

Company Registration No.06699600

ITOCHU Treasury Centre Europe Plc

Report and Financial Statements

For the year ended 31 March 2021

ITOCHU Treasury Centre Europe Plc

Report and financial statements for the year ended 31 March 2021

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Strategic report

The purpose of the Strategic report is to inform members of the company (defined as “ITOCHU Treasury Centre Europe Plc”) and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006.

Principal business activities and objectives

ITOCHU Treasury Centre Europe Plc (“the Company”) is incorporated and domiciled in England. The Company’s registered office is 20 Primrose Street, London, EC2A 2EW. The Company is a direct wholly-owned subsidiary of, and is directly controlled by, ITOCHU Treasury Corporation, which is incorporated in Japan. The ultimate parent is ITOCHU Corporation which is incorporated in Japan.

The principal activity of the Company is to provide Company financing services to ITOCHU Corporation’s subsidiaries in Europe and the Middle East (“Associated Group Companies”). This is achieved by raising finance and managing liquidity to ensure Associated Group Companies funding requirements are met.

The Company employs a low-risk strategy, focusing on the most appropriate funding and providing liquidity commensurate with the needs of the individual Associate Group Companies.

Business Review

As at 31 March 2021, the profit after tax was £ 3.42 million (2020: 3.18 million). The net margin (calculated by dividing the profit before tax by the average balance of loans to Associated Group Companies) was 0.33 % (2020: 0.31%). The increase in profit after tax was driven by the stable lending amount to the Associated Group Companies and the decline in borrowing cost during the fiscal year. The current ratio (current assets divided by current liabilities) decreased to 0.59 (2020: 0.99) due to a certain part of the long-term lending to the Associated Group Companies being financed by short-term borrowings.

The Directors monitor the progress and performance of the Company with reference to financial KPIs, namely, profit after tax, net margin and current ratio as key performance indicators as well as non-financial KPIs such as relationship management with financial institutions and monitoring of the Associated’ group companies working capital.

Gross profit of £5.5million was significantly higher than the previous year (2020: £4.6million). The increase in Gross profit was mainly due to the stable lending amount and the decline in borrowing cost during the year. The gain after netting foreign exchange loss and the gain on derivative revaluation is £ 0.1million (2020: £0.4million). The Company concentrates on efficient liquidity management coupled with asset liability management, providing funds to Associated Group Companies of £1,223million (2020: £1,304million). As at 31 March 2021, the Company had net current liabilities of £452million (2020: net current liabilities of £18million) and net assets of £ 134million (2020: £134million). This is due to the replacement of maturing long-term loans with short term loans. The Directors consider such fluctuation in the current position to be manageable and an acceptable risk from the perspective due to the nature of the business and the on-going working relationship with their financing providers.

During the year, the Company supplied funds to the Associated Group Companies and ensured the stability of the Associated Group Companies funding position through securing liquidity from banks, drawing down from the HM Treasury / Bank of England joint Commercial Paper funding scheme due to COVID-19 (CCFF; COVID Corporate Financing Facility) and from Medium Term Notes. The Medium-Term Note Programme is listed on the Singapore Stock Exchange.

During the period the directors identified a prior year restatement in the treatment of cash and borrowings in accordance with IAS 32. The restatement had no impact on net assets or the profit and loss of the company. Further details on the matter can be found within note 21 of the accounts.

The Directors consider the results of the Company’s trading period to be satisfactory and, given the scope of operations of the Company, do not believe further performance indicators are required to understand the operations of the Company.

Principal risks and uncertainties

To control the credit risk of Associated Group Companies, who also have support letters provided by ITOCHU Corporation and/or ITOCHU Europe PLC, the management continuously contacts the Associated Group Companies to review both their business performance and financial situation.

In addition to the credit risk of Associated Group Companies, the Company is exposed to a number of financial risks including foreign currency risk, interest rate risk and credit risk of counterparties such as financial institutions as

ITOCHU Treasury Centre Europe Plc

Strategic report

described in Note 14. The Company identifies these risks through a continuous monitoring process and takes appropriate steps to mitigate risk by utilising financial instruments such as currency forwards and interest rate swaps.

Covid-19 Pandemic

COVID-19 has and is continuing to affect the business activities of the Associated Group Companies to some extent, depending on the nature of their individual business. That said, we are now seeing some positive forecasts due to the expanding vaccination programme. The Directors believe that the recoverability of loans to Associated Group Companies is not in question because of (1) the adequate measures taken at the individual business level, and (2) the strong support from ITOCHU Corporation as the ultimate parent company and/or ITOCHU Europe Plc, which is the regional headquarters of ITOCHU's European operations.

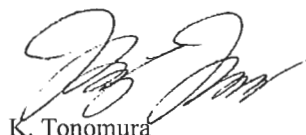
Monetary policy change and fluctuation in financial markets

In near future, central banks in US, UK and EU may take the opportunity to stop or taper their easing policy. Even though that would not directly impact the business of ITOCHU Group in Europe and the Middle East, some indirect impact as a result of financial market fluctuations may affect individual businesses and hence ITOCHU Group. The Company will keep abreast of market developments and closely monitor the business performance of Associated Group Companies, reviewing their ability to meet their repayment obligations.

Future developments

ITOCHU Group is starting a new medium-term management plan called "Brand-new Deal 2023" from the fiscal year end 2022. The qualitative targets are 1) realising business transformation by shifting to a market-oriented perspective, 2) enhancing our contribution to and engagement with Sustainable Development Goals (SDG's) through our business activities. ITOCHU Group will review and replace the assets from the Management Plan perspective. The Company will work closely with Associated Group Companies in Europe and the Middle East to determine the capital demand. The Directors are confident that the Company has adequate funding as and when required based on the Management Plan. The Directors also believe that the Green Finance Framework established by ITOCHU Europe PLC in March 2019, for which the Company is acting as a funding vehicle, is beneficial to the Company by showing ITOCHU's commitment to sustainability.

Approved by the Board of Directors
and signed on behalf of the Board



K. Tonomura
Managing Director

23 July 2021

ITOCHU Treasury Centre Europe Plc

Directors' report

The Directors present their report, together with the audited financial statements of ITOCHU Treasury Centre Europe Plc ("the Company") for the year ended to 31 March 2021. The prior year ended 31 March 2020.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in note 16. The Company has one class of ordinary shares which carry no right to a fixed dividend. Each share carries the right to one vote at general meetings of the Company.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Events after the statement of financial position date

Details of significant events since the statement of financial position date are contained in note 20 to the financial statements.

Dividends

The Directors recommend a final dividend of £ 3,496,000 (£0.0269 per share) for the year ended 31 March 2021 (2020: 3,140,000, £0.0242 per share) which is subject to approval by shareholders at the Annual General Meeting.

Directors

The Directors who served during the period and at the date of this report are as shown below:

K. Tonomura (Managing Director, appointed on 1 August 2020)

N. Hattori (resigned as Managing Director on 31 July 2020, appointed as Director on 1 August 2020)

S. Watanabe (appointed on 1 May 2021)

M. Nishimura (appointed on 1 May 2021)

K. Kijima (resigned on 30 April 2021)

N. Yamamoto (appointed on 1 June 2020, resigned on 30 April 2021)

S. Ida (resigned on 31 May 2020)

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report.

In addition, the Strategic Report details the financial position of the Company as well as the Company's objectives and policies, and details of its exposure to foreign currency, interest rate, credit and liquidity risks.

The Company has considered the anticipated future funding requirements from Associated Group Companies as well as the Company's ability to source the related funding to meet these requirements. Details of the Company's sources of funding at the balance sheet date are provided in note 13. The Company has £435million of third-party borrowings that are due for repayment within 12 months as of 30 June 2021. The directors believe that, based on historical precedent and the strength of their banking relationships, they will be able to refinance these balances when they fall due for repayment. However, in the unlikely event that they are not able to do so, the Company has access to a variety of alternative funding sources which, although individually uncommitted, the directors believe would enable them to repay the amounts as they fall due. These include a bank loan facility available through its ultimate parent company. The directors have also confirmed through a letter of support, that the ultimate parent company, ITOCHU Corporation will provide support should it be required. The directors have assessed the future liabilities of the company and confirmed they have appropriate access to committed facilities that they would be able to provide the required support to the entity.

Based on the above, notwithstanding the potential adverse impact on Associated Group Companies of the current economic circumstances arising as a result of the COVID-19 pandemic, the Directors have formed the opinion at the time of approving the financial statements, that the Company will have access to adequate resources to continue in operational existence for the period of 12 months from the date hereof.

ITOCHU Treasury Centre Europe Plc Directors' report

Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Directors' indemnities

The Company has made no qualifying third party indemnity provisions for the benefit of its Directors.

Strategic report

The information that fulfils the Companies Act, s414c (11), requirements of the business review, is included in the Strategic Report. This includes a review of the development of the business of the Company during the year, of its position at the end of the year and of the likely future developments in its business.

Political Donation

The Company paid no political donation during the year ended 31 March 2021.

Financial risk management objectives, future developments, and post statement of financial position events

In relation to the use of financial instruments, the financial risk management objectives and policies of the Company, and the exposure of the Company to foreign currency, interest rate, credit and liquidity risk are disclosed in Note 14 'Financial Instruments'.

Future developments in the business have been disclosed in the Strategic Report.

Particulars of any important events affecting the Company have been included in Note 20 'Post statement of financial position events'.

Auditor

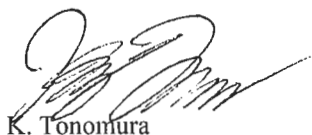
Deloitte LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approved by the Board of Directors
and signed on behalf of the Board



K. Tonomura
Managing Director

23 July 2021

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Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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Independent Auditor's report to the members of ITOCHU Treasury Centre Europe Plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of ITOCHU Treasury Centre Europe Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit and loss;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of loans to associated group companies; and
- Presentation of cash and short term borrowings in accordance with IAS 32.

Within this report, key audit matters are identified as follows:

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Independent Auditor's report to the members of ITOCHU Treasury Centre Europe Plc

	Newly identified
	Increased level of risk
	Similar level of risk
	Decreased level of risk

Materiality	The materiality that we used in the current year was £3.9million which was determined on the basis of 3 % of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	During the current year we identified an additional key audit matter in relation to the presentation of cash and short-term borrowings under IAS 32 due to the complexity and significant audit effort spent on the matter. There were no other significant changes in our audit approach in the current year.

4. Conclusions relating to going concern

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

Our evaluation of the director's assessment of the company's ability to continue to adopt the going concern basis of included:

- Understanding the 12-month cash flow forecasts of management including management's assessment of downside scenarios;
- Assessing the ability of management to refinance their short-term debt with banks;
- Assessing the historical accuracy of the forecasts when compared to prior periods and other forecast data provided by the company;
- Assessing ability of the associated group companies to repay their short-term loans from the company if requested immediately; and
- Evaluating the ability of the company to access alternative sources of funding, including from the ultimate parent company; and
- Evaluating the appropriateness of the going concern disclosures in the financial statements.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

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5.1. Valuation of loans to Associated group companies <>

Key audit matter description	Loans to Associated group companies are stated in the balance sheet at £1.2bn as at 31 March 2021 (2020: £1.3bn). The company recognised loss allowances for expected credit losses (ECL) of £680K (2020: £21K) on this balance in accordance with IFRS 9. The calculation was based on a judgement as to whether there was a significant increase in credit risk; the probability of default (PD); and the loss given default. Management have determined the probability of default (PD) to be the key judgement in relation to expected credit losses. We have identified a key audit matter in relation to the valuation of loans to Associated group companies, in particular ECLs. This is based on the significance of the loan balances to the company's financial position and the fact that, whilst certain portions of the loan balances are supported by a letter of guarantee from ITOCHU Corporation, a material portion are only supported by a letter of awareness, which is not legally binding. As such, the recoverability of those balances is dependent on the ability and, for those balances only supported by a letter of awareness, the willingness of ITOCHU Corporation to support the company in the event of default by the counterparty. Given the level of unpredictability due to the COVID-19 pandemic, there is increased risk around the valuation of these loans. For loans where the company has a letter of guarantee from ITOCHU Corporation, management have judged the PD to equal the PD of ITOCHU Corporation. For loans where ITOCHU Corporation has instead provided a letter of awareness, they have determined the PD by reference to a comparator group of companies. These are deemed the key assumptions by management. Further details are included within the significant accounting policies in notes 4, 10 and 14 to the financial statements.
How the scope of our audit responded to the key audit matter	In response to the identified key audit matter we performed the following procedures; • Obtained an understanding of the relevant controls related to the valuation of loans to Associated group companies; • Obtained copies of the letters of guarantee and letters of awareness; • Performed confirmation procedures with the third parties to check the loan balances outstanding at the balance sheet date; • Checked the mathematical accuracy of the ECL provision; • Evaluated the appropriateness of key assumptions applied by management to estimate the ECL, including assessing the impact of COVID-19 on the assumptions, and comparing the default rate of the ITOCHU Corporation to an external source; • Assessed the financial ability and willingness of ITOCHU Corporation to reimburse the company for any losses it may incur in respect of these loans, by reference to its latest financial statements; and • For material loans only supported by a letter of awareness, from entities with a weak balance sheet, obtained and challenged the comparator company analysis completed by management by inquiring with management as to their comparator group and applying sensitivities to the probability of default to understand the impact of using alternate comparator groupings.
Key observations	Based on the work performed we concluded that the valuation of loans to Associated group companies, was appropriate.

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Independent Auditor's report to the members of ITOCHU Treasury Centre Europe Plc

5.2 Presentation of cash and short-term borrowings in accordance with IAS 32

Key audit matter description	ITOCHU Treasury Centre Europe Plc facilitates both long term, short term and working capital financing to various entities ("Associated group companies") fully or partially owned and operated by ITOCHU Corporation (ITCJ). It does this by raising funds either from ITCJ, external Banks or issuing commercial paper itself. It then passes this out through loans or making available a series of currency specific cash pooling arrangements either directly to the Associated group companies or through ITOCHU Europe PLC (ITCE). The cash pooling arrangements, which are explained further in note 3 of the financial statements, enable the operation of a daily sweep of cash to or from each participating Associated group company. Within each cash pool there are a series of separate bank accounts held by the company, one corresponding to each participating company, which facilitate this daily cash sweep. Accordingly, at the balance sheet date, the overall net balance within each pool will consist of the aggregation of each of these separate bank accounts. Interest is charged to or earned by each pool based on the aggregate balance within each pool and then reallocated to participating companies based on their relative contribution to each pool. In previous reporting periods, the company has recorded each of these cash pools on a net basis, such that positive and negative cash balances held by the separate bank accounts within each pool are offset against each other for reporting purposes. In the current year, management has reconsidered whether the structure of these pools meets the requirements for offsetting the individual bank accounts within each pool in accordance with IAS 32 "Financial Instruments – Presentation" and has concluded that these requirements have not been met. As a result the prior year balances have been restated such that the statement of financial position reports positive and negative bank balances within each pool on a separate (ie "gross") basis. Further details of this restatement, which resulted in an increase of £657.0 million at 31 March 2020 and an increase of £295.7million at 31 March 2019 in respect of both cash and short-term borrowings, are provided in note 21. We have identified a key audit matter in respect of the presentation of these cash pools due to the complexity of the accounting standards in the context of this particular pooling arrangement, the materiality of the amounts involved and the significant audit effort required.
How the scope of our audit responded to the key audit matter	In response to the identified key audit matter we performed the following procedures; • Inquired with management and obtained an understanding of their treatment of the cash and borrowings presentation within the financial statements; • Read the terms of the company's cash pooling arrangements between the company, the financial institution which provides the pooling arrangement and the participating Associated group companies; • Inspected the presentation of the individual bank accounts within each pool within both the current and prior year end bank statements and bank confirmations; • Held inquiries with the financial institution to check our understanding of how the pooling arrangement operates; • Involved our internal financial instrument specialists on the treatment and presentation of balances impacted by cash pooling under IAS 32; and • Recalculated the quantum of the prior year restatement recorded by the company, with reference to the balances shown in the bank statements and bank confirmation as of 31 March 2020 and 31 March 2019.

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Key observations	Based on the work performed we concur with management that the requirements for offsetting positive and negative balances within each cash pool under IAS 32 had not been met and that such balances should instead be recorded on a "gross" basis. We are also satisfied that the prior year restatement that has been recorded in the financial statements is appropriate.
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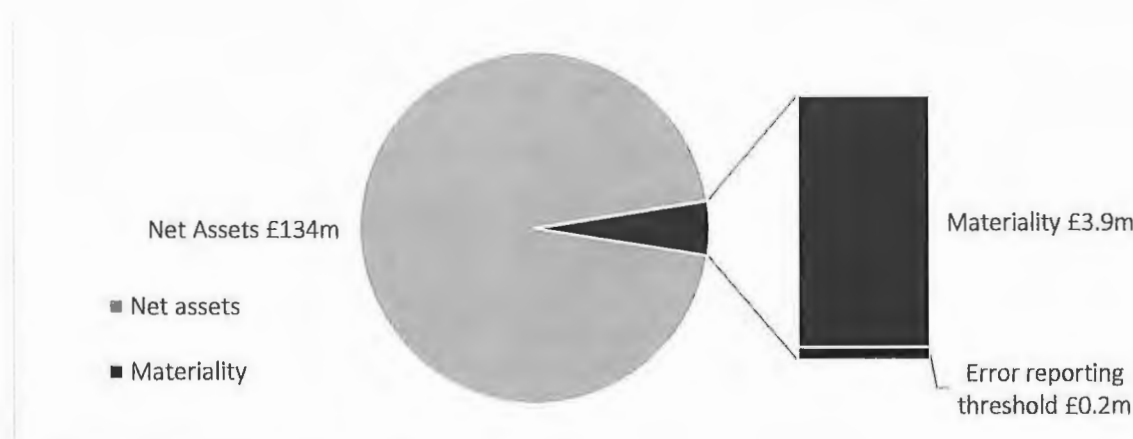
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.9m (2020: £4m)
Basis for determining materiality	3% of net assets (2020: 3% of net assets)
Rationale for the benchmark applied	We determined materiality based on net assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by net assets value movements rather than revenue or profit, given its nature as a provider of financing services to fellow subsidiary companies.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- The quality of the control environment;
- The low number of corrected and uncorrected misstatements identified in the prior years;

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- c. The stability in the company's business model compared to previous years; and
- d. The low turnover of management or key accounting personnel.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of £0.2m (2020: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

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are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists including financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Valuation of loans to Associated group companies. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified Valuation of loans to Associated group companies as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

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- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

ITOCHU Treasury Centre Europe Plc

Independent Auditor's report to the members of ITOCHU Treasury Centre Europe Plc

permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "David Paterson". The signature is written in a cursive, flowing style.

David Paterson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

23 July 2021

ITOCHU Treasury Centre Europe Plc
Statement of Profit and Loss
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Interest income	5	11,564	14,032
Interest expense	5	(6,060)	(9,468)
Gross profit		5,504	4,564
Administrative expenses		(1,832)	(1,124)
Other income/(expenses)			
Foreign exchange gain/(loss)		(2,155)	2,996
Derivatives revaluation gain/(loss)	14	2,240	(2,617)
Other		460	73
		545	452
Operating profit	7	4,217	3,892
Profit before tax		4,217	3,892
Tax charge	9	(801)	(716)
Profit for the period after tax		3,416	3,176

The results shown in the income statement are derived wholly from continuing activities.

The accompanying notes are an integral part of this income statement.

ITOCHU Treasury Centre Europe Plc
Statement of comprehensive income
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Profit for the year		3,416	3,176
Items that may be reclassified subsequently to profit or loss:			
Gain/(Loss) on hedging instruments designated in cash flow hedge relationships		152	(450)
Tax on fair value movement taken directly to equity	15	(26)	85
Other comprehensive expense for the year		126	(365)
Total comprehensive income for the year attributable to the owners of the company		3,542	2,811

ITOCHU Treasury Centre Europe Plc
Statement of changes in equity
For the year ended 31 March 2021

	Notes	Share capital	Retained earnings	Cash flow hedge reserve	Total
		£'000	£'000	£'000	£'000
Balance at 1 April 2019		130,000	4,351	6	134,357
Dividend paid		-	(3,584)	-	(3,584)
Profit for the year		-	3,176	-	3,176
Loss arising during the year		-	-	(450)	(450)
Deferred tax		-	-	85	85
Total comprehensive income for the year		-	3,176	(365)	2,811
Balance at 31 March 2020		<u>130,000</u>	<u>3,943</u>	<u>(359)</u>	<u>133,584</u>
Dividend paid		-	(3,140)	-	(3,140)
Profit for the year		-	3,416	-	3,416
Profit arising during the year		-	-	152	152
Deferred tax		-	-	(26)	(26)
Total comprehensive income for the year		-	3,416	126	3,542
Balance at 31 March 2021		<u>130,000</u>	<u>4,219</u>	<u>(233)</u>	<u>133,986</u>

ITOCHU Treasury Centre Europe Plc
Statement of financial position
As at 31 March 2021

	Notes	2021 £'000	Restated (see note 3) 2020 £'000	Restated (see note 3) 2019 £'000
Non-current assets				
Long-term loans to Associated Group Companies	10	720,126	567,306	474,992
Derivative financial instruments	14	-	1,372	856
Other receivables	10	-	1	6
Deferred tax assets	15	336	278	60
		<u>720,462</u>	<u>568,957</u>	<u>475,914</u>
Current assets				
Short-term loans to Associated Group Companies	10	502,438	736,702	770,842
Trade and other receivables	10	1,671	1,861	2,158
Derivative financial instruments	14	1,010	1,051	292
Cash and bank balances	11	147,807	657,036	295,746
		<u>652,926</u>	<u>1,396,650</u>	<u>1,069,038</u>
Non-current liabilities				
Borrowings	13	134,303	415,732	476,444
Derivative financial instruments	14	-	1,485	1,103
Deferred tax liabilities	15	149	190	60
		<u>134,452</u>	<u>417,407</u>	<u>477,607</u>
Current liabilities				
Trade and other payables	12	113,010	176,070	106,348
Derivative financial instruments	14	1,229	2,377	-
Borrowings	13	990,711	1,236,169	826,640
		<u>1,104,950</u>	<u>1,414,616</u>	<u>932,988</u>
Total liabilities		<u>1,239,402</u>	<u>1,832,023</u>	<u>1,410,595</u>
Net assets		<u>133,986</u>	<u>133,584</u>	<u>134,357</u>
Shareholder's equity				
Ordinary share capital	16	130,000	130,000	130,000
Cash flow hedge reserve	14	(233)	(359)	6
Retained earnings	17	4,219	3,943	4,351
Total shareholder's equity		<u>133,986</u>	<u>133,584</u>	<u>134,357</u>

The financial statements of ITOCHU Treasury Centre Europe Plc, registered number 06699600 were approved by the Board of Directors and authorised for issue on 23 July 2021. The accompanying notes are an integral part of the Financial Statements. They were signed on its behalf by:


K. Tonomura
Managing Director

ITOCHU Treasury Centre Europe Plc
Cash flow statement
For the year ended 31 March 2021

		2021	Restated
	Notes	£'000	2020
			£'000
Cash flows from operating activities:			
Profit before tax		4,217	3,892
Adjusted for			
Decrease in accounts receivable	10	227	320
(Increase)/Decrease in lending to Associated Group Companies	10	81,444	(58,162)
Increase in derivative financial instruments	14	(1,099)	1,023
Decrease in accounts payable	12	(162)	(428)
Income tax paid		(930)	(1,206)
Prior year income tax adjustment received	9	-	25
Net cash generated/(used in) by operating activities		<u>83,697</u>	<u>(54,536)</u>
Cash flows from investing activities:			
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities:			
(Decrease)/Increase in borrowings	13	(526,885)	348,814
(Decrease)/Increase in short term borrowings from Associated Group Companies	12	(62,901)	70,596
Dividends paid		<u>(3,140)</u>	<u>(3,584)</u>
Net cash generated/(used in) financing activities		<u>(592,926)</u>	<u>415,826</u>
Net increase/(decrease) in cash and cash equivalents		<u>(509,229)</u>	<u>361,290</u>
Cash and cash equivalents at the beginning of the year	11	<u>657,036</u>	<u>295,746</u>
Cash and cash equivalents at the end of the year	11	<u><u>147,807</u></u>	<u><u>657,036</u></u>

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

1. General information

ITOCHU Treasury Centre Europe Plc is a company incorporated in The United Kingdom under the Companies Act 2006. The Company is registered in England and Wales and is a public company, limited by shares.

The address of the registered office is given in the Directors' Report. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements are stated in Pounds Sterling which is the functional currency of the Company.

2. Adoption of new Standards

New standards, interpretations and amendments effective from 1 April 2020

The following standards, interpretations and amendments have become effective from 1 April 2020:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Long-term Interests in Associate Definition of a Business (Amendments to IFRS 3s and Joint Ventures (Amendments to IAS 28))
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Adoption of the above have not had a material impact on the Company's financial statements.

New standards, interpretations and amendments not yet effective

The following standards and interpretations to published standards are not yet effective:

New standard, interpretation or amendment	Mandatory effective date (period beginning)
IFRS 17 'Insurance Contracts'	1 January 2021
Deferred Tax related to Assets and Liabilities arising from a single transaction amendments to IAS 12	1 January 2023
Definition of Accounting Estimates Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023

The directors anticipate that the adoption of these Standards, interpretations and amendments in future periods are unlikely to have a material impact on the results and net assets of the Company.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report.

In addition, the Strategic Report details the financial position of the Company as well as the Company's objectives and policies, and details of its exposure to foreign currency, interest rate, credit and liquidity risks.

The Company has considered the anticipated future funding requirements from Associated Group Companies as well as the Company's ability to source the related funding to meet these requirements. Details of the Company's sources of funding at the balance sheet date are provided in note 13. The Company has £435million of third-party borrowings that are due for repayment within 12 months as of 30 June 2021. The directors believe that, based on historical precedent and the strength of their banking relationships, they will be able to refinance these balances when they fall due for repayment. However, in the unlikely event that they are not able to do so, the Company has access to a variety of alternative funding sources which, although individually uncommitted, the directors believe would enable them to repay the amounts as they fall due. These include a bank loan facility available through its ultimate parent company. The directors have also confirmed through a letter of support, that the ultimate parent company, ITOCHU Corporation will provide support should it be required. The directors have assessed the future liabilities of the company and confirmed they have appropriate access to committed facilities that they would be able to provide the required support to the entity.

Based on the above, notwithstanding the potential adverse impact on Associated Group Companies of the current economic circumstances arising as a result of the COVID-19 pandemic, the Directors have formed the opinion at the time of approving the financial statements, that the Company will have access to adequate resources to continue in operational existence for the period of 12 months from the date hereof.

Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Prior year restatement

Within the period, it was determined that the Company's cash and overdrafts within its notional cash pooling arrangement did not meet the requirements for offsetting in accordance with IAS 32 Financial Instruments; Presentation and cannot be presented net in the statement of financial position. For presentational purposes, amounts have therefore been restated for the prior year (year ended 31 March 2020 and 31 March 2019). This adjustment does not impact on net assets or net profit for either of those years.

Further details regarding the restatement and related developments after the balance sheet date can be found within note 20 and 21. Further details regarding the cash pooling arrangements are provided in the "cash and cash equivalents" section below.

Interest

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments using the effective interest method.

The effective interest method allocates interest income and expense over the relevant period by applying the effective interest rate to the carrying amount of the asset or liability. The effective interest rate is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs relate to borrowing funds to be loaned to other Associated Group Companies, with no borrowings being used for acquisition, construction or production of qualifying assets. As such, all borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

Items included in the financial statements of the Company are measured in pounds sterling (the functional and presentation currency) being the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of these items at year end exchange rates are recognised in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and the movement in deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in the year and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

At the end of each financial statement period the company re-assess the carrying amounts of deferred assets and liabilities. Where the taxable rate has changed during the period the company assess whether or not this results in a change in the deferred asset or liability and the likelihood of recoverability.

The carrying amount of deferred tax assets and liabilities is reviewed and recognised at each statement financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits or loss will be available to allow all or part of the asset and the liability to be recovered.

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

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

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

Cash and cash equivalents

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

As part of its role to provide financing services to ITOCHU Corporation's subsidiaries in Europe and the Middle East ("Associated group companies"), the Company makes available a series of currency specific cash pooling arrangements either directly to the Associated group companies or through ITOCHU Europe PLC (ITCE). The cash pooling arrangements enable the operation of a daily sweep of cash to or from each participating Associated group company. Within each cash pool there are a series of separate bank accounts held by the Company, one corresponding to each participating company, which facilitate this daily cash sweep. Accordingly, at the balance sheet date, the overall net balance within each pool will consist of the aggregation of each of these separate bank accounts. Interest is charged to or earned by each pool based on the aggregate balance within each pool and then reallocated to participating companies based on their relative contribution to each pool.

Financial Instruments

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

The company principally holds loans with underlying subsidiaries. The purpose of these loans is to hold and collect the contractual cash flows and the interest against the principal.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

The Company does not hold a material value of items which are measured at FVTOCI.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The company has not made any such election.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or

discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

Instruments Classified at FVTOCI and FVTPL

The company does not hold any debt or equity instruments at FVTOCI or FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income and expenses' line item ;

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time

value of money where appropriate. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial

instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. £680 thousand has been recognised for the ECL as of 31 March 2021 (2020: £21 thousand).

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in

a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument. A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income and expenses' line item in profit or loss. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other income and expenses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that

ITOCHU Treasury Centre Europe Plc

Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or losses the modification gain or loss within other gains and losses.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL. An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the

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Notes to the financial statements

For the year ended 31 March 2021

3. Significant accounting policies (continued)

hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts. The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Share capital

Ordinary shares are classified as equity.

ITOCHU Treasury Centre Europe Plc **Notes to the financial statements** **For the year ended 31 March 2021**

4. Critical accounting judgement and key sources of estimation uncertainty

As outlined in note 10, the company has recognised loss allowances for expected credit losses (ECL) of £680K (2020 £21K) relating to loans to Associated Group Companies in accordance with IFRS 9. The calculation was based on estimates of the probability of default (hereafter 'PD') and loss given default (hereafter 'LGD').

Whilst certain loan balances are supported by a letter of guarantee from ITOCHU Corporation, the ultimate controlling party, a material portion are supported by a letter of awareness, which is not legally binding. For those loan balances supported by a letter of guarantee, the PD was based on the default rate of ITOCHU Corporation, the ultimate controlling party. For those loan balances supported by a letter of awareness, the PD was based on the default rate that the rating agency published for each debt rating defined by several factors, such as the quality of the letter of support, business nature and the industry impact from the Covid-19 pandemic. The default rate the rating agency published for each debt rating is based on historical track record in the agency. The debt rating to define the PD of each loan represents the directors' best estimate by using several factors because the Associated Group Companies don't have any rating from rating agencies. The LGD also represents the directors' best estimate with reference to the business nature of Associated Group Companies and the debt recovery rate assessed by the rating agency.

In assessing the reasonableness of the ECL for loans to Associated Group Companies with weak balance sheets that are only supported by letters of awareness, for the most material counterparties the directors performed supplemental tests, being either an assessment of the counterparties' ability to immediately repay the loan from liquid assets on hand or by comparison of the ECL recorded to that which would arise by applying a benchmark PD based upon similar sized companies using publicly available information. Based on these supplemental tests and the evaluation of the credit rating, the directors concluded that the ECL recorded was appropriate.

If the PD was increased by 0.5% for all loans, this would increase the ECL by £4.5m. If the LGD was increased by 5% for all loans, this would increase the ECL by £0.1m.

5. Analysis of net interest income

Included in net income are the following:

	2021	2020
	£'000	£'000
Interest income		
Interest received from Associated Group Companies	11,564	13,983
Interest received from banks	-	49
	<u>11,564</u>	<u>14,032</u>
Interest expense		
Interest paid on bank loans and overdrafts	(5,679)	(8,302)
Interest paid to Associated Group Companies	(260)	(1,109)
Interest paid on Medium Term Notes	(8)	(57)
Interest paid on CCFF	(113)	-
	<u>(6,060)</u>	<u>(9,468)</u>
Net interest income	<u><u>5,504</u></u>	<u><u>4,564</u></u>

6. Business and geographical segments

Business segments

The Directors consider that there is only one activity undertaken by the Company within Europe and the Middle East.

ITOCHU Treasury Centre Europe Plc
Notes to the financial statements
For the year ended 31 March 2021

7. Operating profit

	2021	2020
	£'000	£'000
Profit for the period has been arrived at after charging/(crediting):		
Foreign exchange (Gain)/loss	2,155	(2,996)
(Gain)/loss on derivative revaluation	(2,240)	2,617
Staff costs (see note 8)	345	297
	<u> </u>	<u> </u>
Auditor's remuneration:		
Audit services for the audit of the financial statements	59	51
Tax compliance and other services	11	30
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	70	81
	<u> </u>	<u> </u>

8. Directors and employees

	2021	2020
	£'000	£'000
Directors' remuneration		
Remuneration in respect of qualifying services		
Emoluments	295	294
	<u> </u>	<u> </u>

One of the Directors of the Company is also a director of the Company's sister company ITOCHU Europe PLC. The Company paid a service charge of £78,490 (2020: £78,427) to ITOCHU Europe PLC for services rendered by the director to the Company. This service charge has not been included in the figure above.

The emoluments above are classified as salaries and short-term employee benefits for 'Key management personnel' disclosure purposes. All emoluments noted above relate to the total of two directors, there has been a change of directors during the year.

Retirement benefits are accruing to two Directors (2020: two Directors) under the ITOCHU Corporation's defined benefit scheme.

	2021	2020
	<u> </u>	<u> </u>
Management grades	2	2

Staff costs

The average monthly number of employees excluding Directors was 3 (2020: 3).

	2021	2020
	£'000	£'000
Staff costs excluding Director's remuneration for the period were as follows:		
Wages and salaries	249	230
Social security costs and others	31	31
Pension costs	37	36
Severance payment	28	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	345	297
	<u> </u>	<u> </u>

ITOCHU Treasury Centre Europe Plc
Notes to the financial statements
For the year ended 31 March 2021

9. Tax

	2021 £'000	2020 £'000
Corporation tax		
Current year	926	743
Prior year adjustment	-	(25)
	<u>926</u>	<u>718</u>
Tax charge	<u>926</u>	<u>718</u>
Deferred tax (Note 15)	(125)	(2)
Tax expense for the year	<u>801</u>	<u>716</u>

The tax charge of corporation tax can be reconciled to the profit per the income statement as follows:

	2021 £'000	2020 £'000
Profit before tax	4,217	3,893
Tax at the current standard rate of corporation tax on the UK of 19% (2020:19%)	801	739
Effect of:		
Expenses not deductible for tax purposes:		
Prior year adjustment	-	(25)
	<u>801</u>	<u>714</u>
Tax charge	<u>801</u>	<u>714</u>

The standard rate of corporation tax was 19% and will remain 19% from 1 April 2021 to 31 March 2023. This will increase to 25% from 1 April 2023. The directors do not anticipate the future tax rate change to have a material impact on future financial periods of the Company.

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Notes to the financial statements
For the year ended 31 March 2021

10. Trade and other receivables

	2021	2020
	£'000	£'000
Current		
Short-term lending to Associated Group Companies	502,524	736,709
Impairment allowance on expected credit loss of Short-Term lending to Associated Group Companies	(86)	(7)
Accrued interest receivable from Associated Group Companies	1,563	1,786
Current tax assets	24	19
Prepayments and other debtors	84	56
	<u>504,109</u>	<u>738,563</u>

At the year end, the Company had no overdue debtors. Short term lending to Associated Group Companies is at market related rates linked to LIBOR and are due within one year. These are a mixture of secured and unsecured loans which the directors have judged to exhibit similar risk characteristics.

	2021	2020
	£'000	£'000
Non-current		
Long-term lending to Associated Group Companies	720,720	567,320
Impairment allowance on expected credit loss of Long-Term lending to Associated Group Companies	(594)	(14)
Prepayments	-	1
	<u>720,126</u>	<u>567,307</u>
	<u>1,224,235</u>	<u>1,305,870</u>

The long-term loans to Associated Group Companies are at a market related fixed rate or linked to LIBOR and due within six years.

The company will apply the appropriate alternative interest rate defined by financial market participants in general to the Associated Group Companies following the abolition of LIBOR at the end of 2021. In line with the LIBOR interest rate benchmark reform, the Group is working with its counterparties to determine appropriate alternative benchmarks. The majority of financial instruments with a reference rate linked to LIBOR are exposed to IBOR reform. The company has borrowings exposed to IBOR of £307.4 million and deposit of £111.6 million. And the company has lending exposed to IBOR of £746.8million

11. Cash and bank balances

	2021	Restated
	£'000	2020
		£'000
Cash at bank	39	2
Notional cash pooling	147,768	657,034
Total cash and bank balances	<u>147,807</u>	<u>657,036</u>

The prior year figures have been restated as described in note 21.

ITOCHU Treasury Centre Europe Plc
Notes to the financial statements
For the year ended 31 March 2021

12. Trade and other payables

	2021	2020
	£'000	£'000
Current		
Short-term borrowing from Associated Group Companies	111,644	174,544
Accrued interest payable to Associated Group Companies	4	104
Accrued interest payable to banks	1,110	1,239
Other payables	252	183
	<u>113,010</u>	<u>176,070</u>

Terms of short-term borrowings vary between due on demand and due within 31 days unless rolled over. These loans bear market related interest rates linked to LIBOR or at a fixed rate and are unsecured.

13. Borrowings

	2021	Restated 2020
	£'000	£'000
Current		
Short-term borrowings from banks	842,943	561,436
Notional cash pooling adjustment	147,768	657,034
Medium Term Notes	-	17,699
	<u>990,711</u>	<u>1,236,169</u>
Non-current		
Long-term borrowings from banks	134,303	415,732
	<u>134,303</u>	<u>415,732</u>
Total borrowings	<u>1,125,014</u>	<u>1,651,901</u>

This balance is comprised of borrowings from various International banks which comply with the credit risk management policy of the Company (See note 14). The borrowings are all unsecured, due for renewal within 12 months for the Short-term borrowings and due within seven years for the Long-term borrowings and bear market related interest linked to LIBOR or fixed.

For company borrowings in general, an appropriate alternative interest rate defined by banks (such as the funding cost of the bank for example) shall be applied following the abolition of LIBOR at the end of 2021.

The short-term borrowings from banks have been restated as described in note 21.

COVID Corporate Facility (CCFF)

The Company had access to HM Treasury/Bank of England joint Commercial paper funding scheme of £ 600 million due to COVID-19. The total withdrawn amount was £ 300 million and repaid during the year. This has been shown as net in the cash flow statement in accordance with IAS 7 "Statement of cash flows" which allows for large transactions where the maturities are short to be shown net within the cash flow statement.

ITOCHU Treasury Centre Europe Plc
Notes to the financial statements
For the year ended 31 March 2021

14. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The gearing ratio, calculated as a total of liabilities and cash divided by equity at 31 March 2021 was 8.15 and at 31 March 2020 was 8.79:1.

The Company is not subject to any externally imposed capital requirements.

The Directors are of the opinion that the carrying value of all financial assets and liabilities approximate its fair value.

Categories of financial instruments

	Amortised cost £'000	Fair value through profit and loss- mandatorily measured £'000	Derivative instruments in designated hedge accounting relationships £'000	Total 31 March 2021 £'000
Financial assets				
Long-term loans to Associated Group Companies	720,126	-	-	720,126
Interest rate floor designated as cash flow hedge	-	-	1,010	1,010
Trade and other receivables	504,033	-	-	504,033
Cash and cash equivalents	147,807	-	-	147,807
Total	1,371,966	-	1,010	1,372,976

Trade and other receivables consist of Short-term lending to Associated Group Companies, accrued interest receivable from Associated Group Companies and loss allowance for Short-term loans to Associated Group Companies, excluding Prepayments, other debtors, current tax assets and deferred tax assets.

Loss allowance for Long-term loans is included in Long-term loans to Associated Group Companies.

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Notes to the financial statements
For the year ended 31 March 2021

14. Financial instruments (continued)

	Amortised cost £'000	Fair value through profit and loss- mandatorily measured £'000	Derivative instruments in designated hedge accounting relationships £'000	Total 31 March 2021 £'000
Financial liabilities				
Borrowings	1,125,014	-	-	1,125,014
Interest rate swap designated as cash flow hedge	-	-	1,144	1,144
Forward foreign exchange contracts	-	85	-	85
Trade and other payables	113,009	-	-	113,009
Total	<u>1,238,023</u>	<u>85</u>	<u>1,144</u>	<u>1,239,252</u>

Borrowings consist of Short-term borrowings from banks, Short-term Medium-Term Notes, and Long-term borrowings from banks. Trade and other payables consist of Short-term borrowing from Associated Group Companies, accrued interest payable to Associated Group Companies, accrued interest payable to banks, Other payables.

ITOCHU Treasury Centre Europe Plc
Notes to the financial statements
For the year ended 31 March 2021

14. Financial instruments (continued)

	Amortised cost £'000	Fair value through profit and loss- mandatorily measured £'000	Derivative instruments in designated hedge accounting relationships £'000	Total 31 March 2020 £'000
Financial assets				
Long-term loans to Associated Group Companies	567,306	-	-	567,306
Interest rate floor designated as cash flow hedge	-	-	1,373	1,373
Cross currency swap designated as cash flow hedge	-	-	999	999
Forward foreign exchange contracts	-	52	-	52
Trade and other receivables	738,489	-	-	738,489
Cash and cash equivalents	657,037	-	-	657,037
Total	<u>1,962,832</u>	<u>52</u>	<u>2,372</u>	<u>1,965,256</u>

Trade and other receivables consist of Short-term lending to Associated Group Companies and Accrued interest receivable from Associated Group Companies excluding Prepayments and other debtors.

	Amortised cost £'000	Fair value through profit and loss- mandatorily measured £'000	Derivative instruments in designated hedge accounting relationships £'000	Total 31 March 2020 £'000
Financial liabilities				
Borrowings	1,651,900	-	-	1,651,900
Interest rate swap designated as cash flow hedge	-	-	1,485	1,485
Forward foreign exchange contracts	-	2,377	-	2,377
Trade and other payables	176,072	-	-	176,072
Total	<u>1,872,972</u>	<u>2,377</u>	<u>1,485</u>	<u>1,831,834</u>

Borrowings consist of Short-term borrowings from banks, Short-term Medium Term Notes, and Long-term borrowings from banks. Trade and other payables consist of Short-term borrowing from Associated Group Companies, accrued interest payable to Associated Group Companies, accrued interest payable to banks, and Other payables, excluding current tax liabilities.

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14. Financial instruments (continued)

Currency profile

	Euro £'000	Sterling £'000	USD £'000	HUF £'000	JPY £'000	Total 31 March 2021 £'000
Non-current assets						
Long- term lending	179,146	520,694	20,285	-	-	720,125
Derivative financial instruments	-	-	-	-	-	-
Current assets						
Short-term lending	288,250	182,452	17,548	231	13,957	502,438
Derivative financial instruments	1,010	-	-	-	-	1,010
Cash and Other receivables	70,316	56,714	22,367	-	4	149,401
	<u>538,722</u>	<u>759,860</u>	<u>60,200</u>	<u>231</u>	<u>13,961</u>	<u>1,372,974</u>
Non-current liabilities						
Long-term Bank borrowings	127,779	-	6,523	-	-	134,302
Derivative financial instruments	-	-	-	-	-	-
Current liabilities						
Short-term Bank borrowings	348,496	599,489	28,542	226	13,959	990,712
Short term borrowing from Associated Group Companies	69,067	3,049	39,528	-	-	111,644
Derivative financial instruments	1,144	85	-	-	-	1,229
Other payables	1,020	228	114	-	3	1,365
	<u>547,506</u>	<u>602,851</u>	<u>74,707</u>	<u>226</u>	<u>13,962</u>	<u>1,239,252</u>

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14. Financial instruments (continued)

Currency profile

	Euro £'000	Sterling £'000	USD £'000	HUF £'000	JPY £'000	Total 31 March 2020 £'000
Non-current assets						
Long- term lending	463,056	104,250	-	-	-	567,306
Derivative financial instruments	1,373	-	-	-	-	1,373
Current assets						
Short-term lending	36,155	651,321	31,966	270	16,990	736,702
Derivative financial instruments	-	1,051	-	-	-	1,051
Cash and Other receivables	1,306	424	50	-	8	1,788
	<u>501,890</u>	<u>757,046</u>	<u>32,016</u>	<u>270</u>	<u>16,998</u>	<u>1,308,220</u>
Non-current liabilities						
Long-term Bank borrowings	415,732	-	-	-	-	415,732
Derivative financial instruments	1,485	-	-	-	-	1,485
Current liabilities						
Short-term Bank borrowings	97,956	1,041,231	79,723	267	16,990	1,236,167
Short term borrowing from Associated Group Companies	70,269	5,076	99,200	-	-	174,545
Derivative financial instruments	-	2,377	-	-	-	2,377
Other payables	1,083	308	132	-	-	1,523
	<u>586,525</u>	<u>1,048,992</u>	<u>179,055</u>	<u>267</u>	<u>16,990</u>	<u>1,831,829</u>

ITOCHU Treasury Centre Europe Plc **Notes to the financial statements** **For the year ended 31 March 2021**

14. Financial instruments (continued)

Financial risk management objectives

The Company's Treasury function co-ordinates access to domestic and international financial markets on behalf of ITOCHU Associated Group Companies in Europe and the Middle East and monitors and manages the related financial risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk.

Market risk

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates (see below). The Company matches the term and currency of lending and borrowing to minimise the market risk. The Company does not enter to derivatives contracts on speculations. The derivatives revaluation gain of £2,240K is not caused by in interest derivatives due to using hedge accounting but in foreign exchange swaps that is offset by the foreign exchange loss.

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to EUR, USD, JPY and HUF exchange rate fluctuations arise. Fluctuations in Sterling against EUR, USD, JPY and HUF do not have any significant impact on the profit for the year ended 31 March 2021 as this risk is managed by matching the currency profiles of financial assets to liabilities, after utilising forward foreign exchange contracts or cross currency swaps, wherever possible. A reasonably expected change in exchange rates would not have a significant impact on the profitability of the company.

The Company entered the forward foreign exchange contracts to hedge foreign exchange currency risk arising from some of the cross currency borrowings. The outstanding forward foreign exchange contracts are at fair value in Current liabilities and the fair value movement has been taken to the income statement.

The Company has also entered cross currency swaps in order to reduce the foreign currency risk of future cash flows of non Sterling denominated borrowing. The hedge was highly effective and the amount accumulated in cash flow hedge reserve is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The fair valuation technique for forward foreign exchange contracts 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 and for cross currency swaps is estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates and are converted to the spot rate at the end of the reporting period.

Derivatives designated at fair value through Profit or Loss	Financial assets Fair value at 31/03/2021	Financial liabilities Fair value at 31/03/2020	Financial assets Fair value at 31/03/2020	Financial liabilities Fair value at 31/03/2020	Fair value Hierarchy
Derivatives designated at fair value through Profit or Loss					
Forward foreign exchange contracts	-	85	52	2,377	Level 2
Derivatives designated hedge relationship					
Cross currency swaps	-	-	999	-	Level 2

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Notes to the financial statements
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14. Financial instruments (continued)

Interest rate risk

The Company is exposed to interest rate risk because it borrows and lends funds at floating interest rates. The Company manages this risk by matching the maturity profiles of its financial assets and liabilities and entering into interest rate swaps and interest rate floors.

The Company also allots its capital of £130,000,000 for lending funds. In the case interest rate sensitive assets are financed by the capital, a 1% increase (decrease) in interest rates has possibility to result in an increase (decrease) of at most £606,598 to the profit after tax and the Equity for a year.

The company has not taken advantage of the amendments to IFRS 9 in relation to phase 1 IBOR hedging relaxations.

Cash flow hedges

As of 31 March 2021, the outstanding derivatives are (i) the interest rate swap and interest rate floor contracts exchanging floating rate interest amounts for fixed rate interest amounts which are designated as cash flow hedges in order to reduce the cash flow exposure resulting from variable interest rates on EUR 320 million borrowings, maturing within one year as at 31 March 2021, and (ii) the cross currency swaps contracts exchanging principal and interest of USD 45 million floating rate loan which matured in June 2020 to GBP floating rate note, matured in June 2020 which is also designated as cash flow hedges to reduce the cash flow exposure for certain USD floating rate loans resulting from foreign exchange rate fluctuation. The payment dates of interest rate swaps, interest rate floor and cross currency swaps are set on the payment dates of respective designated loan. The hedges were highly effective and the amount accumulated in cash flow hedge reserve is reclassified to profit or loss over the period of the respective designated loans.

Fair value measurements

	Fair value at		Fair value Hierarchy	Valuation technique
	31/03/2021	31/03/2020		
Financial asset				Discounted cash flows
Cross currency swaps	-	999	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period), contract interest rates, and foreign exchange rate at the time of principal and interest payment.
Interest rate floor	1,010	1,373		
Financial liability				Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and forward foreign exchange rate at the time of principal and interest payment.
Interest rate swaps	1,144	1,485	Level 2	
Cross currency swaps	-	-		

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14. Financial instruments (continued)

Credit risk

The Company is exposed to credit risk as there is the possibility that the financial institutions at which it maintains deposits and derivatives could default on their obligations. In order to minimise any credit risk, the Company reviews the creditworthiness of each financial institution with which it considers entering into a relationship based on Company's internal policies. Also, the Company conducts periodic reviews of existing relationships to ensure financial institutions continue to meet the standards required by the Company's internal policies. In addition, the Company only lends money to Associated Group Companies, which are secured by letter of guarantee or letter of awareness from ITOCHU Corporation or a regional headquarter, and the Directors do not believe there is any significant credit risk attached to these assets as ITOCHU Corporation have established an internal policy to ensure that the financial stability of the Company's debtors is maintained by providing sufficient working capital where and necessary to support to the relevant debtors.

Credit risk management

The following table details the carrying value of financial assets recorded in the financial statements which represents the Company's maximum exposure to credit risk at the reporting date.

	2021	2020
	£'000	£'000
Non-current assets		
Long-term loans to Associated Group Companies	720,720	567,320
Impairment allowance for Long-term loans to Associated Group Companies	(594)	(14)
Derivative Financial Instrument	-	1,373
	<u>720,126</u>	<u>568,679</u>
Current assets		
Trade and other receivables	504,118	738,497
Impairment allowance for Short-term loans to Associated Group Companies	(86)	(8)
Derivative Financial Instrument	1,010	1,051
Cash and cash equivalents	147,807	657,037
	<u>652,849</u>	<u>1,396,577</u>
Total assets	<u><u>1,372,975</u></u>	<u><u>1,965,256</u></u>

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14. Financial instruments (continued)

Credit risk (continued)

Impairment of financial assets

The expected credit losses on the financial instruments have not had a material impact on the financial statements as at 31 March 2021. The impairment allowance is calculated with reference to both the probability of default rate and the loss given default rate for those assets.

	(i) Carrying amount as at 31 March 2021	(ii) Impairment allowance under IFRS 9	(iii) IFRS 9 Carrying amount as at 31 March 2021	(iv) Impairment allowance under IFRS 9 recognised loss as at 31 March 2021
Financial assets	£'000	£'000	£'000	£'000
Short-term lending to Associated Group Companies	502,524	(86)	502,438	(78)
Accrued interest receivable from Associated Group Companies	1,563	-	1,563	-
Long-term lending to Associated Group Companies	720,720	(594)	720,126	(580)
	<u>1,224,807</u>	<u>(680)</u>	<u>1,224,127</u>	<u>(658)</u>

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14. Financial instruments (continued)

Credit risk (continued)

	(i) Carrying amount as at 31 March 2020	(ii) Impairment allowance under IFRS 9	(iii) IFRS 9 Carrying amount as at 31 March 2020	(iv) Impairment allowance under IFRS 9 recognised loss as at 31 March 2020
Financial assets	£'000	£'000	£'000	£'000
Short-term lending to Associated Group Companies	736,709	(8)	736,701	(2)
Accrued interest receivable from Associated Group Companies	1,760	-	1,760	-
Long-term lending to Associated Group Companies	567,320	(14)	567,306	(8)
	<u>1,305,789</u>	<u>(22)</u>	<u>1,305,767</u>	<u>(10)</u>

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14. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities and an MTN programme, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. In addition, the Company contracted certain liquidity supports with ITOCHU Corporation and ITOCHU Treasury Corporation, which is backed by commitments from a Company of external banks. The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

The table includes both interest and principal cash flows.

At 31 March 2021 Liabilities	Contractual amount £'000	Less than 1 month £'000	1-6 months £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Non Derivative financial liabilities							
Bank Borrowings	1,125,014	718,292	-	272,420	-	49,116	85,186
Medium Term Notes issued	-	-	-	-	-	-	-
Trade and other payables	113,009	92,669	20,257	83	-	-	-
Derivative financial liabilities							
Forward foreign exchange contracts	85	6	79	-	-	-	-
Interest rate swap contracts	1,144	-	-	1,144	-	-	-
Cross currency swap contracts	-	-	-	-	-	-	-
	<u>1,239,252</u>	<u>810,967</u>	<u>20,336</u>	<u>273,647</u>	<u>-</u>	<u>49,116</u>	<u>85,186</u>

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14. Financial instruments (continued)

Liquidity risk

At 31 March 2020	Contractual	Less than	1-6	6-12	1-2	2-5	Over 5
Liabilities	amount	1 month	months	months	years	years	years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non Derivative financial liabilities							
Bank Borrowings	1,634,202	1,161,551	56,919	-	283,000	-	132,732
Medium Term Notes issued	17,698	-	17,698	-	-	-	-
Trade and other payables	176,072	154,694	21,366	12	-	-	-
Derivative financial liabilities							
Forward foreign exchange contracts	2,377	1,584	793	-	-	-	-
Interest rate swap contracts	1,485	-	-	-	1,485	-	-
Cross currency swap contracts	-	-	-	-	-	-	-
	<u>1,831,834</u>	<u>1,317,829</u>	<u>96,776</u>	<u>12</u>	<u>284,485</u>	<u>-</u>	<u>132,732</u>

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15. Deferred tax

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

	Revaluation of Cross Currency Swap £'000	Revaluation of Interest Rate Swap £'000	Impairment of Financial Assets £'000	Total £'000
Charge to the profit or loss	-	-	2	2
Charge to other comprehensive income	1	84	-	85
At 31 March 2020	(5)	89	4	88
Credit to the profit or loss	-	-	125	125
Charge to other comprehensive income	5	(31)	-	(26)
At 31 March 2021	-	58	129	187

The main rate of UK Corporation Tax, currently 19%, has been reflected in the calculation of the deferred tax liability.

The Finance Act 2015 was substantively enacted to reduce the main rate of UK Corporation Tax from 19% to 17% from 1 April 2020 as of 31 March 2019. However, the main rate will remain at 19% from 1 April 2020 as of 31 March 2021. The rate of 19% has therefore been reflected in the deferred tax assets and liabilities. This will increase to 25% from 1 April 2023.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

The following is the analysis of the deferred tax balances for financial reporting purposes.

	2021 £'000	2020 £'000
Deferred tax liabilities	(149)	(190)
Deferred tax assets	336	278
	<u>187</u>	<u>88</u>

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16. Share capital

	2021	2020
	£'000	£'000
Authorised		
130,000,000 ordinary shares of £1 each	130,000	130,000
Allotted, Issued and Fully paid up:		
130,000,000 ordinary shares of £1 each	130,000	130,000
	<u>130,000</u>	<u>130,000</u>
	<u>130,000</u>	<u>130,000</u>

17. Retained earnings

	£'000
At 1 April 2019	4,351
Dividends paid	(3,584)
Profit for the year	3,176
	<u>3,943</u>
Balance at 31 March 2020	<u>3,943</u>
At 1 April 2020	
	3,943
Dividends paid	(3,140)
Profit for the year	3,416
	<u>4,219</u>
Balance at 31 March 2021	<u>4,219</u>

18. Related party transactions

Related parties are defined as the Company's parent and its Associated Group Companies which the parent has control or significant influence either directly or indirectly through one or more intermediaries. Amounts due to and from companies which are related parties are shown in these financial statements. The following were transacted with Associated Group Companies which we provide Company financing services during the financial year:

	2021	2020
	£'000	£'000
Income statement		
Interest income	11,564	13,983
Interest expense	(260)	(1,109)
	<u>11,304</u>	<u>12,874</u>
	<u>11,304</u>	<u>12,874</u>

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18. Related party transactions (continued)

	2021	2020
	£'000	£'000
Statement of financial position		
Assets		
Short-term lending to Associated Group Companies	502,524	736,709
Expected credit loss for Short-term lending to Associated Group Companies	(86)	(8)
	720,720	567,320
Long-term lending to Associated Group Companies	(594)	(14)
Expected credit loss for Long-term lending to Associated Group Companies		
Accrued interest receivable from Associated Group Companies	1,539	1,760
	<u>1,224,103</u>	<u>1,305,768</u>
Liabilities		
Short-term borrowing from Associated Group Companies	111,644	174,544
Accrued interest payable to Associated Group Companies	4	104
	<u>111,648</u>	<u>174,648</u>

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is disclosed in Note 8.

19. Ultimate controlling and holding company

The Company is a wholly-owned and controlled subsidiary of its immediate holding company, ITOCHU Treasury Corporation, a company incorporated with limited liability in Japan. The registered office is at 5-1, Kita-Aoyama 2 chome, Minato-ku, Tokyo, Japan and the ultimate holding and controlling company, ITOCHU Corporation, a company incorporated with limited liability in Japan. The registered office is at 1-3, Umeda 3-chome, Kita-Ku, Osaka, Japan. Consolidated financial statements are available from that address.

20. Post statement of financial position events

The Directors recommend a final dividend of £3,496,000 (0.0269 per share) for the year ended 31 March 2021 (2020: 3,140,000, 0.0242 per share). This is subject to approval by shareholders at the Annual General Meeting, scheduled to be held on 28 July 2021 and has not been included as a liability in these financial statements.

On 1 July 2021 and 1 September 2021, MUFG Bank, Ltd. and the Company will terminate existing contracts related to cash pooling. The directors have concluded that the recently negotiated contracts will meet the requirements about offsetting financial assets and liabilities under IAS 32. Due to this change, the Company anticipates being able to offset cash and cash equivalent against the borrowings under cash pooling in 2022.

21. Prior year restatement

Within the period, it was determined that the Company's cash and overdrafts within its notional cash pooling arrangement did not meet the requirements for offsetting in accordance with IAS 32 Financial Instruments; Presentation and cannot be presented net in the financial position. For presentational purposes, amounts have therefore been restated for the prior year (year ended 31 March 2020).

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21. Prior year restatement (continued)

The impact of this change is to increase cash and short-term borrowings for the year ended 31 March 2021 by an equal amount of £147.8 million (2020: £657.0 million; 2019: £295.7million).

The adjustment does not impact on net assets or net profit however in the cash flow statement, Cash and cash equivalents at the end of the year has been increased by £147.8 million (2020: £657.0 million), and Cash and cash equivalents at the beginning of the year has been increased by £657.0 million (2020: £295.7 million). Accordingly, there has been an adjustment to reflect a Decrease in borrowings of £509.2 million (2020: increase of £361.3 million) within Cash flows from financing activities.