

**Company Registration No.06699600**

**ITOCHU Treasury Centre Europe Plc**

**Report and Financial Statements**

**For the year ended 31 March 2020**

# **ITOCHU Treasury Centre Europe Plc**

## **Report and financial statements for the year ended 31 March 2020**

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# **ITOCHU Treasury Centre Europe Plc**

## **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 business review**

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 (“Group Companies”).

During the year, the Company supplied funds to the Group Companies and ensured stability of the Group Companies’ funding position through securing liquidity from banks and from the issue of Medium Term Notes. The Medium Term Note programme is listed on the Singapore Stock Exchange.

COVID-19 has and is continuing to affect the business activities of the Group Companies to some extent, depending on the nature of their individual business. The Directors believe that the recoverability of the loans to the Group Companies is not in question because of (1) the adequate measures taken in individual business level and (2) strong support from the ITOCHU Corporation as the ultimate parent company and/or ITOCHU Europe Plc, which is the regional headquarter of ITOCHU’s European operation.

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 Group Companies’ working capital.

As at 31 March 2020, profit after tax was £3.18 million (2019: £3.66 million). The net margin (calculated by dividing the profit before tax by the average balance of loans to Group Companies) was 0.31% (2019: 0.33%). The decrease in profit after tax was driven by smaller lending amount to the Group Companies during the fiscal year. The current ratio (current assets divided by current liabilities) was decreased to 0.98 (2019: 1.21) because certain part of the long-term lending to the Group Companies were financed by deposit surplus.

Gross profit of £4.56 million was slightly lower than the previous year (2019: £4.81 million). The decrease in Gross profit was mainly due to the lower lending amount during the year. The gain after netting foreign exchange gains and the loss on derivative revaluation is £0.38 million (2019: £0.75 million). The Company concentrates on efficient liquidity management coupled with asset liability management, providing funds to Group Companies of £1,304 million (2019: £1,246 million). As at 31 March 2020, the Company had net current liabilities of £18 million (2019: net current assets £136 million) and net assets of £134 million (2019: £134 million). This is principally due to the replacement of maturing long term loan with short term loan to control the portfolio from a funding cost and interest rate risk perspective. The Directors consider such fluctuation in the current position to be a normal and acceptable risk.

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 business objectives**

- Improve Group Companies’ financial cost efficiency;
- Provide Group Companies with sufficient liquidity to continue operations; and
- Provide treasury services to Group Companies.

### **Principal risks and uncertainties facing the Company**

The Company is responsible for the treasury operations of the European and Middle Eastern regions of the ITOCHU Company.

The Company’s assets consist mainly of loans to Group Companies. Those funds are financed by borrowing from banks, Medium Term Note issuance, deposits from Group Companies and its own capital.

## **ITOCHU Treasury Centre Europe Plc**

### **Strategic report**

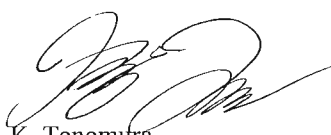
The Company is exposed to a number of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk as described in Note 14. The credit risk exposed includes deterioration of credit of the counterparties caused by COVID-19. The Company identifies these risks through a continuous monitoring process and takes appropriate steps to mitigate risk by utilising financial instruments such as currency forwards and interest rate swaps, or credit support from ITOCHU Corporation and/or ITOCHU Europe Plc.

The UK's withdrawal from the European Union (EU), commonly called "Brexit", was agreed and formalised in January 2020 and the UK's membership of the EU ended as of 31 January 2020. However, the details of future relationship between the UK and the EU are still being negotiated between the parties and there remains significant uncertainties surrounding the event. Depending on the negotiation, it is possible that there will be greater restrictions on imports and exports between the UK and EU countries and increased regulatory complexities which may affect business activities conducted by Group Companies in both the UK and EU, such as increased working capital requirements which may increase the lending amount from the Company to the Group Companies.

#### **Future developments**

The Directors are confident that the Company has adequate funding as and when required. The Company has credit facilities including a multi-currency commitment facility with ITOCHU Corporation and/or ITOCHU Treasury Corporation which are available via a commitment facility with several major banks. In addition to the existing Euro Medium Term Note programme, the Company newly set up a £600,000,000 Euro Commercial Paper Programme on 26 May 2020 for the purposes of accessing the Joint HM Treasury and Bank of England COVID-19 Corporate Financing Facility and it is a significant comfort for the Company to access to short term liquidity during COVID-19. The drawn balance is £75,000,000 as of 25 August 2020. 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 not only showing ITOCHU's commitment to sustainability to its stakeholders but also by diversifying the investor base of funding. Whilst some of these facilities are subject to annual review and were renewed periodically in the past, the Directors are not aware of any reason why these renewals or equivalent measures would not be forthcoming at commercially acceptable terms. As at the time of signing the accounts the company has accessed £75million of draw downs relating to the Bank of England facility noted above. The directors expect to continue making use of this facility going forward depending on market conditions.

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



K. Tonomura  
Managing Director

25 August 2020

# **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 2020. The prior year ended 31 March 2019.

### **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 £3,140,000 (£0.0242 per share) for the year ended 31 March 2020 (2019: £3,584,000, £0.0276 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)

K. Kijima

N. Yamamoto (appointed on 1 June 2020)

Y. Ochiai (resigned on 20 December 2019)

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 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. As of the date of approval of these financial statements, the Company has circa £527m of third party borrowings that are due for repayment within 12 months. 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 the £600m Euro Commercial Paper Programme for the purposes of accessing the Joint HM Treasury and Bank of England COVID-19 Corporate Financing Facility, the Euro Medium Term Note Programme and a bank loan facility available through its ultimate parent company. The directors also believe that, if required, it would be able to request liquidity support from ITOCHU Corporation.

Based on the above, notwithstanding the potential adverse impact on 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 2020.

### **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. Torimura  
Managing Director

25 August 2020

## **ITOCHU Treasury Centre Europe Plc**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors **must not** approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

# ITOCHU Treasury Centre Europe Plc

## 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 20.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### 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

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**Key audit matters**

The key audit matter that we identified in the current year was:

- Valuation of loans to Group Companies

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

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# ITOCHU Treasury Centre Europe Plc

## 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

|                                            |                                                                                                                  |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>                         | The materiality that we used in the current year was £4m which was determined on the basis of 3% of net assets.  |
| <b>Scoping</b>                             | Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. |
| <b>Significant changes in our approach</b> | There were no significant changes in our audit approach during the current year.                                 |

### 4. Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

### 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.

#### 5.1. Valuation of loans to Group Companies ⬆

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key audit matter description</b> | Loans to Group Companies are stated in the balance sheet at £1.3bn as at 31 March 2020 (2019: £1.2bn). The company recognised loss allowances for expected credit losses (ECL) of £21K (2019: £12K) on this balance in accordance with IFRS 9. The calculation was based on probability of default (PD) and loss given default (LGD), with the PD based on the default rate of ITOCHU Corporation, the ultimate controlling party. Management have judged these to be the key assumptions in determining the ECL. |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# **ITOCHU Treasury Centre Europe Plc** **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITOCHU** **TREASURY CENTRE EUROPE PLC**

We have identified a key audit matter in valuation of loans to Group Companies, in particular expected credit losses. 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.

In assessing the reasonableness of the ECL for loans 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 using the PD of ITOCHU Corporation with the ECL that would arise by applying a benchmark probability of default based upon similar sized companies using publically available information. Based on these supplemental tests, the directors concluded that the ECL recorded was appropriate.

Further details are included within the significant accounting policies in note 3 and notes 10 and 14 to the financial statements.

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How the scope of our audit responded to the key audit matter</b> | <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant controls related to the valuation of loans to Group Companies.</li> <li>• Checked the mathematical accuracy of the ECL allowance with involvement of internal financial instrument specialists.</li> <li>• Evaluated the appropriateness of key assumptions applied by management to estimate the ECL, including considering the impact of COVID-19 on the assumptions, and comparing the default rate of the ITOCHU Corporation to an external source.</li> <li>• 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.</li> <li>• For those loans only supported by a letter of awareness, obtained and challenged the supplemental tests outlined above through assessment of the data points used against external information available. This included obtaining appropriate support for the liquid assets held by the counterparties and/or assessing the benchmark companies that were chosen by management and comparing the resultant estimated ECL to the amount recorded by management.</li> </ul> |
| <b>Key observations</b>                                             | Based on the work performed we concluded that the valuation of loans to Group Companies, was appropriate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## **6. Our application of materiality**

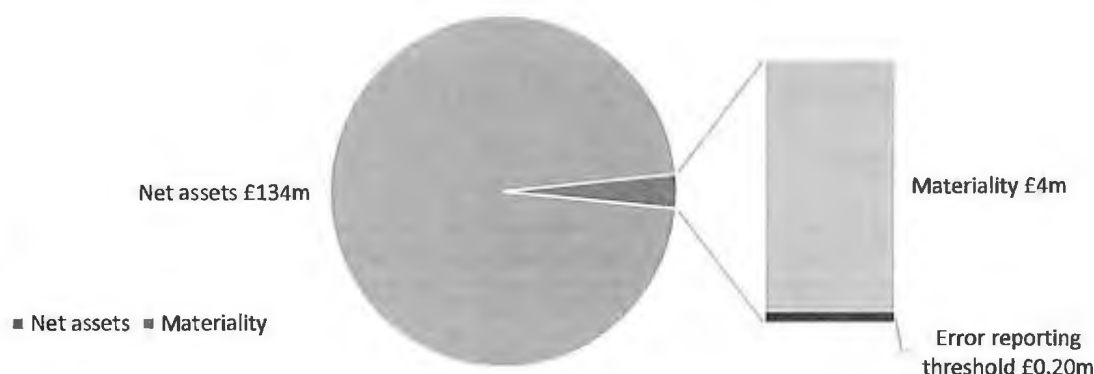
### **6.1. Materiality**

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:

# **ITOCHU Treasury Centre Europe Plc** **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITOCHU** **TREASURY CENTRE EUROPE PLC**

|                                            |                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>                         | £4m (FY2019: £4m)                                                                                                                                                                                                                                                                                  |
| <b>Basis for determining materiality</b>   | Materiality: 3% of net assets (FY2019: 3% of net assets)                                                                                                                                                                                                                                           |
| <b>Rationale for the benchmark applied</b> | We determined materiality based on net assets as this was the key metric used by the management, investors, analysts and lenders, with shareholder value being driven by net assets value movements rather than annual revenue or profit given the fact that the company is not a trading company. |



## **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 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- The quality of the company's control environment;
- The low number of corrected and uncorrected misstatements identified in the prior years;
- The stability of the company's senior management and financial reporting team; and
- The stability in the company's business model compared to previous years.

## **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 (2019: £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.

# **ITOCHU Treasury Centre Europe Plc**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITOCHU TREASURY CENTRE EUROPE PLC**

### **8. Other information**

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

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

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

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

We have nothing to report in respect of these matters.

### **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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

### **11. 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.

# **ITOCHU Treasury Centre Europe Plc**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITOCHU TREASURY CENTRE EUROPE PLC**

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.

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

#### **12.1. 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.

#### **12.2. 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.

### **13. Use of our report**

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



David Paterson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

25 August 2020

**ITOCHU Treasury Centre Europe Plc**  
**Statement of Profit and Loss**  
**For the year ended 31 March 2020**

|                                        | Notes    | 2020<br>£'000  | 2019<br>£'000  |
|----------------------------------------|----------|----------------|----------------|
| Interest income                        | 5        | 14,032         | 17,495         |
| Interest expense                       | 5        | (9,468)        | (12,683)       |
| <b>Gross profit</b>                    |          | <b>4,564</b>   | <b>4,812</b>   |
| <b>Administrative expenses</b>         |          | <b>(1,124)</b> | <b>(1,174)</b> |
| <b>Other income/(expenses)</b>         |          |                |                |
| Foreign exchange gain                  |          | 2,996          | 183            |
| Derivatives revaluation gain/(loss)    | 14       | (2,617)        | 569            |
| Other                                  |          | 73             | 36             |
|                                        |          | <b>452</b>     | <b>788</b>     |
| <b>Operating profit</b>                | <b>7</b> | <b>3,892</b>   | <b>4,426</b>   |
| <b>Profit before tax</b>               |          | <b>3,892</b>   | <b>4,426</b>   |
| Tax charge                             | 9        | (716)          | (771)          |
| <b>Profit for the period after tax</b> |          | <b>3,176</b>   | <b>3,655</b>   |

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 2020**

|                                                                                          | Notes | 2020<br>£'000 | 2019<br>£'000 |
|------------------------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Profit for the year</b>                                                               |       | 3,176         | 3,655         |
| <b>Items that may be reclassified subsequent to profit or loss:</b>                      |       |               |               |
| (Loss) Gain on hedging instruments designated in cash flow hedge relationships           |       | (450)         | 25            |
| Tax on fair value movement taken directly to equity                                      | 15    | 85            | (4)           |
| <b>Other comprehensive (expense)/income for the year</b>                                 |       | (365)         | 21            |
| <b>Total comprehensive income for the year attributable to the owners of the company</b> |       | <u>2,811</u>  | <u>3,676</u>  |

**ITOCHU Treasury Centre Europe Plc**  
**Statement of change in equity**  
**For the year ended 31 March 2020**

|                                                                            | Notes | Share<br>capital | Retained<br>earnings | Cash<br>flow<br>hedge<br>reserve | Total   |
|----------------------------------------------------------------------------|-------|------------------|----------------------|----------------------------------|---------|
|                                                                            |       | £'000            | £'000                | £'000                            | £'000   |
| Balance at 31 March 2018                                                   |       | 130,000          | 4,219                | (15)                             | 134,204 |
| Adjustment to opening retained earnings<br>in relation to IFRS9 transition |       | -                | (9)                  | -                                | (9)     |
| Dividend paid                                                              |       | -                | (3,514)              | -                                | (3,514) |
| Profit for the year                                                        |       | -                | 3,655                | -                                | 3,655   |
| Gain arising during the year                                               |       | -                | -                    | 25                               | 25      |
| Deferred tax                                                               |       | -                | -                    | (4)                              | (4)     |
| Total comprehensive income for the year                                    |       | -                | 3,655                | 21                               | 3,676   |
| Balance at 31 March 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                                                   |       | 130,000          | 3,943                | (359)                            | 133,584 |

**ITOCHU Treasury Centre Europe Plc**  
**Statement of financial position**  
**As at 31 March 2020**

|                                     | Notes | 2020<br>£'000    | 2019<br>£'000    |
|-------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>           |       |                  |                  |
| Long-term loans to Group Companies  | 10    | 567,306          | 474,992          |
| Derivative financial instruments    | 14    | 1,372            | 856              |
| Other receivables                   | 10    | 1                | 6                |
| Deferred tax assets                 | 15    | 278              | 60               |
|                                     |       | <u>568,957</u>   | <u>475,914</u>   |
| <b>Current assets</b>               |       |                  |                  |
| Short-term loans to Group Companies | 10    | 736,702          | 770,842          |
| Trade and other receivables         | 10    | 1,861            | 2,158            |
| Derivative financial instruments    | 14    | 1,051            | 292              |
| Cash and bank balances              | 11    | 2                | 5                |
|                                     |       | <u>739,616</u>   | <u>773,297</u>   |
| <b>Total assets</b>                 |       | <u>1,308,573</u> | <u>1,249,211</u> |
| <b>Non-current liabilities</b>      |       |                  |                  |
| Borrowings                          | 13    | 415,732          | 476,444          |
| Derivative financial instruments    | 14    | 1,485            | 1,103            |
| Deferred tax liabilities            | 15    | 190              | 60               |
|                                     |       | <u>417,407</u>   | <u>477,607</u>   |
| <b>Current liabilities</b>          |       |                  |                  |
| Trade and other payables            | 12    | 176,070          | 106,348          |
| Derivative financial instruments    | 14    | 2,377            | -                |
| Borrowings                          | 13    | 579,133          | 530,899          |
|                                     |       | <u>757,582</u>   | <u>637,247</u>   |
| <b>Total liabilities</b>            |       | <u>1,174,989</u> | <u>1,114,854</u> |
| <b>Net assets</b>                   |       | <u>133,584</u>   | <u>134,357</u>   |
| <b>Shareholder's equity</b>         |       |                  |                  |
| Ordinary share capital              | 16    | 130,000          | 130,000          |
| Cash flow hedge reserve             | 14    | (359)            | 6                |
| Retained earnings                   | 17    | 3,943            | 4,351            |
| <b>Total shareholder's equity</b>   |       | <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 25 August 2020. The accompanying notes are an integral part of the Financial Statements. They were signed on its behalf by:

  
K. Fonomura  
Managing Director

**ITOCHU Treasury Centre Europe Plc**  
**Cash flow statement**  
**For the year ended 31 March 2020**

|                                                         | Notes | 2020<br>£'000 | 2019<br>£'000 |
|---------------------------------------------------------|-------|---------------|---------------|
| <b>Cash flows from operating activities:</b>            |       |               |               |
| Profit before tax                                       |       | 3,892         | 4,426         |
| Adjusted for                                            |       |               |               |
| Amortisation of intangible assets                       |       | -             | 1             |
| Decrease in accounts receivable                         | 10    | 320           | 111           |
| (Increase)/Decrease in loan receivables                 | 10    | (58,162)      | 182,618       |
| (Increase)/Decrease in derivative financial instruments | 14    | 1,023         | (3,535)       |
| Increase/(Decrease) in accounts payable                 | 12    | (428)         | 110           |
| Income tax paid                                         |       | (1,206)       | (784)         |
| Prior year income tax adjustment received               | 9     | 25            | 72            |
| Net cash (used in)/generated by operating activities    |       | (54,536)      | 183,019       |
| <b>Cash flows from investing activities:</b>            |       |               |               |
| Net cash used in investing activities                   |       | -             | -             |
| <b>Cash flows from financing activities:</b>            |       |               |               |
| Decrease in borrowings                                  | 13    | (12,479)      | (179,609)     |
| Increase in loan received from Group Companies          | 18    | 70,596        | 105           |
| Dividends paid                                          |       | (3,584)       | (3,514)       |
| Net cash (used in) financing activities                 |       | 54,533        | (183,018)     |
| Net increase/(decrease) in cash and cash equivalents    |       | (3)           | 1             |
| Cash and cash equivalents at the beginning of the year  | 11    | 5             | 4             |
| Cash and cash equivalents at the end of the year        | 11    | 2             | 5             |

# **ITOCHU Treasury Centre Europe Plc**

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

#### **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 amendments to Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 January 2019 are listed below:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 9 'Financial Instruments' - Prepayment features with negative compensation
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (long term interests)
- Amendments to IAS 19 'Employee benefits' - Plan amendment, curtailment or settlement
- Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs' - Annual improvements to IFRSs 2015-2017 cycle.

The company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- Amendments to references to Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendments to IFRS 3 'Business Combinations' - Definition of a business (effective 1 January 2020)
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material (effective 1 January 2020)
- IFRS 17 'Insurance Contracts' (effective 1 January 2021)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020).

**The directors have assessed the impact of the new standards implemented during the period and noted they do not have a material impact on the company's results**

#### **3. Significant accounting policies**

##### **Basis of accounting**

The financial statements have been prepared in accordance with IFRSs adopted by the European Union.

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.

##### **Going concern**

The financial statements of the Company have been prepared on the Going Concern basis as discussed more fully in the Directors' Report.

##### **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

# **ITOCHU Treasury Centre Europe Plc**

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

#### **3. Significant accounting policies (continued)**

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.

##### **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 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 at 19% within one year and at 17% after one year and reduced to the extent that it is no longer

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 3. Significant accounting policies (continued)

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.

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.

#### 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 2020

#### 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 ;

# **ITOCHU Treasury Centre Europe Plc**

## **Notes to the financial statements**

### **For the year ended 31 March 2020**

#### **3. Significant accounting policies (continued)**

##### ***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

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. The impact on the company as at the 1<sup>st</sup> April 2018 was £9K which has been disclosed as an adjustment to the opening retained earnings for 31 March 2019. £21K has been recognised the ECL as of 31 March 2020 (2019:£12K)

##### ***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:

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 3. Significant accounting policies (continued)

- 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:
  - 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.

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 3. Significant accounting policies (continued)

##### 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 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.

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 3. Significant accounting policies (continued)

##### 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 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.

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 3. Significant accounting policies (continued)

##### *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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced. In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Company's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognised as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorised as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Company's practice prior to the adoption of IFRS 9.

Consistent with prior periods, when a forward contract is used in a cash flow hedge or fair value hedge relationship, the Company has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

##### **Share capital**

Ordinary shares are classified as equity.

# ITOCHU Treasury Centre Europe Plc

## Notes to the financial statements

### For the year ended 31 March 2020

#### 4. Critical accounting judgement and key sources of estimation uncertainty

Probability of default with respect to loan provisioning ("expected credit losses") has been judged by the directors to be the only critical accounting judgement. There are no identified sources of key estimation uncertainty.

As outlined in note 10, the company has recognised loss allowances for expected credit losses (ECL) of £21 thousand relating to loans to Group Companies in accordance with IFRS 9. The calculation was based on probability of default (PD) and loss given default (LGD), with the PD based on the default rate of ITOCHU Corporation, the ultimate controlling party. Whilst certain of the loan balances are supported by a letter of guarantee from ITOCHU Corporation, a material portion are supported by a letter of awareness, which is not legally binding. The directors have nonetheless judged it appropriate to utilise the default rate of ITOCHU Corporation when calculating the default risk for all loans to Group Companies on the premise that all the underlying loans are, in substance, ultimately subject to financial support from ITOCHU Corporation and as such any default is subject to the maximum risk that ITOCHU Corporation does not have the financial ability to reimburse the company for any losses it may incur in respect of these loans.

In assessing the reasonableness of the ECL for loans 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 using the PD of ITOCHU Corporation with the ECL that would arise by applying a benchmark probability of default based upon similar sized companies using publically available information. Based on these supplemental tests, the directors concluded that the ECL recorded was appropriate.

#### 5. Analysis of net interest income

Included in net income are the following:

|                                            | 2020<br>£'000  | 2019<br>£'000   |
|--------------------------------------------|----------------|-----------------|
| <b>Interest income</b>                     |                |                 |
| Interest received from Group Companies     | 13,983         | 17,483          |
| Interest received from banks               | 49             | 12              |
|                                            | <u>14,032</u>  | <u>17,495</u>   |
| <b>Interest expense</b>                    |                |                 |
| Interest paid on bank loans and overdrafts | (8,302)        | (11,649)        |
| Interest paid to Group Companies           | (1,109)        | (979)           |
| Interest paid on Medium Term Notes         | (57)           | (55)            |
|                                            | <u>(9,468)</u> | <u>(12,683)</u> |
| <b>Net interest income</b>                 | <u>4,564</u>   | <u>4,812</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 2020**

**7. Operating profit**

|                                                                  | 2020<br>£'000     | 2019<br>£'000     |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>Profit for the period has been arrived at after charging:</b> |                   |                   |
| Foreign exchange gain                                            | (2,996)           | (183)             |
| (Gain)/loss on derivative revaluation                            | 2,617             | (569)             |
| Staff costs (see note 8)                                         | 297               | 295               |
| Amortisation of intangible fixed assets                          | -                 | 1                 |
|                                                                  | <u>          </u> | <u>          </u> |

**7. Operating profit (continued)**

**Auditor's remuneration:**

|                                                          |                   |                   |
|----------------------------------------------------------|-------------------|-------------------|
| Audit services for the audit of the financial statements | 51                | 51                |
| Tax compliance and other services                        | 30                | 34                |
|                                                          | <u>          </u> | <u>          </u> |
|                                                          | 81                | 85                |
|                                                          | <u>          </u> | <u>          </u> |

**8. Directors and employees**

|                                                | 2020<br>£'000     | 2019<br>£'000     |
|------------------------------------------------|-------------------|-------------------|
| <b>Directors' remuneration</b>                 |                   |                   |
| Remuneration in respect of qualifying services |                   |                   |
| Emoluments                                     | 294               | 300               |
|                                                | <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 £78,427 (2019: £117,494) to ITOCHU Europe PLC for services rendered by the director to this 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 one director, who is also the highest paid director, during the period.

Retirement benefits are accruing to two Directors (2019: two Directors) under the ITOCHU Corporation's defined benefit scheme.

|                   | 2020              | 2019              |
|-------------------|-------------------|-------------------|
| Management grades | 2                 | 2                 |
|                   | <u>          </u> | <u>          </u> |

**Staff costs**

The average monthly number of employees excluding Directors was 3 (2019: 3)

Staff costs excluding Director's remuneration for the period were as follows:

|                                  | 2020<br>£'000     | 2019<br>£'000     |
|----------------------------------|-------------------|-------------------|
| Wages and salaries               | 230               | 229               |
| Social security costs and others | 31                | 31                |
| Pension costs                    | 36                | 35                |
|                                  | <u>          </u> | <u>          </u> |
|                                  | 297               | 295               |
|                                  | <u>          </u> | <u>          </u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**9. Tax**

|                          | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------|---------------|---------------|
| Corporation tax          |               |               |
| Current year             | 743           | 843           |
| Prior year adjustment    | (25)          | (72)          |
|                          | <u>718</u>    | <u>771</u>    |
| Tax charge               |               |               |
|                          | <u>718</u>    | <u>771</u>    |
| Deferred tax (Note 15)   | (2)           | -             |
|                          | <u>716</u>    | <u>771</u>    |
| Tax expense for the year |               |               |
|                          | <u>716</u>    | <u>771</u>    |

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

|                                                                                 | 2020<br>£'000 | 2019<br>£'000 |
|---------------------------------------------------------------------------------|---------------|---------------|
| Profit before tax                                                               | 3,893         | 4,426         |
|                                                                                 | <u>3,893</u>  | <u>4,426</u>  |
| Tax at the current standard rate of corporation tax on the UK of 19% (2019:19%) | 739           | 841           |
| Effect of:                                                                      |               |               |
| Expenses not deductible for tax purposes                                        | 4             | 2             |
| Prior year adjustment                                                           | (25)          | (72)          |
|                                                                                 | <u>718</u>    | <u>771</u>    |
| Tax charge                                                                      |               |               |
|                                                                                 | <u>718</u>    | <u>771</u>    |

The standard rate of corporation tax was 19% and will remain 19% from 1 April 2020.

The tax credit of deferred tax was recognised in the profit and loss as follows:

Effect of:

|                                                     |            |            |
|-----------------------------------------------------|------------|------------|
| (Credit)/Charge in unrecognised deferred tax assets | (2)        | 60         |
| Charge in unrecognised deferred tax liabilities     | -          | (60)       |
|                                                     | <u>(2)</u> | <u>-</u>   |
| Tax credit                                          |            |            |
|                                                     | <u>(2)</u> | <u>-</u>   |
| Tax expense for the year                            |            |            |
|                                                     | <u>716</u> | <u>771</u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**10. Trade and other receivables**

|                                                                                       | 2020<br>£'000  | 2019<br>£'000  |
|---------------------------------------------------------------------------------------|----------------|----------------|
| <b>Current</b>                                                                        |                |                |
| Short-term lending to Group Companies                                                 | 736,709        | 770,848        |
| Impairment allowance on expected credit loss of Short-Term lending to Group Companies | (7)            | (6)            |
| Accrued interest receivable from Group Companies                                      | 1,786          | 2,104          |
| Current tax assets                                                                    | 19             | -              |
| Prepayments and other debtors                                                         | 56             | 54             |
|                                                                                       | <u>738,563</u> | <u>773,000</u> |

At the year end the Company had no overdue debtors and the expected credit loss for all of its long term and short term lending to Group Companies are immaterial. Short term lending to Group Companies are 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.

|                                                                                      | 2020<br>£'000    | 2019<br>£'000    |
|--------------------------------------------------------------------------------------|------------------|------------------|
| <b>Non-current</b>                                                                   |                  |                  |
| Long-term lending to Group Companies                                                 | 567,320          | 474,998          |
| Impairment allowance on expected credit loss of Long-Term lending to Group Companies | (14)             | (6)              |
| Prepayments                                                                          | 1                | 6                |
|                                                                                      | <u>567,307</u>   | <u>474,998</u>   |
|                                                                                      | <u>1,305,870</u> | <u>1,247,998</u> |

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

**11. Cash and bank balances**

|              | 2020<br>£'000 | 2019<br>£'000 |
|--------------|---------------|---------------|
| Cash at bank | <u>2</u>      | <u>5</u>      |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**12. Trade and other payables**

|                                             | 2020<br>£'000  | 2019<br>£'000  |
|---------------------------------------------|----------------|----------------|
| <b>Current</b>                              |                |                |
| Short-term borrowing from Group Companies   | 174,544        | 103,949        |
| Current tax liabilities                     | -              | 444            |
| Accrued interest payable to Group Companies | 104            | 77             |
| Accrued interest payable to banks           | 1,239          | 1,653          |
| Other payables                              | 183            | 225            |
|                                             | <u>176,070</u> | <u>106,348</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**

|                                  | 2020<br>£'000  | 2019<br>£'000    |
|----------------------------------|----------------|------------------|
| <b>Current</b>                   |                |                  |
| Short-term borrowings from banks | 561,435        | 530,899          |
| Medium Term Notes                | 17,698         | -                |
|                                  | <u>579,133</u> | <u>530,899</u>   |
| <b>Non-current</b>               |                |                  |
| Long-term borrowings from banks  | 415,732        | 459,210          |
| Medium Term Notes                | -              | 17,234           |
|                                  | <u>415,732</u> | <u>476,444</u>   |
| <b>Total borrowings</b>          | <u>994,865</u> | <u>1,007,343</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.

Under the terms of the Euro Medium Term Note Programme, the Company can issue notes under a wide variety of terms and conditions, which are fully set out in the Base Prospectus, a copy of which is available at the registered office of the Company. The outstanding Medium Term Notes at year end were issued in EUR at a fixed rate. Such notes were used to provide EUR funding to Group Companies.

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**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 a total of liabilities and cash divided by equity at 31 March 2019 was 8.30:1 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<br>cost<br>£'000 | Fair value<br>through<br>profit and<br>loss-<br>mandatorily<br>measured<br>£'000 | Derivative<br>instruments<br>in<br>designated<br>hedge<br>accounting<br>relationships<br>£'000 | Total<br>31 March<br>2020<br>£'000 |
|------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------|
| <b>Financial assets</b>                              |                            |                                                                                  |                                                                                                |                                    |
| Long-term loans to Group Companies                   | 567,306                    | -                                                                                | -                                                                                              | 567,306                            |
| Interest rate floor designated as cash<br>flow hedge | -                          | -                                                                                | 1,373                                                                                          | 1,373                              |
| Cross currency swap designated as cash<br>flow hedge | -                          | -                                                                                | 999                                                                                            | 999                                |
| Forward foreign exchange contracts                   | -                          | 52                                                                               | -                                                                                              | 52                                 |
| Trade and other receivables                          | 738,489                    | -                                                                                | -                                                                                              | 738,489                            |
| Cash and cash equivalents                            | 2                          | -                                                                                | -                                                                                              | 2                                  |
| <b>Total</b>                                         | <u>1,305,797</u>           | <u>52</u>                                                                        | <u>2,372</u>                                                                                   | <u>1,308,221</u>                   |

Trade and other receivables consist of Short-term lending to Group Companies, accrued interest receivable from Group Companies and loss allowance for Short-term loans to 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 Group Companies.

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

|                                                     | Amortised<br>cost<br>£'000 | Fair value<br>through<br>profit and<br>loss-<br>mandatorily<br>measured<br>£'000 | Derivative<br>instruments<br>in designated<br>hedge<br>accounting<br>relationships<br>£'000 | Total<br>31 March<br>2020<br>£'000 |
|-----------------------------------------------------|----------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------|
| <b>Financial liabilities</b>                        |                            |                                                                                  |                                                                                             |                                    |
| Borrowings                                          | 994,865                    | -                                                                                | -                                                                                           | 994,865                            |
| Interest rate swap designated as cash<br>flow hedge | -                          | -                                                                                | 1,485                                                                                       | 1,485                              |
| Forward foreign exchange contracts                  | -                          | 2,377                                                                            | -                                                                                           | 2,377                              |
| Trade and other payables                            | 176,072                    | -                                                                                | -                                                                                           | 176,072                            |
| <b>Total</b>                                        | <u>1,170,937</u>           | <u>2,377</u>                                                                     | <u>1,485</u>                                                                                | <u>1,174,799</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 Group Companies, accrued interest payable to Group Companies, accrued interest payable to banks, Other payables and deferred tax liabilities.

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

|                                                   | Amortised<br>cost<br>£'000 | Fair value<br>through<br>profit and<br>loss-<br>mandatorily<br>measured<br>£'000 | Derivative<br>instruments<br>in designated<br>hedge<br>accounting<br>relationships<br>£'000 | Total<br>31 March<br>2019<br>£'000 |
|---------------------------------------------------|----------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------|
| <b>Financial assets</b>                           |                            |                                                                                  |                                                                                             |                                    |
| Long-term loans to Group Companies                | 474,992                    | -                                                                                | -                                                                                           | 474,992                            |
| Interest rate floor designated as cash flow hedge | -                          | -                                                                                | 856                                                                                         | 856                                |
| Forward foreign exchange contracts                | -                          | 292                                                                              | -                                                                                           | 292                                |
| Trade and other receivables                       | 738,489                    | -                                                                                | -                                                                                           | 772,946                            |
| Cash and cash equivalents                         | 5                          | -                                                                                | -                                                                                           | 5                                  |
| <b>Total</b>                                      | <u>1,247,943</u>           | <u>292</u>                                                                       | <u>856</u>                                                                                  | <u>1,249,091</u>                   |

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

|                                                  | Amortised<br>cost<br>£'000 | Fair value<br>through<br>profit and<br>loss-<br>mandatorily<br>measured<br>£'000 | Derivative<br>instruments<br>in designated<br>hedge<br>accounting<br>relationships<br>£'000 | Total<br>31 March<br>2019<br>£'000 |
|--------------------------------------------------|----------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------|
| <b>Financial liabilities</b>                     |                            |                                                                                  |                                                                                             |                                    |
| Borrowings                                       | 1,007,343                  | -                                                                                | -                                                                                           | 1,007,343                          |
| Interest rate swap designated as cash flow hedge | -                          | -                                                                                | 355                                                                                         | 355                                |
| Cross currency swap                              | -                          | -                                                                                | 748                                                                                         | 748                                |
| Trade and other payables                         | 105,905                    | -                                                                                | -                                                                                           | 105,905                            |
| <b>Total</b>                                     | <u>1,113,248</u>           | <u>-</u>                                                                         | <u>1,103</u>                                                                                | <u>1,114,351</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 Group Companies, accrued interest payable to Group Companies, accrued interest payable to banks, and Other payables, excluding Current tax liabilities.

**ITOCHU Treasury Centre Europe Plc**  
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**14. Financial instruments (continued)**

**Currency profile**

|                                              | <b>Euro<br/>£'000</b> | <b>Sterling<br/>£'000</b> | <b>USD<br/>£'000</b> | <b>HUF<br/>£'000</b> | <b>JPY<br/>£'000</b> | <b>Total<br/>31 March<br/>2020<br/>£'000</b> |
|----------------------------------------------|-----------------------|---------------------------|----------------------|----------------------|----------------------|----------------------------------------------|
| <b>Non-current assets</b>                    |                       |                           |                      |                      |                      |                                              |
| Long- term lending                           | 463,056               | 104,250                   | -                    | -                    | -                    | 567,306                                      |
| Derivative financial<br>instruments          | 1,373                 | -                         | -                    | -                    | -                    | 1,373                                        |
| <b>Current assets</b>                        |                       |                           |                      |                      |                      |                                              |
| Short-term lending                           | 36,155                | 651,321                   | 31,966               | 270                  | 16,990               | 736,702                                      |
| Derivative financial<br>instruments          | -                     | 1,051                     | -                    | -                    | -                    | 1,051                                        |
| 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>                             |
| <b>Non-current liabilities</b>               |                       |                           |                      |                      |                      |                                              |
| Long-term Bank<br>borrowings                 | 415,732               | -                         | -                    | -                    | -                    | 415,732                                      |
| Derivative financial<br>instruments          | 1,485                 | -                         | -                    | -                    | -                    | 1,485                                        |
| <b>Current liabilities</b>                   |                       |                           |                      |                      |                      |                                              |
| Short-term Bank<br>borrowings                | 27,687                | 493,184                   | 41,008               | 267                  | 16,987               | 579,133                                      |
| Short term borrowing<br>from Group Companies | 70,269                | 5,076                     | 99,200               | -                    | -                    | 174,545                                      |
| Derivative financial<br>instruments          | -                     | 2,377                     | -                    | -                    | -                    | 2,377                                        |
| Other payables                               | 1,083                 | 308                       | 132                  | -                    | 4                    | 1,527                                        |
|                                              | <u>516,256</u>        | <u>500,945</u>            | <u>140,340</u>       | <u>267</u>           | <u>16,991</u>        | <u>1,174,799</u>                             |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

**Currency profile**

|                                              | <b>Euro<br/>£'000</b> | <b>Sterling<br/>£'000</b> | <b>USD<br/>£'000</b> | <b>HUF<br/>£'000</b> | <b>JPY<br/>£'000</b> | <b>Total<br/>31 March<br/>2019<br/>£'000</b> |
|----------------------------------------------|-----------------------|---------------------------|----------------------|----------------------|----------------------|----------------------------------------------|
| <b>Non-current assets</b>                    |                       |                           |                      |                      |                      |                                              |
| Long- term lending                           | 404,998               | 70,000                    | -                    | -                    | -                    | 474,998                                      |
| Derivative financial<br>instruments          | 856                   | -                         | -                    | -                    | -                    | 856                                          |
| <b>Current assets</b>                        |                       |                           |                      |                      |                      |                                              |
| Short-term lending                           | 63,679                | 619,585                   | 87,350               | 228                  | -                    | 770,842                                      |
| Derivative financial<br>instruments          | -                     | 292                       | -                    | -                    | -                    | 292                                          |
| Other receivables                            | 1,259                 | 629                       | 211                  | -                    | 4                    | 2,103                                        |
|                                              | <u>470,792</u>        | <u>690,506</u>            | <u>87,561</u>        | <u>228</u>           | <u>4</u>             | <u>1,249,091</u>                             |
| <b>Non-current liabilities</b>               |                       |                           |                      |                      |                      |                                              |
| Long-term Bank<br>borrowings                 | 421,911               | 20,000                    | 34,533               | -                    | -                    | 476,444                                      |
| Derivative financial<br>instruments          | 355                   | 748                       | -                    | -                    | -                    | 1,103                                        |
| <b>Current liabilities</b>                   |                       |                           |                      |                      |                      |                                              |
| Short-term Bank<br>borrowings                | 9,528                 | 465,567                   | 55,579               | 225                  | -                    | 530,899                                      |
| Short term borrowing<br>from Group Companies | 72,146                | 201                       | 31,602               | -                    | -                    | 103,949                                      |
| Other payables                               | 1,046                 | 699                       | 200                  | -                    | 12                   | 1,957                                        |
|                                              | <u>504,986</u>        | <u>487,214</u>            | <u>121,914</u>       | <u>225</u>           | <u>12</u>            | <u>1,114,351</u>                             |

# **ITOCHU Treasury Centre Europe Plc** **Notes to the financial statements** **For the year ended 31 March 2020**

## **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 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.

### **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 2020 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 and Medium Term Notes. The outstanding forward foreign exchange contracts are at fair value in Current assets 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<br>Fair value at<br>31/03/2020 | Financial liabilities<br>Fair value at<br>31/03/2020 | Financial assets<br>Fair value at<br>31/03/2019 | Financial liabilities<br>Fair value at<br>31/03/2019 | Fair value Hierarchy |
|-------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------|-------------------------------------------------|------------------------------------------------------|----------------------|
| Derivatives designated at fair value through Profit or Loss |                                                 |                                                      |                                                 |                                                      |                      |
| Forward foreign exchange contracts                          | 52                                              | 2,377                                                | 292                                             | -                                                    | Level 2              |
| Derivatives designated hedge relationship                   |                                                 |                                                      |                                                 |                                                      |                      |
| Cross currency swaps                                        | 999                                             | -                                                    | -                                               | 748                                                  | Level 2              |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**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 £25,973 to the profit after tax and the Equity for a year.

**Cash flow hedges**

As of 31 March 2020, 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 320M borrowings, maturing within two years as at 31 March 2020 and (ii) the cross currency swaps contracts exchanging principal and interest of USD 45M floating rate loan maturing within one year as at 31 March 2020 (USD 45M, maturing within two years as at 31 March 2019) to GBP floating rate note, maturing within one year 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                                                                                                                                                                                                                                               |
|----------------------|---------------|------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      | 31/03/2020    | 31/03/2019 |                      |                                                                                                                                                                                                                                                                   |
| Financial asset      |               |            |                      |                                                                                                                                                                                                                                                                   |
| Cross currency swaps | 999           | -          | Level 2              | Discounted cash flows<br><br>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  | 1,373         | 856        |                      |                                                                                                                                                                                                                                                                   |
| Financial liability  |               |            |                      |                                                                                                                                                                                                                                                                   |
| Interest rate swaps  | 1,485         | 355        | Level 2              | 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.                                                |
| Cross currency swaps | -             | 748        |                      |                                                                                                                                                                                                                                                                   |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**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 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.

|                                                              | 2020<br>£'000    | 2019<br>£'000    |
|--------------------------------------------------------------|------------------|------------------|
| <b>Non-current assets</b>                                    |                  |                  |
| Long-term loans to Group Companies                           | 567,320          | 474,998          |
| Impairment allowance for Long-term loans to Group Companies  | (14)             | (6)              |
| Derivative Financial Instrument                              | 1,373            | 856              |
|                                                              | <u>568,679</u>   | <u>475,848</u>   |
| <b>Current assets</b>                                        |                  |                  |
| Trade and other receivables                                  | 738,497          | 772,952          |
| Impairment allowance for Short-term loans to Group Companies | (8)              | (6)              |
| Derivative Financial Instrument                              | 1,051            | 292              |
| Cash and cash equivalents                                    | 2                | 5                |
|                                                              | <u>739,542</u>   | <u>773,243</u>   |
| <b>Total assets</b>                                          | <u>1,308,221</u> | <u>1,249,091</u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

**Credit risk (continued)**

**Impairment of financial assets**

The expected credit losses on the financial instruments have not made a material impact on the financial statements as at 31 March 2020. The impairment allowance is calculated with reference to both the probability of default rate and the loss given default rate for those assets.

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

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

**Credit risk (continued)**

|                                                     | (i)<br>Carrying amount as at 31<br>March 2019 | (ii)<br>Impairment allowance under<br>IFRS 9 | (iii)<br>IFRS 9 Carrying amount as at<br>31 March 2019 | (iv)<br>Impairment allowance under<br>IFRS 9 recognised loss as at<br>31 March 2019 |
|-----------------------------------------------------|-----------------------------------------------|----------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------|
| Financial assets                                    | £'000                                         | £'000                                        | £'000                                                  | £'000                                                                               |
| Short-term lending to Group<br>Companies            | 770,848                                       | (6)                                          | 770,842                                                | (6)                                                                                 |
| Accrued interest receivable from<br>Group Companies | 2,104                                         | -                                            | 2,104                                                  | -                                                                                   |
| Long-term lending to Group<br>Companies             | 474,998                                       | (6)                                          | 474,992                                                | (6)                                                                                 |
|                                                     | <u>1,247,950</u>                              | <u>(12)</u>                                  | <u>1,247,938</u>                                       | <u>(12)</u>                                                                         |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**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.

| <b>At 31 March 2020</b>                     | <b>Contractual</b> | <b>Less than</b> | <b>1-6</b>    | <b>6-12</b>   | <b>1-2</b>     | <b>2-5</b>   | <b>Over 5</b>  |
|---------------------------------------------|--------------------|------------------|---------------|---------------|----------------|--------------|----------------|
| <b>Liabilities</b>                          | <b>amount</b>      | <b>1 month</b>   | <b>months</b> | <b>months</b> | <b>years</b>   | <b>years</b> | <b>years</b>   |
|                                             | <b>£'000</b>       | <b>£'000</b>     | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b>   |
| <b>Non Derivative financial liabilities</b> |                    |                  |               |               |                |              |                |
| Bank Borrowings                             | 977,167            | 504,516          | 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            | -              | -            | -              |
| <b>Derivative financial liabilities</b>     |                    |                  |               |               |                |              |                |
| Forward foreign exchange contracts          | 2,377              | 1,584            | 793           | -             | -              | -            | -              |
| Interest rate swap contracts                | 1,485              | -                | -             | -             | 1,485          | -            | -              |
| Cross currency swap contracts               | -                  | -                | -             | -             | -              | -            | -              |
|                                             | <u>1,174,799</u>   | <u>660,794</u>   | <u>96,776</u> | <u>12</u>     | <u>284,485</u> | <u>-</u>     | <u>132,732</u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**14. Financial instruments (continued)**

**Liquidity risk**

| <b>At 31 March 2019</b>                     | <b>Contractual</b> | <b>Less than</b> | <b>1-6</b>    | <b>6-12</b>    | <b>1-2</b>     | <b>2-5</b>    | <b>Over 5</b>  |
|---------------------------------------------|--------------------|------------------|---------------|----------------|----------------|---------------|----------------|
| <b>Liabilities</b>                          | <b>amount</b>      | <b>1 month</b>   | <b>months</b> | <b>months</b>  | <b>years</b>   | <b>years</b>  | <b>years</b>   |
|                                             | <b>£'000</b>       | <b>£'000</b>     | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>  | <b>£'000</b>   |
| <b>Non Derivative financial liabilities</b> |                    |                  |               |                |                |               |                |
| Bank Borrowings                             | 990,110            | 405,910          | -             | 124,989        | 252,338        | 77,618        | 129,255        |
| Medium Term Notes issued                    | 17,234             | -                | -             | -              | 17,234         | -             | -              |
| Trade and other payables                    | 105,904            | 105,245          | 647           | 12             | -              | -             | -              |
| <b>Derivative financial liabilities</b>     |                    |                  |               |                |                |               |                |
| Forward foreign exchange contracts          | -                  | -                | -             | -              | -              | -             | -              |
| Interest rate swap contracts                | 355                | -                | -             | -              | -              | 355           | -              |
| Cross currency swap contracts               | 748                | -                | -             | -              | 748            | -             | -              |
|                                             | <u>1,114,351</u>   | <u>511,155</u>   | <u>647</u>    | <u>125,001</u> | <u>270,320</u> | <u>77,973</u> | <u>129,255</u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**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<br>of Cross<br>Currency<br>Swap<br>£'000 | Revaluation of<br>Interest Rate<br>Swap<br>£'000 | Impairment<br>of Financial<br>Assets<br>£'000 | Total<br>£'000 |
|-----------------------------------------|------------------------------------------------------|--------------------------------------------------|-----------------------------------------------|----------------|
| Charge to the profit or loss            | -                                                    | -                                                | -                                             | -              |
| Charge to other comprehensive<br>income | (16)                                                 | 12                                               | -                                             | (4)            |
| <b>At 31 March 2019</b>                 | <b>(6)</b>                                           | <b>5</b>                                         | <b>2</b>                                      | <b>1</b>       |
| Credit to the profit or loss            | -                                                    | -                                                | 2                                             | 2              |
| Credit to other comprehensive<br>income | 1                                                    | 84                                               | -                                             | 85             |
| <b>At 31 March 2020</b>                 | <b>(5)</b>                                           | <b>89</b>                                        | <b>4</b>                                      | <b>88</b>      |

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 2020. The rate of 19% has therefore been reflected in the deferred tax assets and liabilities.

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.

|                          | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------|---------------|---------------|
| Deferred tax liabilities | (190)         | (60)          |
| Deferred tax assets      | 278           | 60            |
|                          | <b>88</b>     | <b>-</b>      |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**16. Share capital**

|                                            | 2020<br>£'000  | 2019<br>£'000  |
|--------------------------------------------|----------------|----------------|
| <b>Authorised</b>                          |                |                |
| 130,000,000 ordinary shares of £1 each     | 130,000        | 130,000        |
| <b>Allotted, Issued and Fully paid up:</b> |                |                |
| 130,000,000 ordinary shares of £1 each     | 130,000        | 130,000        |
|                                            | <u>130,000</u> | <u>130,000</u> |

**17. Retained earnings**

|                          | £'000        |
|--------------------------|--------------|
| At 1 April 2018          | 4,210        |
| Dividends paid           | (3,514)      |
| Profit for the year      | 3,655        |
|                          | <u>4,351</u> |
| Balance at 31 March 2019 | <u>4,351</u> |
| 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> |

**18. Related party transactions**

Related parties are defined as the Company's parent and its 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 Group Companies which we provide Company financing services during the financial year:

|                         | 2020<br>£'000 | 2019<br>£'000 |
|-------------------------|---------------|---------------|
| <b>Income statement</b> |               |               |
| Interest income         | 13,983        | 17,483        |
| Interest expense        | (1,109)       | (979)         |
|                         | <u>12,874</u> | <u>16,504</u> |

**ITOCHU Treasury Centre Europe Plc**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**18. Related party transactions (continued)**

|                                                                | <b>2020</b>      | <b>2019</b>      |
|----------------------------------------------------------------|------------------|------------------|
|                                                                | <b>£'000</b>     | <b>£'000</b>     |
| <b>Statement of financial position</b>                         |                  |                  |
| <b>Assets</b>                                                  |                  |                  |
| Short-term lending to Group Companies                          | 736,709          | 770,848          |
| Expected credit loss for Short-term lending to Group Companies | (8)              | (6)              |
| Long-term lending to Group Companies                           | 567,320          | 474,998          |
| Expected credit loss for Long-term lending to Group Companies  | (14)             | (6)              |
| Accrued interest receivable from Group Companies               | 1,760            | 2,075            |
|                                                                | <u>1,305,768</u> | <u>1,247,909</u> |
| <b>Liabilities</b>                                             |                  |                  |
| Short-term borrowing from Group Companies                      | 174,544          | 103,949          |
| Accrued interest payable to Group Companies                    | 104              | 77               |
|                                                                | <u>174,648</u>   | <u>104,026</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 £3,140,000 (0.0242 per share) for the year ended 31 March 2020 (2019: £3,584,000, £0.0276 per share), which is subject to approval by shareholders at the Annual General Meeting, scheduled to be held on 2 September 2020 and has not been included as a liability in these financial statements. The company has made use of access to HM Treasury / Bank of England joint Commercial Paper funding scheme due to COVID-19(CCFF; COVID Corporate Financing Facility). Further details can be found on p.2.

