In order to have an appropriate understanding of the development, performance and position of the business, the monitoring of interest rate spreads and matching terms and conditions of funding and lending requirements is performed on a regular basis.

#### **Future prospects**

The directors are confident that the Company, due to its strong cash position and access to finance, is soundly based not only to continue with its current activities, but also providing financing to fellow subsidiaries within Sumitomo Corporation when they promote new areas of business and activities in Europe. The Sumitomo Corporation will continue to target expansion of its business activities through strategic investments.

#### **Covid-19 considerations**

Management has been considering the impact of COVID-19 ensuring that any impacts are minimised. Each Sumitomo Corporation Group company has developed a Business Continuity Plan. These plans are being continually monitored and developed as the COVID-19 situation develops. The majority of staff are fully operational, working from home. The Directors believe that there is little risk of any significant reduction in demand from the Company's customers due to the long standing trust and relationships with the counterparties. The overall conclusion from the directors is that the business will not be significantly impacted.

### **Section 172(1) Statement**

Section 172(1) Companies Act 2006 provides: "A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard" to appropriate possible matters. Six such matters are listed in sub-clauses (a) to (f) of section 172.

Section 414CZA(1) Companies Act 2006 states: "A strategic report for a financial year of a company must include a statement (a "section 172(1) statement") which describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172." The required statement for 31 March 2020 is provided in the following table.

## Sumitomo Corporation Capital Europe Plc

### Strategic report for the Year Ended 31 March 2020 (continued)

#### Section 172(1) Statement (continued)

| Matter to which the directors are to have regard  | How the directors have had regard to matters when performing their duty under section 172  |
|---|--|
| (a) the likely consequences of any decision in the long term  | For all decisions made by the board and its directors with regards to the funding, long term impact to the wider members as a whole is considered.   |
| (b) the interests of the company's employee   | The Company does not have any employees and all services are rendered to this Company via Sumitomo Corporation Europe Ltd  |
| (c) the need to foster the company's business relationships with suppliers, customers and others    | The directors assess their counterparty requirements which helps them better understand their individual needs and channel suitable funding to them.   |
| (d) the impact of the company's operations on the community and the environment                     | Environmental duties are considered of great importance by the directors and steps such as waste recycling, energy saving and use of environmental friendly supplies in the office is actively encouraged.   |
| (e) the desirability of the company maintaining a reputation for high standards of business conduct | The directors are very much aware of their duty to act in way that promotes the success of the Company, which is reliant on the trust and confidence of its wider stakeholders to operate sustainably in the long term. The members are informed promptly of any decisions that the board makes that may affect them in any way. |
| (f) the need to act fairly as between members of the company  | As the wider members of the company, i.e. the counterparties and external stakeholders form the center of decision making, consideration is always given that they are treated fairly by assessing the consequences of any decisions made.   |

#### Foreign exchange risk

The Company transacts in a number of other currencies in addition to US Dollars. Certain exposures to fluctuations in exchange rates are managed by transactions in the forward foreign exchange markets. These derivative financial instruments are stated at fair value based on quoted market rates. Changes in the fair value of these derivative financial instruments are recognised in the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Company does not hold or issue foreign currency derivative financial instruments for trading purposes. Further details can be found in Note 1, accounting policies for foreign currencies transactions.

The Company has not sought to apply hedge accounting treatment for any of its foreign exchange hedging activity in any of the periods presented.

Where the Company has identified forward foreign exchange derivative instruments within certain contracts (embedded derivatives), these have been included in the balance sheet at fair value. Fair value of these derivatives is determined by reference to quoted market rates. The value of the derivatives is reviewed on an annual basis or when the relevant contract matures.

#### Liquidity and cash flow risk

The Company manages its daily cash position based on the cash flow forecast for the next 3 months and raises necessary funding. The Company has a \$3 billion Euro Medium Term Note Programme which is shared with three fellow Sumitomo Corporation group companies and a \$1.5 billion Euro Commercial Paper Programme. Additionally, short-term funding of \$1.1 billion is available via a shared committed loan facility agreement.

## **Sumitomo Corporation Capital Europe Plc**

### **Strategic report for the Year Ended 31 March 2020 (continued)**

Throughout the year and since year end, stable and adequate funding resources have been available to the Company due to the financial strength of the ultimate parent company. The directors consider that, despite the current political and economic uncertainties in the European region, the financial strength of the ultimate holding company and its global business activities mean there is no indication of significant negative impacts on ability to raise funds and therefore the directors do not expect any significant adverse impact on the Company's ability to access appropriate funding for its operations in the future.

#### **Interest rate risk**

Interest rate risk is split into two different types of risk - 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 inter-company loans, it is exposed to cash-flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

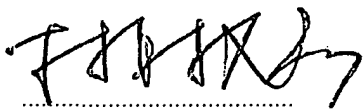
In order to manage cash-flow interest rate risk, the Company has a policy to ensure that this is constantly monitored.

Recent movements in global interest rates have not materially affected the interest rates charged to the Company. Every effort is made to minimize the cost to the Company of interest rate charges by utilising facilities, such as competitive interest rates and foreign exchange swaps, made available by financial institutions.

#### **Environmental matters**

The Company recognises the importance of its environmental responsibilities and monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Company's activities. Initiatives designed to minimise the Company's impact on the environment include recycling of waste paper and obsolete office equipment, reducing energy consumption and encouraging the purchase of environment-friendly office supplies whenever possible.

Approved by the Board on ~~20th July 2020~~ and signed on its behalf by:



A Murakami  
Director

Company Registration No: 01974199

Vintner's Place  
68 Upper Thames Street  
London  
EC4V 3BJ

# **Sumitomo Corporation Capital Europe Plc**

## **Directors' report for the Year Ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

### **Dividends**

The Company made no dividend payment during the year (2019: US \$nil).

### **Directors' of the Company**

The directors, who held office during the year and up to the date of this report were as follows:

T Hirose (appointed 1 June 2019)

A Murakami

T Ozaki (appointed 1 April 2019)

H Tomita

K Sato (resigned 1 April 2019)

T Takahashi (resigned 1 June 2019)

### **Directors' indemnities**

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### **Political contribution**

The Company made no political donations during the year (2019: nil).

### **Disclosure of information to the auditors**

Each director who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

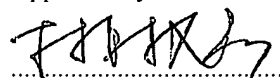
### **Reappointment of auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Approved by the Board on 20th July 2020 and signed on its behalf by:



A Murakami  
Director

Company Registration No: 01974199

Vintner's Place  
68 Upper Thames Street  
London  
EC4V 3BJ

## **Sumitomo Corporation Capital Europe Plc**

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

## Sumitomo Corporation Capital Europe Plc

### Independent Auditor's Report to the Members of Sumitomo Corporation Capital Europe Plc

#### Our opinion is unmodified

We have audited the financial statements of Sumitomo Corporation Capital Europe Plc (the "Company") for the year ended 31 March 2020, which comprise the Profit and Loss Account and Other Comprehensive Income; Balance Sheet; Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2019).

**Valuation of derivatives (net (\$5.6) million – gross values \$4.8 million and (\$10.4) million; 2019: net (\$0.2) million – gross values \$3.5 million and (\$3.7) million)**

The risk:

- **Subjective valuation:** The valuation of derivatives, which are open at the balance sheet date, is dependent on management estimating their fair value. The fair value of the open derivatives are valued using a valuation methodology that is primarily dependent on the assumption of market spot prices of comparable financial instruments. An error in this key assumption or methodology could lead to a material error in the financial statements.

Our procedures included:

- **Methodology choice:** Involve our internal treasury specialists to support the audit team to assess the appropriateness of the valuation methodology used, including fair value hierarchy assessment, and its application in the fair value estimation.
- **Independent reperformance:** Involve our internal treasury specialists to develop an independent fair value estimate and a range of reasonable prices of 100% of derivatives open at the balance sheet date, based on specific characteristics of the asset or liability being valued, the valuation method used and the requirements of the applicable financial reporting framework. This independent estimate is then compared to that recorded and any variances investigated.
- **Assessing transparency:** Assess the adequacy of the Company's disclosures in respect of the valuation of derivatives and the adequacy of sensitivity disclosures in respect of the key assumption.



## **Sumitomo Corporation Capital Europe Plc**

### **Independent Auditor's Report to the Members of Sumitomo Corporation Capital Europe Plc (continued)**

#### **Our application of materiality and an overview of the scope of our audit**

Materiality for the Company's financial statements as a whole was set at \$14 million (2019: \$9.8 million), determined with reference to a benchmark of company total assets, of which it represents 1% (2019: 0.75%).

We agreed to report to the Board of Director any corrected or uncorrected identified misstatements exceeding \$0.70 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the company's head office in London.

#### **We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model including the impact of COVID 19 and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

#### **We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Sumitomo Corporation Capital Europe Plc

### Independent Auditor's Report to the Members of Sumitomo Corporation Capital Europe Plc (continued)

#### **We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

#### **Respective responsibilities**

##### ***Directors' responsibilities***

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


##### ***Auditor's responsibilities***

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

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.



.....  
**Sabira Datto (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

Date: 20th July, 2020 .....

## Sumitomo Corporation Capital Europe Plc

### Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 March 2020

|  | Note | 2020<br>US \$ 000   | 2019<br>US \$ 000    |
|--|------|---------------------|----------------------|
| <b>Turnover</b>                          | 3    | 30,372              | 38,704               |
| Cost of sales                            | 4    | <u>(16,447)</u>     | <u>(25,213)</u>      |
| Gross profit                             |      | 13,925              | 13,491               |
| Administrative expenses                  |      | (3,102)             | (3,925)              |
| Other operating income/(expense)         | 5    | <u>149</u>          | <u>(618)</u>         |
| <b>Operating profit</b>                  | 6    | 10,972              | 8,948                |
| Income from shares in group undertakings |      | <u>-</u>            | <u>30,000</u>        |
| <b>Profit before tax</b>                 |      | 10,972              | 38,948               |
| Tax on profit                            | 10   | <u>(1,737)</u>      | <u>(1,792)</u>       |
| <b>Profit for the year</b>               |      | <u><u>9,235</u></u> | <u><u>37,156</u></u> |

The above results were derived from continuing operations.

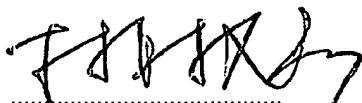
# Sumitomo Corporation Capital Europe Plc

(Registration number: 01974199)

Balance Sheet as at 31 March 2020

|  | Note | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
|--|------|-------------------------------|-------------------------------|
| <b>Fixed assets</b>  |      |                               |                               |
| Intangible assets  | 11   | 89                            | 100                           |
| Investments  | 12   | 19,359                        | 19,359                        |
| Other financial assets   | 17   | 1,416                         | 1,312                         |
|  |      | <u>20,864</u>                 | <u>20,771</u>                 |
| <b>Current assets</b>  |      |                               |                               |
| Cash at bank and in hand   |      | 500,997                       | 336,370                       |
| Debtors (including \$276,032 [2019: \$267,602] due after more than one year) | 13   | 1,288,989                     | 940,341                       |
| Income tax asset   |      | 5                             | 4,263                         |
| Other financial assets   | 17   | 3,346                         | 2,138                         |
| Deferred tax asset   | 10   | 13                            | 16                            |
|  |      | <u>1,793,350</u>              | <u>1,283,128</u>              |
| <b>Creditors: amounts falling due within one year</b>                        |      |                               |                               |
| Trade and other payables   | 16   | (701,396)                     | (185,160)                     |
| Loans and borrowings   | 15   | (675,598)                     | (669,164)                     |
| Income tax liability   |      | -                             | (10)                          |
| Other current financial liabilities  | 17   | (4,184)                       | (1,777)                       |
|  |      | <u>(1,381,178)</u>            | <u>(856,111)</u>              |
| <b>Net current assets</b>  |      | <u>412,172</u>                | <u>427,017</u>                |
| <b>Total assets less current liabilities</b>                                 |      | 433,036                       | 447,788                       |
| <b>Creditors: amounts falling due after more than one year</b>               | 15   | <u>(152,711)</u>              | <u>(176,698)</u>              |
| <b>Net assets</b>  |      | <u>280,325</u>                | <u>271,090</u>                |
| <b>Capital and reserves</b>  |      |                               |                               |
| Called up share capital  | 14   | 136,382                       | 136,382                       |
| Profit and loss account  |      | 143,943                       | 134,708                       |
| <b>Shareholders' funds</b>   |      | <u>280,325</u>                | <u>271,090</u>                |

Approved by the Board on 20th July 2020 and signed on its behalf by:



A Murakami  
Director

## Sumitomo Corporation Capital Europe Plc

### Statement of Changes in Equity for the Year Ended 31 March 2020

|                            | Share capital<br>US \$ 000 | Retained<br>earnings<br>US \$ 000 | Total<br>US \$ 000 |
|----------------------------|----------------------------|-----------------------------------|--------------------|
| At 1 April 2018            | 136,382                    | 97,552                            | 233,934            |
| Profit for the year        | -                          | 37,156                            | 37,156             |
| Total comprehensive income | -                          | 37,156                            | 37,156             |
| At 31 March 2019           | 136,382                    | 134,708                           | 271,090            |
|                            |                            |                                   |                    |
|                            | Share capital<br>US \$ 000 | Retained<br>earnings<br>US \$ 000 | Total<br>US \$ 000 |
| At 1 April 2019            | 136,382                    | 134,708                           | 271,090            |
| Profit for the year        | -                          | 9,235                             | 9,235              |
| Total comprehensive income | -                          | 9,235                             | 9,235              |
| At 31 March 2020           | 136,382                    | 143,943                           | 280,325            |

# **Sumitomo Corporation Capital Europe Plc**

## **Notes to the Financial Statements for the Year Ended 31 March 2020**

### **1 General information**

The Company is a Public Limited Company, incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Vintner's Place  
68 Upper Thames Street  
London  
EC4V 3BJ

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The Company's ultimate parent undertaking, Sumitomo Corporation, includes the Company in its consolidated financial statements. The Company is exempt by virtue of s.401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Sumitomo Corporation are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 3-2 Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8601, Japan.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Sumitomo Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

# **Sumitomo Corporation Capital Europe Plc**

## **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have prepared cash flow forecasts for a period of 12 months from the year end of these financial statements which indicate that, taking account of reasonably possible downsides including the impact of Covid-19 on the group entities to whom the company lends money, the company will have sufficient funds, through its bank facilities and the Medium Term Note Euro Commercial Paper Program and funding from its ultimate parent company, Sumitomo Corporation, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Sumitomo Corporation providing additional financial support during that period. Sumitomo Corporation has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **Measurement convention**

The financial statements are prepared on the historical cost except for the following:

- derivative financial instruments are measured at fair value in the profit and loss; and
- other investments are measured at fair value through equity.

#### **Revenue recognition**

##### **Turnover**

Turnover represents interest income, commission income and other gains arising from the Company's ordinary trading activities together with amounts billed to group customers (excluding VAT) in respect of services provided during the year.

##### **Cost of sales**

Cost of sales represents interest payable on the Company's ordinary trading activities which is recognised as it accrues.

# **Sumitomo Corporation Capital Europe Plc**

## **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

### **2 Accounting policies (continued)**

#### **Foreign currency transactions and balances**

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results of overseas operations with different functional currencies are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and the results of overseas operations are reported in the statement of total recognised gains and losses.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

#### **Tax**

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.



# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 2 Accounting policies (continued)

#### Intangible assets

Intangible fixed asset are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows: Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of intangible fixed assets. The estimated useful lives are as follows:

| Asset class | Amortisation method and rate |
|-------------|------------------------------|
| Software    | 3 to 5 years                 |

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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.

#### Trade debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

#### Trade creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## **Sumitomo Corporation Capital Europe Plc**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Financial instruments (post January 2018)**

###### **Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

## **Sumitomo Corporation Capital Europe Plc**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Classification and measurement**

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

##### **Financial assets at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

##### **Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:-

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

##### **Financial assets at fair value through the profit or loss (FVTPL)**

Financial assets not otherwise classified above are classified and measured as FVTPL.

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 2 Accounting policies (continued)

##### **Financial liabilities at amortised cost**

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

##### **Financial liabilities at fair value through the profit or loss**

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

##### **Derecognition**

###### *Financial assets*

The Company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the Company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

- (a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.
- (b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined
- (d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

###### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 2 Accounting policies (continued)

#### Modification of financial assets and financial liabilities

##### *Financial assets*

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

##### *Financial liabilities*

If the terms of a financial liabilities are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 2 Accounting policies (continued)

##### Impairment of financial assets

###### *Measurement of Expected Credit Losses*

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL.

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

## **Sumitomo Corporation Capital Europe Plc**

### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

#### **2 Accounting policies (continued)**

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

#### **Derivative financial instruments**

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

#### **Hedge accounting**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedge items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting that changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

These hedging relationships are discussed below.

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 2 Accounting policies (continued)

##### *Fair value hedges*

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised assets or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If hedging derivatives expire or are sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.#

Any adjustment up to the point of discontinuation of a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

##### *Cash flow hedges*

The Company makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

##### *Hedges of a net investment in a foreign operation*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a foreign investment, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented as a separate reserve within equity.

Any ineffective portion of the changes in the fair value of the hedge instrument is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign investment.



## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

|  | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--|-------------------|-------------------|
| Interest received on bank deposits     | 1,194             | 10,512            |
| Interest received from group companies | 29,122            | 27,660            |
| Commission receivable                  | 56                | 532               |
|  | <u>30,372</u>     | <u>38,704</u>     |

The turnover of the company is derived from the provision of financing to Sumitomo Corporations's overseas subsidiaries in Europe. Based on the fact that the information is not available and the cost to develop it would be excessive, the company shall not disclose revenue by country or region based on the locations of the customers.

#### 4 Cost of sales

|   | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|---|-------------------|-------------------|
| Interest payable on commercial paper, medium-term notes, short-term loans and long-term loans | <u>16,447</u>     | <u>25,213</u>     |

#### 5 Other operating (income)/expense

The analysis of the company's other operating (income)/expense for the year is as follows:

|  | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--|-------------------|-------------------|
| Miscellaneous other operating (income)/expense | <u>(149)</u>      | <u>618</u>        |

#### 6 Operating profit

Arrived at after charging

|   | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|---|-------------------|-------------------|
| Amortisation expense                              | 23                | 46                |
| Operating lease expense - property                | 268               | 283               |
| Loss on disposal of property, plant and equipment | <u>-</u>          | <u>5</u>          |

#### 7 Staff costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 7 Staff costs (continued)

|                          | 2020<br>No. | 2019<br>No. |
|--------------------------|-------------|-------------|
| Sales and administration | -           | -           |

### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

|              | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--------------|-------------------|-------------------|
| Remuneration | 558               | 574               |

In respect of the highest paid director:

|              | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--------------|-------------------|-------------------|
| Remuneration | 209               | 215               |

Directors do not have share options and did not receive awards during the year in the form of shares under long term incentive schemes (2019: nil). Directors' pensions are borne by the ultimate parent company.

### 9 Auditors' remuneration

|  | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--|-------------------|-------------------|
| Audit of the financial statements  | 94                | 89                |
| <b>Amounts receivable by the company's auditor and its associates in respect of:</b> |                   |                   |
| Other assurance services   | 28                | 30                |

### 10 Income tax

Tax charged/(credited) in the profit and loss account

|  | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|--|-------------------|-------------------|
| <b>Current taxation</b>  |                   |                   |
| UK corporation tax   | 2,052             | 1,667             |
| UK corporation tax adjustment to prior periods                 | (316)             | 123               |
|  | 1,736             | 1,790             |
| <b>Deferred taxation</b>                                       |                   |                   |
| Arising from origination and reversal of temporary differences | 1                 | 2                 |
| Tax expense in the profit and loss account                     | 1,737             | 1,792             |

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 10 Income tax (continued)

The tax on profit before tax for the year is lower (2019 – lower) than the standard rate of corporation tax in the UK of 19% (2019 – 19%).

The differences are reconciled as below:

|   | 2020<br>US \$ 000 | 2019<br>US \$ 000 |
|---|-------------------|-------------------|
| Profit before tax   | <u>10,972</u>     | <u>38,948</u>     |
| Corporation tax at standard rate  | 2,085             | 7,400             |
| (Decrease)/increase in current tax from adjustment for prior periods                              | (316)             | 123               |
| Decrease from effect of expenses not deductible in determining tax loss taxable profit (tax loss) | (30)              | (31)              |
| Deferred tax credit relating to changes in tax rates or laws                                      | (2)               | -                 |
| Decrease from effect dividends from UK companies  | <u>-</u>          | <u>(5,700)</u>    |
| Total tax charge  | <u>1,737</u>      | <u>1,792</u>      |

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

### Deferred tax

Deferred tax assets and liabilities

|                   | Asset<br>US \$ 000 |
|-------------------|--------------------|
| <b>2020</b>       |                    |
| Intangible assets | <u>(13)</u>        |
| <b>2019</b>       |                    |
| Intangible assets | <u>(16)</u>        |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 10 Income tax (continued)

Deferred tax movement during the year:

|                   | At 1 April<br>2019<br>US \$ 000 | Recognised in<br>income<br>US \$ 000 | At<br>31 March<br>2020<br>US \$ 000 |
|-------------------|---------------------------------|--------------------------------------|-------------------------------------|
| Intangible assets | <u>(16)</u>                     | <u>3</u>                             | <u>(13)</u>                         |

Deferred tax movement during the prior year:

|                   | At 1 April<br>2018<br>US \$ 000 | Recognised in<br>income<br>US \$ 000 | At<br>31 March<br>2019<br>US \$ 000 |
|-------------------|---------------------------------|--------------------------------------|-------------------------------------|
| Intangible assets | <u>(18)</u>                     | <u>2</u>                             | <u>(16)</u>                         |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 11 Intangible assets

|                                      | Internally<br>generated<br>software<br>development<br>costs<br>US \$ 000 |
|--------------------------------------|--|
| <b>Cost or valuation</b>             |  |
| At 1 April 2019                      | 1,943  |
| Additions                            | 12   |
| Disposals                            | <u>(1,830)</u>   |
| At 31 March 2020                     | <u>125</u>   |
| <b>Amortisation</b>                  |  |
| At 1 April 2019                      | 1,843  |
| Amortisation charge                  | 23   |
| Amortisation eliminated on disposals | <u>(1,830)</u>   |
| At 31 March 2020                     | <u>36</u>  |
| <b>Carrying amount</b>               |  |
| At 31 March 2020                     | <u>89</u>  |
| At 31 March 2019                     | <u>100</u>   |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 12 Investments

##### Carrying amount

|                          | US \$ 000 |
|--------------------------|-----------|
| <b>Cost or valuation</b> |           |
| At 1 April 2019          | 19,359    |
| At 31 March 2020         | 19,359    |
| <b>Provision</b>         |           |
| At 1 April 2019          | -         |
| Eliminated on disposals  | -         |
| At 31 March 2020         | -         |
| <b>Carrying amount</b>   |           |
| At 31 March 2020         | 19,359    |
| At 31 March 2019         | 19,359    |

Details of the subsidiary as at 31 March 2020 are as follows:

| Name of interest                              | % of ordinary share capital directly held | Proportion of voting rights and shares held indirectly | Principal activity | Registered address   | Country of incorporation |
|---|---|--|--------------------|--|--------------------------|
| <b><i>Subsidiary undertaking</i></b>          |   |  |                    |  |                          |
| Sumitomo Corporation Capital Netherlands B.V. | 100%                                      | 100%   | Finance provider   | Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ, UK | United Kingdom           |

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 13 Trade and other debtors

|   | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
|---|-------------------------------|-------------------------------|
| Amounts due from group undertakings - due within one year | 51                            | 1,780                         |
| Accrued income  | 2,230                         | 2,143                         |
| Prepayments   | 504                           | 187                           |
| Loans due from group undertakings - due within one year   | 1,010,133                     | 668,629                       |
| Loans due from group undertakings - due after one year    | 276,032                       | 267,602                       |
| Other debtors   | 39                            | -                             |
|   | <u>1,288,989</u>              | <u>940,341</u>                |

Debtors due within one year are \$1,012,957 (2019: \$672,739) and the debtors due after more than one year are \$276,032 (2019: \$267,602).

### 14 Share capital

#### Allotted, called up and fully paid shares

|                                | 31 March<br>2020   |                    | 31 March<br>2019   |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | No.                | US \$              | No.                | US \$              |
| Ordinary shares of US \$1 each | <u>125,000,000</u> | <u>125,000,000</u> | <u>125,000,000</u> | <u>125,000,000</u> |

#### Allotted, called up and fully paid shares

|                            | 31 March<br>2020 |                   | 31 March<br>2019 |                   |
|----------------------------|------------------|-------------------|------------------|-------------------|
|                            | No.              | US \$             | No.              | US \$             |
| Ordinary shares of £1 each | <u>5,765,856</u> | <u>11,381,800</u> | <u>5,765,856</u> | <u>11,381,800</u> |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 15 Loans and borrowings

|   | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
|---|-------------------------------|-------------------------------|
| <b>Non-current loans and borrowings</b>               |                               |                               |
| Bank borrowings                                       | 50,000                        | 50,000                        |
| Medium-term notes                                     | 96,507                        | 124,775                       |
|   | <u>146,507</u>                | <u>174,775</u>                |
|   | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
| <b>Current loans and borrowings</b>                   |                               |                               |
| Bank borrowings                                       | 212,023                       | 75,000                        |
| Amounts owed to group undertakings - short term loans | 433,569                       | 544,378                       |
| Medium-term notes                                     | 30,006                        | 49,786                        |
|   | <u>675,598</u>                | <u>669,164</u>                |

The loans and borrowings classified as financial instruments are disclosed in note 17 "Financial instruments".

The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

#### 16 Trade and other creditors

|                                   | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
|-----------------------------------|-------------------------------|-------------------------------|
| Accrued expenses                  | 1,165                         | 3,544                         |
| Amounts due to group undertakings | 4,134                         | 8,091                         |
| Commercial paper                  | 696,097                       | 173,525                       |
|                                   | <u>701,396</u>                | <u>185,160</u>                |

#### 17 Financial instruments

|                      | 31 March<br>2020<br>US \$ 000 | 31 March<br>2019<br>US \$ 000 |
|----------------------|-------------------------------|-------------------------------|
| Derivative asset     | 4,762                         | 3,450                         |
| Derivative liability | (10,388)                      | (3,700)                       |
|                      | <u>(5,626)</u>                | <u>(250)</u>                  |



## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 17 Financial instruments (continued)

##### Interest rate swaps

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

All fair value is classified as level 2.

##### Forward exchange contracts

Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

All fair value is classified as level 2.

##### Currency swaps

The fair value of currency swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for a similar instrument at the measurement date.

All fair value is classified as level 2.

#### 18 Financial risk management and impairment of financial assets

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company uses derivative financial instruments to manage the financial risks associated with the underlying business activities and the financing of those activities.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

##### As at 31 March 2020

|   | Within 1 year      | 1 to 5 years     | 5 years & over | Total              |
|---|--------------------|------------------|----------------|--------------------|
|   | \$'000             | \$'000           | \$'000         | \$'000             |
| Financial liabilities in trade and other payables | (1,388,621)        | (153,653)        | -              | (1,542,274)        |
| Interest rate swaps used for hedging              | (1,847)            | (4,532)          | (2,334)        | (8,713)            |
| Foreign exchange forward contracts:               | -                  | -                | -              | -                  |
| Outflow   | (344,672)          | (10,809)         | -              | (355,481)          |
| Inflow  | 343,988            | 10,814           | -              | 354,802            |
|   | <u>(1,391,152)</u> | <u>(158,180)</u> | <u>(2,334)</u> | <u>(1,551,666)</u> |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 18 Financial risk management and impairment of financial assets (continued)

##### *Liquidity risk (continued)*

As at 31 March 2019

|   | Within 1 year    | 1 to 5 years     | 5 years & over | Total              |
|---|------------------|------------------|----------------|--------------------|
|   | \$'000           | \$'000           | \$'000         | \$'000             |
| Financial liabilities in trade and other payables | (867,137)        | (189,806)        | -              | (1,056,943)        |
| Interest rate swaps used for hedging              | 219              | 2,107            | 38             | 2,364              |
| Foreign exchange forward contracts:               |                  |                  |                | -                  |
| Outflow   | (708,255)        | -                | -              | (708,255)          |
| Inflow  | 708,556          |                  |                | 708,556            |
|   | <u>(866,617)</u> | <u>(187,699)</u> | <u>38</u>      | <u>(1,054,278)</u> |

##### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

##### *Exposure to credit risk*

Excluding amounts due from Sumitomo group companies, the Company does not have any significant credit risk to any single counterparty or any Sumitomo group counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is believed to be limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. Debtors include loans and receivables owed by the group companies which are guaranteed by Sumitomo Corporation, the parent company. Therefore, the financial instruments' carrying amount best represents the maximum exposure to credit risk at the balance sheet date.

##### *Credit quality of financial assets and impairment losses*

The financial assets are neither past due nor impaired due to the credit risk being considered as low as described above.

The credit risk on derivative financial instruments is limited because the counterparties with significant balances are companies with high credit ratings.

##### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

##### *Market risk - foreign currency risk*

The Company's exposure to foreign currency risk for currencies which the Company primarily transacts in is as follows. This is based on the carrying amount for monetary financial instruments:

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 18 Financial risk management and impairment of financial assets (continued)

#### Market risk (continued)

#### Market risk - foreign currency risk (continued)

As at 31 March 2020

|                                      | Sterling       | Euro         | Japanese Yen   | Swedish Krona | US Dollar      |
|--------------------------------------|----------------|--------------|----------------|---------------|----------------|
|                                      | \$'000         | \$'000       | \$'000         | \$'000        | \$'000         |
| Cash and cash equivalents            | 9,718          | 11,505       | 2,336,271      | 463           | 449,611        |
| Non-derivative financial assets      | 71,759         | 456,566      | 399,725        | 45,641        | 648,487        |
| Non-derivative financial liabilities | (40,513)       | (534,856)    | (2,602,447)    | -             | (858,444)      |
| Forward exchange contracts           | (49,451)       | 73,566       | -              | (4,517)       | 26,452         |
| <b>Balance sheet exposure</b>        | <b>(8,487)</b> | <b>6,781</b> | <b>133,549</b> | <b>41,587</b> | <b>266,106</b> |

As at 31 March 2019

|                                      | Sterling        | Euro         | Japanese Yen | Swedish Krona | US Dollar      |
|--------------------------------------|-----------------|--------------|--------------|---------------|----------------|
|                                      | \$'000          | \$'000       | \$'000       | \$'000        | \$'000         |
| Cash and cash equivalents            | 11,977          | 32,998       | 5,079        | 574           | 278,543        |
| Non-derivative financial assets      | 49,374          | 220,138      | 4,569        | 49,750        | 614,564        |
| Non-derivative financial liabilities | (11,044)        | (242,757)    | (1,118)      | -             | (758,933)      |
| Forward exchange contracts           | (63,462)        | (11,354)     | (65)         | 5,376         | 117,466        |
| <b>Balance sheet exposure</b>        | <b>(13,155)</b> | <b>(975)</b> | <b>8,465</b> | <b>55,700</b> | <b>251,640</b> |

#### Sensitivity analysis

A 1% (one percent) weakening of the following currencies against the US Dollar at 31 March 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for previous year.

|               | Equity |        | Profit or (loss) |        |
|---------------|--------|--------|------------------|--------|
|               | 2020   | 2019   | 2020             | 2019   |
|               | \$'000 | \$'000 | \$'000           | \$'000 |
| Sterling      | (105)  | (132)  | (105)            | (132)  |
| Euro          | 74     | (10)   | 74               | (10)   |
| Japanese Yen  | 12     | 85     | 12               | 85     |
| Swedish Krona | 416    | 557    | 416              | 557    |

A 1% (one percent) strengthening of the above currencies against the US Dollar at 31 March 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 18 Financial risk management and impairment of financial assets (continued)

##### *Market risk (continued)*

##### **Market risk - interest rate risk**

As its principal activity, the Company raises the funds and finances it to the group companies with the same index (Libor) at the same timing and the Company manages the interest-rate risk through the use of fixed-to-floating interest rate swaps when financial instruments with fixed-interest rate arise, in order to meet the desired interest profile. The interest rate profile of the Company's interest-bearing financial instruments is all floating-interest rate after the effects of interest rate swaps. The principal amount for financial instruments matches to the notional amount for derivatives with fixed and floating rates of interest rate swaps. Therefore the Company's interest rate risk exposures are considered as low. Under the interest rate swaps, the Company agrees with other parties to settle, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

##### *Capital management*

The Company's policy for managing capital is to maintain a strong balance sheet to ensure that the Company always has sufficient resources to be able to invest in future growth. The Company constantly monitors its net debt, value at risk and liquidity ratio to ensure that it maintains a good return on its capital and a sound capital position.

There were no changes in the Company's approach to capital management during the year.

##### *Hedges*

##### *Fair value hedges*

The Company has interest rate swaps and currency swaps which are being used to hedge the exposure to changes in the fair value of loans and receivables and interest-bearing borrowings. Those hedged items and swaps have the same critical terms. The Company recognised a gain on the hedged item of \$4,946,587 (2019: \$551,529 gain) and a loss on the hedging instrument of \$4,946,587 (2019: \$551,529 loss).

##### *Fair value heirarchy*

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

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

##### **As at 31 March 2020**

|                                  | <b>Level 1</b> | <b>Level 2</b> | <b>Total</b>  |
|----------------------------------|----------------|----------------|---------------|
|                                  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| Derivative financial assets      | -              | 4,762          | 4,762         |
| Derivative financial liabilities | -              | (10,388)       | (10,388)      |

# Sumitomo Corporation Capital Europe Plc

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 18 Financial risk management and impairment of financial assets (continued)

#### *Fair value hierarchy (continued)*

As at 31 March 2019

|                                  | Level 1 | Level 2 | Total   |
|----------------------------------|---------|---------|---------|
|                                  | \$'000  | \$'000  | \$'000  |
| Derivative financial assets      | -       | 3,450   | 3,450   |
| Derivative financial liabilities | -       | (3,700) | (3,700) |

### 19 Related party transactions

#### Income and receivables from related parties

|                                       | Other related parties<br>US \$ 000 |
|---------------------------------------|------------------------------------|
| <b>2020</b>                           |                                    |
| Turnover                              | 12,930                             |
| Amounts receivable from related party | 185                                |
|                                       | <hr/>                              |
| <b>2019</b>                           |                                    |
| Turnover                              | 10,376                             |
| Amounts receivable from related party | 5,800                              |
|                                       | <hr/>                              |

## Sumitomo Corporation Capital Europe Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 19 Related party transactions (continued)

##### Expenditure with and payables to related parties

|   | Other related parties |
|---|-----------------------|
|   | US \$ 000             |
| <b>2020</b>                               |                       |
| Administrative expenses and Cost of Sales | 41                    |
| Amounts payable to related party          | 85,815                |
|   | <hr/>                 |
|   | Other related parties |
|   | US \$ 000             |
| <b>2019</b>                               |                       |
| Administrative expenses and Cost of Sales | 223                   |
| Amounts payable to related party          | 2,608                 |
|   | <hr/>                 |

#### 20 Parent and ultimate parent undertaking

The Company is wholly owned by Sumitomo Corporation Europe Limited, a company incorporated in the United Kingdom. Sumitomo Corporation Europe Limited is a wholly-owned subsidiary of Sumitomo Corporation Europe Holding Limited. Sumitomo Corporation Europe Holding Limited is a wholly-owned subsidiary of Summit Global Management II BV which in turn is a wholly-owned subsidiary of Sumitomo Corporation, incorporated in Japan.

Sumitomo Corporation heads the largest and smallest groups in which Sumitomo Corporation Capital Europe Plc is a member and for which group accounts are prepared.

The group accounts for Sumitomo Corporation are available at Otemachi Place East Tower 3-2 Otemachi 2-Chome, Chiyoda-Ku, Tokyo 100-8601, Japan.