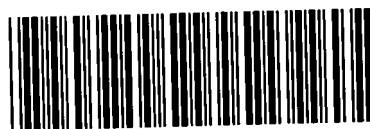


Mitsubishi Corporation Finance PLC
Annual Report
for the year ended 31 March 2018

Company Registration Number: 1865061

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Mitsubishi Corporation Finance PLC

Annual Report

for the year ended 31 March 2018

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Mitsubishi Corporation Finance PLC

Strategic report for the year ended 31 March 2018

The Directors of Mitsubishi Corporation Finance PLC (MCF or the Company) present their strategic report for the year ended 31 March 2018 in accordance with section 414C of the Companies Act 2006.

This strategic report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The strategic report contains forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Strategy, objectives and business model

MCF is a public company, limited by shares. It is domiciled and incorporated in the United Kingdom (UK) under the laws of England and Wales and is a wholly-owned subsidiary of its ultimate holding and controlling company, Mitsubishi Corporation (MC), which is incorporated in Japan.

The Company's business model is to provide treasury services to the Mitsubishi Corporation Group (MC Group) in the Europe, Middle East and Africa (EMEA) region. It achieves this by raising finance in the capital markets and managing liquidity to ensure that it is able to meet the funding requirements of the MC Group companies at all times.

MCF's business is designed to operate within a sustainable low risk strategy that provides the Company with the ability to adapt to changing market conditions by managing risk and focusing on the core business funding requirements of MC Group companies in the EMEA region.

To meet this objective the Company maintains a comprehensive business contact network in London and the European markets, through active participation in a variety of financial transactions.

Business environment, principal risks and uncertainties

The results of the Company are linked to the financing requirements of the MC Group companies which are in turn linked to the economic environment in which they are operating. At the reporting date, the Company had a diverse geographical spread of assets. UK and European Union (EU) domiciled loans made up 41% and 35% respectively of the Company's loans. Loans to Chile made up the majority of the remaining portfolio.

The year was characterised by increased geopolitical risks in both North Korea and the Middle East. Despite these political uncertainties, consumption and investment led growth has been strong throughout the majority of the major economies, with the US and China leading the way. The resulting rebound of commodity prices helped MC achieve record profits.

The worries of further political upheaval within Europe expressed in last year's strategic report were short-lived. The re-election in Germany of Chancellor Merkel's party, albeit with a somewhat reduced share of votes and the election of President Macron's *En Marche* party in France has, in part, improved the optimism within the Eurozone, and with the exception of the UK, the wider European Union member states. This optimism however remains fragile as the political outlook in Italy and Spain remains unstable.

Mitsubishi Corporation Finance PLC

Strategic report for the year ended 31 March 2018 (continued)

In contrast, the UK's economic growth lagged that of the other major economies as increased inflationary pressure brought about by the depreciation of Sterling was only partly offset by the increased competitiveness of its exports.

Despite specific progress being made on the rights of EU citizens and the financial settlement there remains much uncertainty regarding the negotiations for the UK's withdrawal from the EU. No more so than in regard to the future trading relationship that will exist between the UK and EU and the potential for the UK to benefit from trading relationships with non-EU partners.

The path for interest rates has begun to change across major markets. On the back of strong United States of America (US) economic data the US Federal Reserve commitment to monetary tightening was backed up by increasing the benchmark rate three times throughout the year, the benchmark rate stood at 1.75% at the reporting date with financial markets expecting further increases during 2018 and beyond. British monetary policy has begun to tighten, with the Bank of England increasing the benchmark rate to 50bp in November 2017. Whilst further rate increases are expected during 2018, more sluggish than expected growth has set these expectations back to some degree.

Whilst growth has been relatively strong within the Eurozone, the disparity of economic indicators across the region has somewhat limited the European Central Bank (ECB) in its ability to loosen monetary policy. The ECB deposit facilities rate remains at -40bp as it has done since March 2016. Rates are not expected to increase during 2018.

To summarise, the Board of Directors (Board) recognises that the economic indicators continue to point to further improvement to the global economy but recognise the fragility of such predictions given the uncertain outcome of the Brexit negotiations and the somewhat un-predictable nature of global geo-political events.

The nature of the Company's activities exposes it to a variety of risks including market risk, credit and liquidity risk. The Board are accountable for risk and responsible for oversight of the risk management process. The Board has considered the key risks facing the Company and the exposure to each of those risks and considers them to be appropriately managed. The nature of these risks and how they are managed are disclosed in note 22.

Future Developments

The MC Group is now in the final year of its 2018 Mid Term Corporate plan, the focus of which is on improving cash flow, rebalancing its resource business and taking a more active role in the management of its investments. In April 2018, MC designated the African continent as a strategic growth area; this strategy included the establishment of a new African headquarters in Johannesburg. MCF is well placed to service new demands and take advantage of the opportunities this strategy may present.

Business Performance

The Directors monitor the progress and performance of the Company with reference to a number of key performance indicators relating to net interest income, profit before tax, administrative expenses and the available-for-sale portfolio.

Consistent increases in US Dollar (USD) rates throughout FY2017 saw the average Libor rate increase by 115bp over last year. The net effect of this saw net USD interest increase by \$6m; however, lower average volumes across the loan portfolio partly offset this increase, bringing overall interest 8% higher than last year at \$27.2m (2017: \$25.3m).

Administrative expenses remain under control with a modest increase to \$6.0m (2017: \$5.8m). The Company did not purchase any additional assets for its available-for-sale (AFS) portfolio during the year. In fact, as result of redemptions of asset-backed securities the overall value of the portfolio declined by 4.9% to \$837.8m (2017: 880.5m).

Mitsubishi Corporation Finance PLC

Strategic report for the year ended 31 March 2018 (continued)

In the final quarter of the fiscal year it was decided that as part of its global liquidity management strategy MC would purchase a significant portion of the Company's AFS portfolio. The transaction, which completed on 6 April 2018, involved the sale of US Government bonds with a nominal value of \$600m and the disposal of any associated hedging instruments. It is expected that this transaction will reduce net interest income by \$0.7m for the year ending 31 March 2019. Full disclosure of this transaction is shown in note 26.

The strong performance in MCF's operating income, coupled with the tight control of administrative expenses, resulted in an improved operating profit before taxation of \$17.3m (2017: \$14.5m).

The Company continued to benefit from its strong financial position by utilising a variety of funding sources. Issuance of short term commercial paper (CP) stood at \$657.2m at the year-end (2017: \$1.1bn). On a longer-term basis, bank loans totalled \$100m (2017: \$100m) and European Medium-Term Notes (EMTNs) were \$345.9m (2017: \$573m).

The net profit for the year ended 31 March 2018 attributable to ordinary shareholders was \$14.2m (2017: \$11.7m).

Overall, the Directors are satisfied with the performance of the Company and anticipate that the Company will continue to perform well in the foreseeable future.

Going concern

The Directors have reviewed budgets, projected cash flows, profit plans, business plans and other relevant information (e.g. guarantees and support provided by the parent company and existing funding programmes), and, on the basis of this review, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and the financial statements.

This report was approved by the board of Directors on 26 June 2018 and signed on its behalf by:



H. Niwa
Managing Director and CEO
26 June 2018

Mitsubishi Corporation Finance PLC

Directors' report for the year ended 31 March 2018

The Directors present their Annual Report, together with the audited financial statements of Mitsubishi Corporation Finance PLC, for the year ended 31 March 2018.

Directors

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

S. Kimpara	Chairman	(Resigned 1 June 2017)
M. Okawara	Chairman	(Appointed 1 June 2017)
K. Kawakami	Managing Director	(Resigned 12 May 2017)
H. Niwa	Managing Director	(Appointed 12 May 2017)
H. Hayashi	Director	(Resigned 6 April 2018)
I. Kano	Director	(Appointed 6 April 2018)

Directors' indemnities

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

Political contributions

The Company made no political contributions during the year. (2017: \$nil)

Registered office

8th Floor, Mid City Place,
71 High Holborn,
London,
WC1V 6BA

Capital structure

Details of the authorised and issued share capital are shown in note 18. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The Company has an authorised share capital of \$100m of which 90% is allotted, called up and fully paid and is held in its entirety by MC.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the general provisions of the Articles of Association and the prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are conferred by the sole shareholder and parent company.

Dividends

The Directors do not recommend the payment of a dividend for the year (2017: \$nil).

Mitsubishi Corporation Finance PLC

Directors' report for the year ended 31 March 2018 (continued)

Financial risk management objectives and policies, future developments and going concern statement

Details of the Company's financial risk management objectives can be found within note 22. Further details regarding future developments and going concern can be found within the strategic report, both of which form part of this report by cross reference.

Corporate governance

As the Company has only debt securities listed on the Professional Securities Market, it has availed itself of an exemption from the Financial Conduct Authority's requirement to make corporate governance disclosures and from auditor review thereof.

Events after the statement of financial position date

Sale of assets to Mitsubishi Corporation

On the 6th April 2018, US Government bonds with nominal value of \$600m were sold to the Company's parent, Mitsubishi Corporation. Details of this sale are disclosed in note 26.

Other subsequent events

There were no other subsequent events after the balance sheet date.

Auditor and disclosure of audit information

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have taken as a Director in order to make them 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 s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them was approved at the Annual General Meeting.

By order of the Board



H. Niwa
Managing Director and CEO
26 June 2018

Mitsubishi Corporation Finance 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.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



H. Niwa
Managing Director and CEO
26 June 2018

Mitsubishi Corporation Finance PLC

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITSUBISHI CORPORATION FINANCE PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 of Mitsubishi Corporation Finance plc (the 'Company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 28.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Identification of loan impairment
Materiality	The materiality that we used in the current year was £38.3m which was determined on the basis of 1% of total debt as at 31 March 2018.
Scoping	Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls, and assessing the risks of material misstatement.

Mitsubishi Corporation Finance PLC

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.

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.

Identification of loan impairment

Key audit matter description



As disclosed in the strategic report and Note 3, the Company provides funding to other members of the Mitsubishi Corporation Group ("MC Group") in the Europe, Middle East and Africa region. The Company is exposed to credit risk as losses may be suffered should a counterparty fail to meet their financial obligations to the Company as and when they fall due. It should however be noted that this exposure to credit risk is reduced as a result of credit enhancements in the form of guarantees from the Company's parent company in respect of the majority of its counterparties.

As disclosed in Note 13, loan receivables due from MC Group companies totalled \$3,162m with an associated loan loss provision balance of \$0 as at 31 March 2018.

On an annual basis management performs an assessment to determine whether there is objective evidence of impairment of loan receivables. The key considerations in the assessment of whether loan receivables are impaired relate to the financial performance and creditworthiness of the counterparty, using information sourced from an internal rating system, as well as evidence of default or delinquency in contractual repayments.

How the scope of our audit responded to the key audit matter




We obtained an understanding and evaluated the design and implementation of the key controls related to loan impairment provisions, focusing on controls over the monitoring of loans for evidence of impairment events.

We evaluated management's assessment as to whether indicators of impairment exist in relation to loan receivables.

In addition, we performed substantive procedures for a sample of loans by re-performing the impairment assessment and challenging the review performed by management by determining whether there was evidence of impairment.

Mitsubishi Corporation Finance PLC

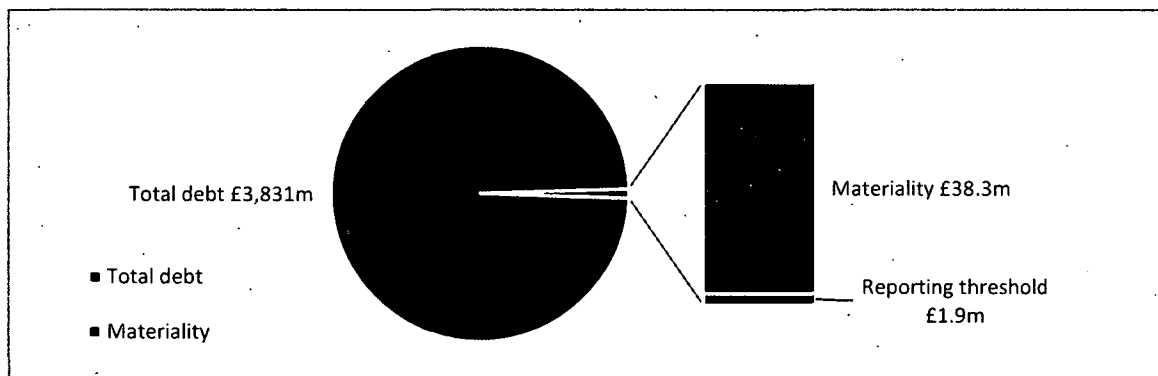
Key observations 	Based on the work performed we concluded that the loan impairment provision is appropriately stated.
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Our application of materiality

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

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

Materiality	£38.3m
Basis for determining materiality	1% of total debt
Rationale for the benchmark applied	We determined materiality based on total debt as we consider MCF's debt holders to be primary users of the financial statements given their interest in the financial position and performance of MCF as creditors of the company.



We agreed with the directors that we would report to the directors all audit differences in excess of £1.9m, 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.

An overview of the scope of our audit

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.

Mitsubishi Corporation Finance PLC

Other information

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

We have nothing to report in respect of these matters.

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.

Mitsubishi Corporation Finance PLC

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

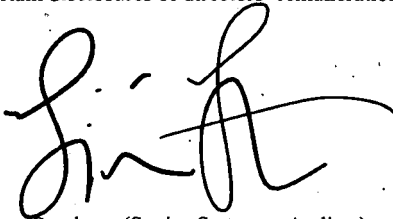
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records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

We have nothing to report in respect of these matters.

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.



Simon Stephens (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 June 2018

Mitsubishi Corporation Finance PLC

Income statement for the year ended 31 March 2018

	Notes	2018 \$m	2017 \$m
Interest income	4	58.3	41.9
Interest expense	4	(31.1)	(16.6)
Net interest income		27.2	25.3
Trading expenses	4	(2.4)	(2.0)
Other gains and losses	6	(1.5)	(3.0)
Total operating income		23.3	20.3
Administrative expenses		(6.0)	(5.8)
Profit before taxation		17.3	14.5
Tax	9	(3.1)	(2.8)
Profit for the year attributable to equity holders		14.2	11.7

The results shown in the income statement are derived wholly from continuing activities.
The accompanying notes 1 to 28 form an integral part of the financial statements.

Mitsubishi Corporation Finance PLC

Statement of comprehensive income for the year ended 31 March 2018

	2018	2017
Notes	<u>\$m</u>	<u>\$m</u>
Profit for the year	<u>14.2</u>	<u>11.7</u>
Items that may be reclassified subsequently to profit or loss:		
Unrealised gains on AFS	3.7	5.9
Unrealised losses on non-current assets held for sale	(0.3)	-
Unrealised gains/(losses) on derivative hedges	(0.2)	1.0
Tax on fair value movements taken directly to equity	(0.6)	(1.3)
	<u>2.6</u>	<u>5.6</u>
Other comprehensive income for the period, net of income tax		
Total comprehensive income for the period	<u>16.8</u>	<u>17.3</u>

Mitsubishi Corporation Finance PLC

Statement of financial position at 31 March 2018

	Notes	2018 \$m	2017 \$m
Non-current assets			
Property, plant and equipment	10	0.1	0.2
Available-for-sale investments	11	259.3	863.0
Derivative financial instruments	12	11.0	19.6
Loans and other receivables	13	880.4	1,528.7
		<u>1,150.8</u>	<u>2,411.5</u>
Current assets			
Available-for-sale investments	11	0.6	17.5
Derivative financial instruments	12	3.5	3.4
Non-current assets held for sale	26	605.0	0.0
Loans and other receivables	13	2,281.6	1,476.1
Cash and bank balances	14	182.4	140.7
		<u>3,073.1</u>	<u>1,637.7</u>
Current liabilities			
Derivative financial instruments	12	5.6	1.6
Borrowings	17	3,465.9	3,246.7
Current tax liability		1.4	1.4
Trade and other payables	15	4.6	3.8
		<u>3,477.5</u>	<u>3,253.5</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(404.4)</u>	<u>(1,615.8)</u>
Non-current liabilities			
Derivative financial instruments	12	5.5	12.4
Borrowings	17	365.9	425.7
Deferred tax liabilities	16	2.0	1.4
		<u>373.4</u>	<u>439.5</u>
NET ASSETS		<u>373.0</u>	<u>356.2</u>
Shareholder's equity			
Ordinary share capital	18	90.0	90.0
Revaluation reserve		9.0	6.4
Retained earnings		274.0	259.8
Total shareholder's equity		<u>373.0</u>	<u>356.2</u>

The financial statements on pages 15 to 57 were approved by the board of Directors and authorised for issue on 26 June 2018.

They were signed on its behalf by:



H. Niwa
Managing Director and CEO

Company Registration Number: 1865061

The accompanying notes 1 to 28 form an integral part of the financial statements.

Mitsubishi Corporation Finance PLC

Statement of changes in equity for the year ended 31 March 2018

	Equity attributable to equity holders of the Company			
	Share capital \$m	Retained earnings \$m	Revaluation reserve \$m	Total equity \$m
Balance at 1 April 2016	90.0	248.1	0.8	338.9
Profit for the period	-	11.7	-	11.7
Other comprehensive income for the period				
Gains on AFS and derivative hedges	-	-	6.9	6.9
Losses on non-current assets held for sale	-	-	-	-
Deferred tax	-	-	(1.3)	(1.3)
Total other comprehensive income for the period	-	-	5.6	5.6
Total comprehensive income for the period	-	11.7	5.6	17.3
Balance at 31 March 2017	90.0	259.8	6.4	356.2
Profit for the period	-	14.2	-	14.2
Other comprehensive income for the period				
Gains on AFS and derivative hedges	-	-	3.5	3.5
Losses on non-current assets held for sale	-	-	(0.3)	(0.3)
Deferred tax	-	-	(0.6)	(0.6)
Total other comprehensive income for the period	-	-	2.6	2.6
Total comprehensive income for the period	-	14.2	2.6	16.8
Balance at 31 March 2018	90.0	274.0	9.0	373.0

Mitsubishi Corporation Finance PLC

Cash flow statement for the year ended 31 March 2018

	Notes	2018 \$m	Restated 2017 \$m
Cash flows from operating activities			
Loans to group companies		25.5	(174.6)
Derivatives from hedging loans		15.1	(0.1)
Cash from pooled group accounts		10.4	(181.4)
Cash paid to suppliers and employees		(8.6)	(7.3)
Cash generated from operations		42.4	(363.3)
Interest received		42.9	35.4
Tax paid		(3.1)	(2.0)
Net cash from operating activities		82.1	(329.9)
Cash flows from investing activities			
Available-for-sale investments		18.7	(289.5)
Derivatives from hedging available-for-sale investments		-	(0.8)
Time deposits		2.6	(5.7)
Reverse repurchase agreements		-	200.0
Interest received		12.4	6.1
Net cash from investing activities		33.7	(89.9)
Cash flows from financing activities			
EMTN	28	(230.8)	(147.4)
Derivatives from hedging EMTN issuances		-	(1.0)
Commercial Paper	28	(710.5)	(68.9)
Repurchase agreements	28	47.7	(160.0)
Bank and group loans	28	730.9	581.5
Derivatives from financing foreign currencies		42.3	(13.8)
Interest paid		(25.7)	(14.7)
Net cash flows from financing activities		(146.2)	175.8
Effect of exchange rate changes		72.1	(240.8)
Net increase in cash and cash equivalents		41.7	(484.8)
Cash and cash equivalents at beginning of year	14	140.7	625.5
Cash and cash equivalents at end of year	14	182.4	140.7

In order to more clearly represent the underlying driver of its cash flows the Company has amended its presentation of its cash flow statement for both the current and prior year. Detailed disclosures of the changes in presentation are made in note 3.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

1. General information

Mitsubishi Corporation Finance PLC is a company incorporated in United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the strategic report.

The financial statements are stated in millions of US dollars (\$m), which is the functional currency of the Company.

2. Adoption of new and revised standards

The following amendments to IFRS, as issued by the International Accounting Standards Board (IASB) became mandatory for accounting periods that began on or after 1 January 2017.

- *Amendment to IAS7: Disclosure Initiative*
- *Amendments to IAS12: Recognising of Deferred Tax Assets for Unrealised Losses*

The Company has adopted amendments to IAS7 for the first time in the current year. The amendments require disclosure of the cash and non-cash effect of changes in the Company's financing liabilities. These disclosures are made in note 28. Apart from the additional disclosure, there has been no impact on the Company's financial statements.

IAS12 amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise deductible temporary differences. The amendments have had no effect on the Company's financial statements.

The following pronouncements may have an effect on the Company's financial statements but are not applicable for the year ended 31 March 2018 and have not been applied in preparing these financial statements. With the exception of IFRS 16 *Leases*, these pronouncements have been endorsed by the EU.

- IFRS 9 *Financial Instruments* – effective for annual periods beginning on or after 1 January 2018
- IFRS 15 *Revenue from Contracts with Customers* – effective for annual periods beginning on or after 1 January 2018
- IFRS 16 *Leases* – effective for annual periods beginning on or after 1 January 2019

The Company will adopt IFRS 9 from 1 April 2018. Controls and governance over IFRS 9 impairment are currently being embedded and the methodology is being refined. With a very low credit risk profile and a portfolio mainly consisting of fully collateralised obligations the management of the Company does not expect the transition to IFRS9 to have a material impact.

IFRS 15 will have not have any impact on the financial statements of the Company.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations of the International Financial Reporting Interpretations Committee (IFRICs), as adopted by the EU, and with those parts of the Companies Act applicable to companies reporting under IFRSs.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The Directors are confident and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be used in the preparation of the financial statements.

The principal accounting policies adopted in the preparation of these financial statements, all of which have been applied consistently throughout the year, are set out below.

Interest

Interest income and interest expense are recognised in the income statement for all interest-bearing financial instruments classified as AFS or as other loans and receivables using the effective interest rate as defined in the applicable contractual rates.

Interest on derivatives executed as fair value hedges for assets and liabilities is reported on a net basis under interest income and interest expense respectively.

Gains and losses arising from derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value movements exclude interest and are shown separately within non-interest income.

Foreign currency translation

Items included in the financial statements of the Company are measured in US dollars (the functional currency), being the currency of the majority of the transactions entered into by the Company.

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.

Changes in fair value of monetary securities denominated in foreign currency classified as AFS are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss.

Prior year restatements

For fiscal year 2017 the Company has decided to adopt the direct method for presentation of its cash flow statement. In addition to the adoption of this method, the classification of cash flows between operating, investing and financing activities has been amended to better illustrate the underlying drivers of cash flows within the Company.

For the purpose of the cash flow statement, operating activities are defined as the internal lending and cash pool borrowing of the MC group companies, any associated interest income or expense, as well as any associated derivatives used to hedge these positions.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

Investing activities relate to the management of the Company's liquidity position via the holding of AFS assets, fixed term deposits and their associated interest flows. In addition to the underlying asset, the cash flow from any underlying hedging instruments will also be classified as investing activities.

Financing activities relate to the fund raising activities of the Company and include the issuance of long and short-term debt instruments plus any fixed term deposits. As well as the associated interest flows, the net cash flow from any derivatives hedging these financing activities will also be within this category.

Financial assets and liabilities

The accounting policies for fair value, financial assets, financial liabilities and derivatives are set out as follows:

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties within an arm's length transaction.

Financial instruments measured at fair value on an on-going basis include trading assets and liabilities, instruments designated at fair value (such as financial liabilities), derivatives and financial investments classified as AFS.

Determination of fair value

Fair values are determined according to the following hierarchy that reflects the degree to which fair value is observable.

(i) Level 1: Quoted market price

Financial instruments valued with quoted prices for identical instruments in active markets.

(ii) Level 2: Valuation technique using observable inputs

Financial instruments with valuations derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

(iii) Level 3: Valuation technique with non-observable inputs

Financial instruments with valuations derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. For these instruments, the fair value derived is more judgemental. 'Not observable' in this context means that there are few or no current market data available from which to determine the level at which an arm's length transaction would likely occur, but it generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (historical data may, for example, be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

The valuation models used where quoted market prices are not available incorporate certain assumptions that MCF anticipates would be used by a third party market participant to establish fair value. Where MCF believes that there are additional considerations not included within the valuation model, appropriate adjustments may be made. Examples of such adjustments are:

- Credit risk adjustment: an adjustment to reflect the credit-worthiness of over-the-counter (OTC) derivative counterparties.
- Market data/model uncertainty: an adjustment to reflect uncertainties in fair values based on unobservable market data inputs (for example, as a result of illiquidity) or in areas where the choice of valuation model is particularly subjective.

Financial assets

The Company classifies its financial assets in the following categories: financial instruments at fair value through profit or loss (FVTPL); loans and receivables; held-to-maturity investments and AFS financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of financial assets at initial recognition (see note 24).

Purchases and sales of financial assets at FVTPL, held to maturity and AFS are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at FVTPL. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Transfers of assets with retention of all or substantially all of the risks and rewards include repurchase transactions.

a) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at FVTPL at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. The Company has chosen not to designate any financial assets at FVTPL (2017:\$ nil).

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as AFS. They arise when the Company provides cash directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. The latter are classified as non-current assets. Loans and other receivables are included in trade and other receivables in the statement of financial position. Loans are recognised when cash is advanced to the borrowers. Loans and receivables are carried at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

The fair value of loans and advances/debt securities in issue is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using discounted cash flow models. For impaired loans, fair value is estimated by discounting the expected future cash flows over the time period they are expected to be recovered.

c) Available-for-sale

AFS assets are non-derivative financial assets that are designated in this category or not categorised into any of the other categories described above. They are included in non-current assets unless they mature within 12 months or management intends to dispose of the investment within 12 months of the reporting date.

AFS financial assets are subsequently held at fair value. The fair values of listed AFS securities are determined using market bid prices. The fair values of unlisted AFS securities are determined using valuation techniques that take into consideration either the prices of, or future earnings streams of, equivalent quoted securities. Gains and losses arising from changes in the fair value of AFS financial assets are recognised directly in equity until the financial asset is sold or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

The Company assesses at each reporting date whether there is objective evidence that an AFS asset is impaired. Objective evidence that a financial asset is impaired includes observable data that come to the attention of the Company such as a major change in price due to deterioration of credit ratings which has an impact on the Company's estimated future cash flows of the financial assets. If an impairment loss has been incurred, the cumulative loss (measured as the difference between the original cost and the fair value) less any impairment loss on that asset previously recognised, is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement.

Under IFRS, MCF recognises impairment based on losses incurred up to the reporting date: no recognition is given to losses which are expected to arise in the future, but where the loss event has not yet occurred. Market fair values reflect not only incurred loss, but also loss expected through the life of the asset, as well as a discount for illiquidity and a credit spread which reflects the market's current risk preference rather than the credit spread which existed in the market at the time the loan was underwritten. Accordingly, the fair values reported do not reflect MCF's estimate of the underlying long-term value of the assets.

d) Non-current assets held-for-sale

Assets are classified as non-current assets held-for-sale when it is highly probable that the carrying amount of the asset will be recovered through the sale of the asset rather than through its continued use. Highly probable transactions are transactions that have received a commitment from the Company's senior management and where an active plan is in place to identify parties willing to engage in the transaction.

For non-financial assets, outside the scope of IAS39, the value of non-current assets held-for-sale will be measured at the likely transaction value. Financial assets, within the scope of IAS39 will be measured as per the fair value requirements of IFRS.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

e) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The Company uses internal credit systems and ratings as part of its assessment of the existence of objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Financial liabilities

a) Financial liabilities at fair value through profit and loss

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated either:

- (i) at amortised cost: any difference between proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method; or

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

- (ii) as financial liabilities – designated at fair value through the income statement. The fair value option is used by the Company where the liabilities would otherwise be measured at amortised cost, the associated derivatives used to economically hedge the risk are held at fair value, and it is not practical to apply hedge accounting.

In certain circumstances, MCF applies the fair value option to its own debt in issue. Where available, the fair value will be based upon quoted prices in an active market for the specific instrument concerned. Where unavailable, the fair value will either be based upon quoted prices in an inactive market for the specific instrument concerned, or estimated by comparison with quoted prices in an active market for similar instruments. For long-term loans and EMTNs, the fair values have been calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. The fair value of these instruments therefore includes the effect of the appropriate credit spread to apply to MCF's liabilities. Provided that the debt is not repaid early, gains and losses arising from changes in the credit spread of liabilities issued by MCF reverse over the contractual life of the debt.

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the applicable contractual rates. Funds received under repurchase agreements are included in borrowings. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Derivative financial instruments and hedge accounting

Under IFRS, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The recognition of the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments, and if so, the nature of the item being hedged. In order to qualify for hedge accounting, the Company documents in advance the relationship between the item being hedged and the hedging instrument. The Company also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, to show that the hedge has been effective in the period and will be effective on an ongoing basis. This effectiveness testing is re-performed quarterly to ensure that the hedge remains effective.

The Company designates derivatives as either:

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. 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.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Where a hedging transaction is no longer hedge accounted the derivative is classified as held for trading and accounted for accordingly. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

If the hedge no longer meets the criteria for hedge accounting or if hedge accounting ceases, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

During the financial year, the Company only had fair value hedges. The fair values of various derivative instruments used for hedging purposes are disclosed in note 12.

Operating leases

Rental costs under operating leases are charged to the income statement and included in administrative expenses on a straight-line basis over the period of the leases.

Taxation

The tax expense represents the sum of tax currently payable and deferred 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 other years, it further excludes items that are never taxable or deductible, and it also includes items that arise in other years.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged, or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

All property, plant and equipment are carried at cost less subsequent depreciation and impairment.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

Depreciation is provided at rates calculated to write off the cost of each asset to its residual value on a straight-line basis over its expected useful life, as follows:

Office equipment	-	3 years
Furniture, fixtures and fittings	-	5 years

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, including reverse repurchase agreements, with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Share capital

Ordinary shares are classified as equity.

Segmental reporting

The Directors consider that the Company has one operating segment, being treasury. The geographical spread is the Company's client base is diverse and includes the UK and the EU as well as MC Group companies in Chile and elsewhere. A geographical analysis, based on the residency of the counterparty, of the sources of revenue is shown in note 27.

Critical accounting judgements and Key sources of estimation uncertainty

The preparation of the Company's financial statements in conformity with IFRS require the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and associated assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Key sources of estimation uncertainty

(i) Fair value of derivatives and other financial instruments

As described in note 23, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used are provided in note 23.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

3. Significant accounting policies (continued)

Critical accounting judgements

(ii) Impairment of assets

The Company assesses regularly whether there is any objective evidence that the assets are impaired, (see accounting policy 3 (d)). Details of the carrying amount of assets held are disclosed in the notes to the accounts.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

4. Analysis of net income

Included in net income are the following:

	2018	2017
	<u>\$m</u>	<u>\$m</u>
Interest income		
Available-for-sale - Interest recognised on financial assets	13.8	7.5
- Interest recognised on impaired financial assets	0.8	0.5
Loans and receivables - Held at amortised cost	26.7	22.4
- Fair value hedges - effective	29.6	27.4
Derivatives	<u>(12.6)</u>	<u>(15.9)</u>
	<u>58.3</u>	<u>41.9</u>
Interest expense		
Financial liabilities - Held at amortised cost	(29.0)	(15.1)
- Designated at fair value through the income statement	-	(0.1)
- Fair value hedges - effective	(3.4)	(4.3)
Derivatives	<u>1.3</u>	<u>2.9</u>
	<u>(31.1)</u>	<u>(16.6)</u>
Net interest income	<u>27.2</u>	<u>25.3</u>
	2018	2017
	<u>\$m</u>	<u>\$m</u>
Gains/(losses) arising from fair value hedges		
Hedging instruments	6.2	20.9
Hedged item attributable to hedged risk	<u>(6.2)</u>	<u>(20.9)</u>
	<u>-</u>	<u>-</u>
	2018	2017
	<u>\$m</u>	<u>\$m</u>
Trading Expenses		
Guarantee Fees payable to parent company	(1.9)	(1.7)
Bank charges & other fees	<u>(0.5)</u>	<u>(0.3)</u>
	<u>(2.4)</u>	<u>(2.0)</u>

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

5. Profit for the year

	2018 \$m	2017 \$m
Profit for the year has been arrived at after charging:		
Staff costs	2.1	1.9
Operating lease charges	<u>0.4</u>	<u>0.6</u>
Auditor's remuneration:		
Fees payable for audit of Company's annual accounts	0.3	0.3
Fees payable for other services pursuant to legislation	<u>0.1</u>	<u>0.1</u>
	<u>0.4</u>	<u>0.4</u>

6. Other gains and losses

	2018 \$m	2017 \$m
Gain/(loss) on derivative hedges	46.2	(25.4)
Gain/(loss) on foreign exchange	<u>(47.7)</u>	<u>22.2</u>
Net loss on derivative hedges	(1.5)	(3.2)
Gain on financial liabilities - fair values through income statement	-	0.1
Other sundry (expense)/income	<u>-</u>	<u>0.1</u>
	<u>(1.5)</u>	<u>(3.0)</u>

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

7. Staff costs

	<u>2018</u>	<u>2017</u>
	<u>\$m</u>	<u>\$m</u>
Staff costs excluding Directors' remuneration consist of:		
Wages and salaries	1.9	1.7
Social security costs	0.2	0.2
	<u>2.1</u>	<u>1.9</u>
Categories:	No.	No.
Management grades	6	5
Staff grades	7	8
Average number of persons employed by the Company (excluding Directors)	<u>13</u>	<u>13</u>

The Directors of the Company have their contracts of service with the ultimate holding and controlling company, Mitsubishi Corporation, which is incorporated in Japan. However, their remuneration for services performed as Directors of the Company was paid by the Company as disclosed in note 8.

8. Directors' emoluments

	<u>2018</u>	<u>2017</u>
	<u>\$m</u>	<u>\$m</u>
Aggregate emoluments	<u>0.4</u>	<u>0.5</u>
Aggregate emoluments of highest paid Director	<u>0.4</u>	<u>0.5</u>

The total amounts above are classified as 'salaries and short-term employee benefits' for 'Key management compensation' disclosure purposes.

Retirement benefits are accruing to three Directors (2017: three Directors) under MC's defined benefit scheme.

No compensation for loss of office was paid to retiring Directors (2017: \$nil).

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

9. Taxation

i. The tax charge comprises:

	2018	2017
	\$m	\$m
Analysis of tax expense related to profit from ordinary activities:		
Corporation tax current year	2.6	2.5
Foreign tax	0.5	0.4
Deferred tax expense relating to the origination and reversal of temporary differences	-	(0.1)
	<u>3.1</u>	<u>2.8</u>

ii. The charge for the year can be reconciled to the profit in the income statement as follows:

	2018	2017
	\$m	\$m
Profit before tax	<u>17.3</u>	<u>14.5</u>
Tax at the current standard rate of corporation tax in the UK of 19% (2017: 20%)	3.3	2.9
Effects of:		
Expenses not deductible and items chargeable in determining taxable profit	<u>(0.2)</u>	<u>(0.1)</u>
Tax expense for the year	<u>3.1</u>	<u>2.8</u>

iii. Tax recognised in other comprehensive income

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

Deferred tax:

	2018	2017
	\$m	\$m
Items that may be reclassified subsequently to profit or loss:		
AFS financial assets - gains arising during the period	0.6	1.1
Foreign currency basis spread movement	-	0.2
Total income tax recognised in other comprehensive income	<u>0.6</u>	<u>1.3</u>

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

10. Property, plant and equipment

The movement in property, plant and equipment in the year was as follows:

	Furn. fixtures, & fittings \$m	Office equipment \$m	Total \$m
Cost			
At 1 April 2017	0.1	0.2	0.3
Additions for the year	-	-	-
At 31st March 2018	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>
Depreciation			
At 1 April 2017	-	0.1	0.1
At 31st March 2018	<u>-</u>	<u>0.2</u>	<u>0.2</u>
Carrying amount			
At 31st March 2018	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
At 31 March 2017	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
Cost			
At 1 April 2016	-	0.2	0.2
Additions for the year	0.1	-	0.1
At 31 March 2017	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>
Depreciation			
At 1 April 2016	-	0.1	0.1
At 31 March 2017	<u>-</u>	<u>0.1</u>	<u>0.1</u>
Carrying amount			
At 31 March 2017	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
At 31 March 2016	<u>-</u>	<u>0.1</u>	<u>0.1</u>

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

11. Available-for-sale investments

	2018	2017
	<u>\$m</u>	<u>\$m</u>
At 1 April	880.5	602.3
Exchange differences on monetary assets	0.9	(1.3)
Purchases	-	530.2
Disposals (through sale and redemption)	(21.0)	(242.3)
Reclassification: Non-current assets held for sale	(588.7)	-
Gains/(losses) from changes in fair value recognised in equity	(11.8)	(8.4)
At 31 March	<u>259.9</u>	<u>880.5</u>
Of which:		
Current	<u>0.6</u>	<u>17.5</u>
Non-current	<u>259.3</u>	<u>863.0</u>

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Notes to the financial statements for the year ended 31 March 2018

12. Derivative financial instruments

The Company uses the following derivative instruments:

Currency forwards represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps).

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Company and a customer (OTC). The Company is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The Company uses the following instruments to hedge various economic risks:

- a) Cross-currency interest rate swaps to hedge foreign exchange and interest rate risks arising from EMTNs issued.
- b) Interest rate swaps to hedge interest rate risk arising from EMTNs issued and loans granted to related parties.
- c) Forward foreign exchange contracts to hedge foreign exchange risk arising from the AFS portfolio held in a currency other than the base currency (USD).

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

12. Derivative financial instruments (continued)

	2018			2017		
	Notional amount \$m	Fair value		Notional amount \$m	Fair value	
Asset \$m		Liabilities \$m	Asset \$m		Liabilities \$m	
Derivatives held for trading						
Forward rate contracts	700.3	3.3	0.5	610.8	2.9	1.4
At 31 March		3.3	0.5		2.9	1.4
Derivatives designated as fair value hedges						
Cross currency swaps	200.7	0.1	9.7	124.1	1.2	9.2
Interest rate swaps	832.0	11.1	0.9	2,176.6	18.9	3.4
At 31 March		11.2	10.6		20.1	12.6
Total derivatives		14.5	11.1		23.0	14.0
Of which:						
Current		3.5	5.6		3.4	1.6
Non-current		11.0	5.5		19.6	12.4

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2017

13. Loans and other receivables

	2018	2017
	<u>\$m</u>	<u>\$m</u>
Current		
Accrued interest receivable	1.7	3.4
Amounts due from group companies	2,279.8	1,472.6
Prepayments and accrued income	<u>0.1</u>	<u>0.1</u>
	<u>2,281.6</u>	<u>1,476.1</u>
Non-current		
Prepayment on loan fees	2.6	2.7
Amounts due from group companies	<u>877.8</u>	<u>1,526.0</u>
	<u>880.4</u>	<u>1,528.7</u>

14. Cash and cash equivalents

	2018	2017
	<u>\$m</u>	<u>\$m</u>
Cash at bank and in hand	<u>182.4</u>	<u>140.7</u>
	<u>182.4</u>	<u>140.7</u>

15. Trade and other payables

	2018	2017
	<u>\$m</u>	<u>\$m</u>
Current		
Accrued interest payable	3.3	2.5
Amounts due to group company	0.7	0.8
Other creditors	0.1	0.2
Accruals and deferred income	<u>0.5</u>	<u>0.3</u>
	<u>4.6</u>	<u>3.8</u>

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

16. Deferred income tax

The following are the deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period. The main rate of corporation tax in the UK was reduced from 20% to 19% on 1 April 2017 and will be further reduced to 17% on 1 April 2020. The reduction in the corporation tax rate to 17% was announced during the UK Government's 2016 Budget announcement.

The deferred tax liability principally relates to gains and losses on AFS investment recognised directly in equity, as detailed in note 3.

	Deferred tax asset/(liability) \$m
Deferred tax asset/(liability) at 1 April 2016	-
Expense to income statement	(0.1)
Debit to equity	<u>(1.3)</u>
Deferred tax asset/(liability) at 1 April 2017	(1.4)
Expense to income statement	-
Debit to equity	<u>(0.6)</u>
Deferred tax liability at 31 March 2018	<u><u>(2.0)</u></u>

The Company has no unused trading or capital losses at the reporting date.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

17. Financial liabilities – borrowings

	2018	2017
	\$m	\$m
Current		
Medium term notes	80.1	247.2
Commercial paper	657.1	1,145.1
Short-term inter-company borrowings	2,528.7	1,704.4
Payables under repurchase agreements	200.0	150.0
	<u>3,465.9</u>	<u>3,246.7</u>
Non current		
Long-term bank loans	100.0	100.0
Medium-term notes	265.9	325.7
	<u>365.9</u>	<u>425.7</u>
Total borrowings	<u><u>3,831.8</u></u>	<u><u>3,672.4</u></u>

At 31 March 2018 the Company's funding programmes include a \$5bn multi-currency EMTN Programme (2017: \$5bn), \$4bn Euro Commercial Paper Programme (2017: \$4bn) and JPY 100bn Samurai Commercial Paper programme for which issuance is in Tokyo (2017: JPY 100bn).

Under the terms of the EMTN Programme, the Company can issue notes under a wide variety of terms and conditions, which are fully set out in the prospectus, a copy of which is available at the registered office of the Company.

EMTNs are primarily fixed rate instruments, some of which contain embedded derivative features and which are subsequently swapped into floating rates either using interest rate or cross currency swaps, based on the prevailing market-rates at the time of issue. The commercial paper issuances are fixed rate short-term loans based on prevailing market rates at the time of issue.

18. Share Capital

	2018	2017
	\$m	\$m
Authorised:		
10,000 ordinary shares of \$10,000 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
9,000 ordinary shares of \$10,000 each	<u>90</u>	<u>90</u>

Notes to the financial statements for the year ended 31 March 2018

19. Operating lease commitments

The Company leases offices under non-cancellable operating lease arrangements. There are no contingent rents payable.

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	2018	2017
	<u>\$m</u>	<u>\$m</u>
Lease payments under operating leases recognised as an expense in the year	<u>0.4</u>	<u>0.4</u>

At 31 March 2018 the Company has future minimum lease payments under non-cancellable operating leases (buildings) which are as follows:

	<u>\$m</u>	<u>\$m</u>
Amounts payable within one year	0.4	0.4
Amounts payable two to five years	0.2	0.2
Amounts payable after five years	<u>-</u>	<u>-</u>

20. Ultimate controlling and holding company

The Company is a wholly-owned and controlled subsidiary of its ultimate holding and controlling company, Mitsubishi Corporation, which is incorporated in Japan. Copies of the consolidated financial statements of Mitsubishi Corporation are available from Mitsubishi Corporation, 3-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8086, Japan. Further information can be obtained from the parent company's website www.mitsubishicorp.com.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

21. Related party transactions

Related parties are defined as the Company's parent and its fellow subsidiaries, which the parent has control or significant influence of 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 transactions took place with related parties at arm's length during the financial year:

	Notes	2018 \$m	2017 \$m
Income statement			
Interest income		51.8	47.8
Interest expense		(11.2)	(2.5)
Net interest income		<u>40.6</u>	<u>45.3</u>
Administrative expenses			
Parent company		0.9	0.9
Related parties		2.0	1.9
Total administrative expenses		<u>2.9</u>	<u>2.8</u>
Statement of financial position			
Assets			
Loans and other receivables	13	<u>3,157.5</u>	<u>2,998.6</u>
Liabilities			
Financial liabilities - borrowings	17	2,528.7	1,704.3
Trade and other payables	15	0.7	0.8
		<u>2,529.4</u>	<u>1,705.1</u>

Of the \$3,161.5m (2017: \$3,002.1m) included in 'Loans and other receivables' (see note 13), \$3,157.4m (2017: \$2,998.6m) represents loans to related parties, of which 87% (2017: 96%) are guaranteed by the parent company. None of these are impaired or overdue as at the reporting date.

Of the \$2,528.7m (2017: \$1,704.3m) included in 'Financial liabilities – borrowings' under 'Short-term inter-company borrowings', \$1,740m (2017: \$1,150m) represents loans from the parent company. Interest expense related to loans from the parent company during the year totalled \$5.3m (2017: \$0.8m).

Remuneration of key personnel

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

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest-rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance by using derivative financial instruments to mitigate certain risk exposures identified below.

1. Market risk

(a) Foreign currency risk management

The Company is mainly exposed to the currency fluctuations of Japanese Yen, British Pounds, and Euros relative to US Dollars. The Company's exposure to currency risk arises from changes in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company has fair value hedges in place to hedge the economic foreign exchange rate risk.

The Company's policy is to actively manage all of its foreign currency positions. As part of its normal operation, the Company borrows and invests in funds in currencies other than USD. The foreign exchange risks of these activities are hedged within the Company limits which are approved by the Risk Committee.

The carrying amounts of the Company's foreign currency denominated exposures at the reporting date are as follows:

	2018	2017
	\$m	\$m
	<u>Exposure</u>	<u>Exposure</u>
Currency		
Japanese Yen	(0.1)	(0.1)
Euros	0.9	0.3
British Pounds	(0.2)	(0.3)
Norwegian Krona	-	-
Russian Rouble	0.3	0.1

Foreign currency sensitivity analysis

The Company analyses sensitivity to a 10% strengthening/weakening of the US dollar against respective foreign currencies. The 10% sensitivity rate is used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At the reporting date, a 10% increase/decrease on all outstanding currencies against the US dollar would have an immaterial impact on net profit (2017: immaterial).

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Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management (continued)

(b) Interest rate risk management

The Company's interest-rate risk arises from long-term borrowings and investments. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Company to fair value interest-rate risk. Additionally, fair value interest rate risk arises from investments.

Interest rate risk is managed through the use of interest rate and cross currency swaps, in order to hedge against unfavorable market movements in the interest rates inherent in the underlying assets and liabilities.

The Company manages its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. Generally, the Company raises long-term borrowings at fixed rates and swaps them into floating rates that are lower than those available if the Company borrowed at floating rates directly.

Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of nominal amounts to interest rate change for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

At the reporting date, if interest rates had been 50 basis points higher/lower for USD, EUR, GBP and 10 basis points higher/lower for JPY and all other variables were held constant, the Company's net profit would increase/decrease by \$1.9m (2017: increase/decrease by \$1.6m). This is mainly attributable to the Company's exposure to interest rate risk on its variable rate financial instruments.

(c) Other price risk

The Company is exposed to price risks arising from investments in asset and mortgage backed securities classified as AFS. The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date.

If the prices had been 1% higher/lower as a result of changes in fair value of the AFS securities, other equity reserves would increase/decrease by \$8.5m (2017: increase/decrease by \$8.8m).

2. Credit risk management

Credit risk is the risk of loss arising from a counterparty failing to meet their financial obligations to the Company as and when they fall due. Credit risk on liquid funds and derivatives is minimised by transacting with highly rated counterparties and managing exposures against approved counterparty credit limits.

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Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management (continued)

The Company diversifies its investments to reduce its credit risk exposure. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Company also has policies that limit the amount of credit exposure to any financial institution.

For derivatives contracts, the Company's credit risk represents the potential cost to replace the swap and forward rate contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The type of financial instruments that are most exposed to credit risks are AFS investments (note 11), derivative financial instruments (note 12), trade and other receivables (note 13) and cash and cash equivalents (note 14).

Exposure to credit risk

MCF has managed its counterparty credit exposure during the period within a pre-defined credit limits per counterparty and by type of financial instrument.

With the exception of its legacy investments in asset backed securities, exposure within the AFS is limited to US Government debt.

Loans and receivables exposure is restricted to MC Group companies.

The credit risk on liquid funds and derivative financial instruments is believed to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

With the exception of Mitsubishi Corporation International (Europe) Plc and Mitsubishi Shoji Kaisha (Nigeria) Ltd, all loans and receivables from MC Group companies are guaranteed by the parent company, MC. The largest single exposure was \$590.0m (2017: \$525.8m) due from a MC Group company, however this is covered under the guarantee from the parent company (see note 21).

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Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management (continued)

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:

	Notes	2018 \$m	2017 \$m
Non-current assets			
Available-for-sale investments: US Government bonds	11	258.1	859.6
Available-for-sale investments: Asset backed securities	11	1.2	3.4
Derivative financial instruments	12	11.0	19.6
Loans and other receivables	13	877.8	1,526.0
		<u>1,148.1</u>	<u>2,408.6</u>
Current assets			
Available-for-sale investments: Asset backed securities	11	0.6	17.5
Non-current assets held for sale	26	605.0	-
Derivative financial instruments	12	3.5	3.4
Loans and other receivables	13	2,279.8	1,472.6
Accrued interest	13	1.7	3.4
Cash and cash equivalents	14	182.4	140.7
		<u>3,073.0</u>	<u>1,637.6</u>
Total Assets		<u><u>4,221.1</u></u>	<u><u>4,046.2</u></u>

3. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations as they fall due. As MCF functions as MC Group's EMEA treasury centre, managing liquidity to ensure that it is able to support the financing requirements of the MC Group companies is of critical importance. The Company manages its liquidity risk with credit support from its parent company utilising a range of funding tools (refer to note 17):

- \$5bn multi-currency EMTN programme;
- \$4bn Euro CP programme;
- JPY100bn Samurai CP programme;
- Bank borrowing; and
- Access to funds from MC.

Short term liquidity risk is further managed by the holding of investment grade securities that are easily converted into cash either by sale in proven markets or via repurchase agreement transactions.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management (continued)

Repurchase and reverse repurchase transactions

MCF executes repurchase and reverse repurchase transactions as part of its liquidity management programme. These transactions are executed under Global Master Repurchase Agreements (GMRA) with regulated financial institutions.

MCF mitigates the credit risk of reverse repurchase transactions by holding collateral in the form of marketable securities.

The table below shows the amount of collateral accepted in respect of reverse repurchase agreements and given in respect of repurchase agreements as a result of transactions entered into on the standard terms for such transactions.

Whilst reverse repurchase agreements were transacted during the period, none were outstanding at the reporting date.

	Notes	2018 \$m	2017 \$m
Repurchase agreements			
Payables under repurchase agreements	17	200.0	150.0
Carrying amount of collateral provided in respect of the above		200.0	151.2

Collateral accepted comprises investment grade securities that the Company is entitled to sell or provide as collateral for other transactions. The Company has not recognised these securities in the statement of financial position. As at 31 March 2018, the fair value of financial assets accepted as collateral that had been sold or re-pledged was \$nil (2017: \$nil).

Collateral provided includes investment grade securities sold under bilateral repurchase agreements that the recipient of the collateral has a right to sell or re-pledge. The Company continues to recognise these securities in the statement of financial position and presents them within AFS investments.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

22. Financial risk management (continued)

Liquidity risk management

The tables below detail the Company's financial liabilities into relevant maturity profiles. The tables on non-derivative financial liabilities represent undiscounted cash flows of financial liabilities including interest based on the earliest date which the Company can be required to pay. The tables are based on contractual rather than expected maturities. Where the Company has a right to repay a facility, that facility is recognised at the earliest contractual cash flow date rather than maturity. The tables on derivative instruments are based on undiscounted net cash flows. Trade accounts payable are generally interest free and fall due within one year. Therefore the carrying amount of trade payables equals the sum of future cash flows.

At 31 March 2018	Contractual Amount	Less than 1 month	1 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years
Liabilities	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Non derivative financial liabilities							
Other borrowings	3,355	2,704	304	185	5	30	127
EMTNs issued	368	1	16	70	104	61	116
Repurchase agreements	200	200	-	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	6	1	1	1	1	2	-
Cross currency swaps	226	1	23	94	44	64	-
Foreign exchange contracts	949	941	8	-	-	-	-
Total liabilities	5,104	3,848	352	350	154	157	243

At 31 March 2017	Contractual Amount	Less than 1 month	1 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years
Liabilities	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Non derivative financial liabilities							
Other borrowings	3,284	2,128	806	-	-	-	350
EMTNs issued	586	41	121	98	83	123	120
Repurchase agreements	150	150	-	-	-	-	-
Derivative financial liabilities							
Interest rate swaps	121	1	8	14	26	54	18
Cross currency swaps	142	1	3	4	114	20	-
Foreign exchange contracts	611	604	7	-	-	-	-
Total liabilities	4,894	2,925	945	116	223	197	488

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Notes to the financial statements for the year ended 31 March 2018

22. Financial Risk Management (continued)

Ultimate responsibility for liquidity risk management rests with the board of Directors. The Directors believe that the Company has ready access to sufficient liquid funds in view of the good credit ratings of its parent company including global credit lines arranged by the parent company. The Company also has on-going CP and EMTN programmes.

The Company's liquidity risk management process is carried out and monitored by a separate team within the Company, and includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by related parties. The Company maintains an active presence in global money markets to enable this to happen;
- maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity ratios against internal targets; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

4. Capital management

MCF's capital management approach is driven by its strategy to operate as the EMEA treasury centre of MC, by taking into account the funding requirements of MC Group companies, and also the economic and commercial environment in which it operates.

MCF's policy is to maintain a strong capital base consisting of shareholders' funds to support the development of its business and to meet the funding requirements of MC subsidiaries at all times. Through its structured internal governance processes, MCF also maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns are appropriate and are at arm's length after taking account of capital and funding costs.

MCF's capital management framework has been approved by the parent, MC who ensures that the Company has adequate capital to operate effectively at all times.

The Company is not subject to, nor does it need to comply with, any externally imposed capital regulations.

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

23. Fair values of non-derivative financial instruments

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Financial liabilities				
Borrowings:	<u>95.0</u>	<u>174.9</u>	<u>95.6</u>	<u>176.4</u>

Assumptions used in determining fair value:

Financial assets

Financial assets include AFS financial assets held at fair value. The fair values of listed AFS securities are determined using market bid prices (Level 1 – refer to note 3). The fair values of unlisted AFS securities are determined using valuation techniques that take into consideration either the prices of, or future earnings streams of, equivalent quoted securities (Level 2 – refer to note 3).

Financial liabilities

Financial liabilities include long-term loans and EMTNs in issue. The fair values have been calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity (Level 2 – refer to note 3).

Mitsubishi Corporation Finance PLC

Notes to the financial statements for the year ended 31 March 2018

24. Classification of financial instruments

The table below summarises the classification of the carrying amounts of the Company's financial instruments as at 31 March 2018.

		Held-for- trading	Designated at fair value through profit and loss	Derivative instruments in designated hedge accounting relationships	Liabilities at amortised cost	Available-for- sale	Held for sale	Loans and receivables	Total
	Notes	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
31 March 2018									
Assets									
Available-for-sale investments	11	-	-	-	-	259.9	-	-	259.9
Non-current assets held for sale	26	-	-	-	-	-	605.0	-	605.0
Derivative financial instruments	12	3.3	-	11.2	-	-	-	-	14.5
Trade and other receivables	13	-	-	-	-	-	-	3,162.0	3,162.0
Cash and cash equivalents	14	-	-	-	-	-	-	182.4	182.4
Total		3.3	-	11.2	-	259.9	605.0	3,344.4	4,223.8
Liabilities									
Derivative financial instruments	12	0.5	-	10.6	-	-	-	-	11.1
Financial liabilities – borrowings	17, 23	-	-	-	3,831.8	-	-	-	3,831.8
Trade and other payables	15	-	-	-	4.5	-	-	-	4.5
Total		0.5	-	10.6	3,836.3	-	-	-	3,847.4

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Notes to the financial statements for the year ended 31 March 2018

24. Classification of financial instruments (continued)

The table below summarises the classification of the carrying amounts of the Company's financial instruments as at 31 March 2017.

	Notes	Held-for-trading \$m	Designated at fair value through profit and loss \$m	Derivative instruments in designated hedge accounting relationships \$m	Liabilities at amortised cost \$m	Available-for-sale \$m	Held for sale \$m	Loans and receivables \$m	Total \$m
31 March 2017									
<u>Assets</u>									
Available-for-sale investments	11	-	-	-	-	880.5	-	-	880.5
Non-current assets held for sale	26	-	-	-	-	-	-	-	-
Derivative financial instruments	12	2.9	-	20.1	-	-	-	-	23.0
Trade and other receivables	13	-	-	-	-	-	-	3,004.8	3,004.8
Cash and cash equivalents	14	-	-	-	-	-	-	140.7	140.7
Total		2.9	-	20.1	-	880.5	-	3,145.5	4,049.0
<u>Liabilities</u>									
Derivative financial instruments	12	1.4	-	12.5	-	-	-	-	13.9
Financial liabilities – borrowings	17, 23	-	-	-	3,672.4	-	-	-	3,672.4
Trade and other payables	15	-	-	-	3.8	-	-	-	3.8
Total		1.4	-	12.5	3,676.2	-	-	-	3,690.1

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Notes to the financial statements for the year ended 31 March 2018

25. Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

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

- Level 1: Quoted market price -
Financial instruments valued with quoted prices for identical instruments in active markets.
- Level 2: Valuation technique using observable inputs -
Financial instruments with valuations derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3: Valuation technique with non-observable inputs -
Financial instruments with valuations derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

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Notes to the financial statements for the year ended 31 March 2018

25. Fair value of financial instruments (continued)

<u>31 March 2018</u>	Notes	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets at FVTPL					
Derivative financial assets	12	-	14.5	-	14.5
Available-for-sale financial assets					
Other available-for-sale assets	11	253.2	6.7	-	259.9
Non-current assets held for sale	26	588.7	14.1	-	602.8
Total assets		841.9	35.3	-	877.2
Financial liabilities at FVTPL					
Derivative financial liabilities	12	-	11.1	-	11.1
Financial liabilities designated at FVTPL	23	-	-	-	-
Total liabilities		-	11.1	-	11.1

There were no transfers between Level 1 and 2 during the year.

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Notes to the financial statements for the year ended 31 March 2018

25. Fair value of financial instruments (continued)

31 March 2017		Level 1	Level 2	Level 3	Total
		\$m	\$m	\$m	\$m
<u>Financial assets at FVTPL</u>	Notes				
Derivative financial assets	12	-	23.0	-	23.0
<u>Available-for-sale financial assets</u>					
Other available-for-sale assets	11	859.6	20.9	-	880.5
Total assets		<u>859.6</u>	<u>43.9</u>	<u>-</u>	<u>903.5</u>
<u>Financial liabilities at FVTPL</u>					
Derivative financial liabilities	12	-	14.0	-	14.0
Financial liabilities designated at FVTPL	23	-	-	-	-
Total liabilities		<u>-</u>	<u>14.1</u>	<u>-</u>	<u>14.1</u>

There were no transfers between Level 1 and 2 during the year.

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Notes to the financial statements for the year ended 31 March 2018

26. Non-current assets held for sale

On 6 April 2018, as part of planned changes to the MC Group's liquidity management, the Company sold \$600m of its US Government Securities to Mitsubishi Corporation Tokyo. As hedged assets, the transaction also resulted in the un-winding of any related interest rate derivatives. The sale of the assets was made at an arm's length basis with total proceeds of \$605m.

	2018 \$m	2017 \$m
US Government Securities		
Market value	600.0	-
Premium and mark to market	(11.3)	-
	<u>588.7</u>	<u>-</u>
Accrued interest receivable	2.2	-
	<u>590.9</u>	<u>-</u>
Hedging Instruments		
Market value	14.1	-
	<u>605.0</u>	<u>-</u>
Total value of assets to be sold	<u>605.0</u>	<u>-</u>

27. Geographical analysis of interest income

As per the strategic report, the Company has a diverse client base spread across many regions and countries. The below table provides an analysis of interest income by geography. As the Company's home market, the UK is shown separately from the EU.

The majority of external interest income is from the Company's holding of US Government bonds.

	Internal		External		Total	
	2018 \$m	2017 \$m	2018 \$m	2017 \$m	2018 \$m	2017 \$m
United Kingdom	11.3	6.5	(5.9)	(9.1)	5.4	(2.6)
European Union	22.7	24.7	(4.7)	(5.8)	18.0	18.8
Chile	12.5	9.2	-	-	12.5	9.2
Rest of World	8.5	8.1	13.8	8.4	22.3	16.5
Total Interest Income	<u>55.1</u>	<u>48.5</u>	<u>3.3</u>	<u>(6.6)</u>	<u>58.3</u>	<u>41.9</u>

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Notes to the financial statements for the year ended 31 March 2018

28. Reconciliation of movement in financing activities

The Company utilises funding from a variety of sources to financing its operating and investing activities. The below table shows cash and non-cash changes to its outstanding financing liabilities during the reporting period.

	2017	Financing	Non cash	2018
	\$m	cash flows	movements	\$m
EMTN	572.9	(230.8)	3.8	345.9
Commercial paper	1,145.1	(710.5)	222.5	657.1
Bank borrowings	100.0	-	-	100.0
Short-term inter-company borrowings	1,702.0	730.9	2.4	2,435.3
Repurchase Agreements	150.0	47.7	2.3	200.0
Derivatives used for financing activities	(1.4)	42.3	(43.6)	(2.8)
Interest payable on financing activities	2.8	(25.7)	25.2	2.3
	<u>3,671.4</u>	<u>(146.2)</u>	<u>212.6</u>	<u>3,737.8</u>

Non cash movements consist of foreign exchange revaluations, changes to fair value and changes to accrued positions.