Company Registration No. 02098168

ITOCHU Europe plc

Company Annual Report and Financial Statements

For the year ended 31 March 2019

ITOCHU Europe plc

Company annual report and financial statements
For the year ended 31 March 2019

Contents

ITOCHU Europe plc

Company annual report and financial statements
For the year ended 31 March 2019

Officers and professional advisers

Directors

H Sato (appointed 1 April 2019)
K Kijima (appointed 1 May 2019)
H Shiokawa
M Nishikage (appointed 1 April 2019)

Company Secretary

S Aoyama

Registered Office

The Broadgate Tower
20 Primrose Street
London
England
EC2A 2EW
United Kingdom

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Pensions Advisers

KPMG Pensions
Arlington Business Park
Theale, Reading
RG7 4SD

Deloitte Total Reward and Benefits Limited
Hill House,
1 Little New Street,
London
EC4A 3TR

Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Strategic report (continued)

The Directors present their strategic report for the year ended 31 March 2019 in accordance with section 414 of the Companies Act 2006.

ITOCHU Europe plc (the "company"), incorporated in February 1987, is a wholly-owned subsidiary of ITOCHU Corporation, Japan, ("ITOCHU Corporation") which previously maintained a branch in London for more than 30 years. The parent company has established itself as one of the leading Japanese trading houses with a worldwide network.

The Company operates as an international trading company, mainly in the UK, elsewhere in continental Europe and in Africa. Its business activities are controlled by individual divisions in accordance with the business segments in ITOCHU Corporation such as textiles, machinery, non-ferrous metals, foodstuffs, chemicals, general merchandise and some financial transactions.

Fair review of the business and key performance indicators

The results for the Company are shown on page 11.

The Company operates as both an international trading company and as a company managing a portfolio of investments based in the UK and elsewhere in Europe.

Turnover for the year ended 31 March 2019 amounted to £121.4 million (2018: £134.8 million), a decrease of £13.4 million in comparison to the prior year. This is due to certain textiles and foodstuffs products facing a downturn in trading in the year.

The gross profit percentage (calculated by turnover minus cost of sales, divided by turnover) for the year ended 31 March 2019 was 14.2% (2018: 12.1%). This improvement in gross margin was mainly due to the increases in administrative service fee income.

The above in combination resulted in an increase to operating loss by £1.3 million mainly due to increase in administrative expenses.

A gain of £0.8 million was generated by the disposal of 10% shareholding in Prominent (Europe) Limited for a consideration of £1.0 million.

The total dividend income received during the year increased by 36.3% and amounted to £21.4 million (2018: £15.7 million).

The profit before tax was £19.6 million (2018: £17.8 million). The main reason for this difference was the increases in dividend income received as highlighted above.

The key performance indicators for the Company are the management and control of its trading activities so as to maximise the profit before tax and the management and control of its portfolio of investments, so that sufficient income is generated from both these activities to meet the Company's obligation to pay an annual dividend to its parent company.

During the year, the Company has increased its shareholdings in ITOCHU Fibre Limited by £18.0 million and European Tyre Enterprise Limited by £8.6 million through capital increase. The Company has increased its shareholding in European Tyre Enterprise Limited by £7.9 million through cash injection at the end of the year.

The Company's total shareholders' funds were increased by £30.6 million compared to the prior year primarily due to issue of £26.6 million new ordinary shares and profit generated in this fiscal year.

The items noted above comprise the key performance indicators for the Company and the Directors do not consider there to be any other relevant financial and non-financial indicators.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Strategic report (continued)

Financial risk management objectives and policies (continued)

The principal areas of risk are discussed below.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and trade receivables. The Company's credit risk is primarily attributable to its trade receivables.

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

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers in a variety of countries and a variety of industries.

Credit risk is managed by taking out credit insurance whenever this is considered necessary and by continuous monitoring of all receivables by the risk management department.

Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency will fluctuate as a result of changes in foreign exchange rates.

To manage the risk associated with the volume of trade undertaken in foreign currencies, the Company has established rules so that all foreign currency transactions without exception have to be monitored and, if necessary, covered by foreign exchange forward contracts to minimise the risk.

Interest rate risk

Interest rate risk is divided into two different types of risk – cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk is the risk that future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. As the Company has some variable rate bank deposits and bank loans, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Most of the financial assets and liabilities carry variable rates and as a result the Directors are of the opinion that fair value interest rate risk is not significant.

The risk is managed by the Company mainly entering into fixed rate loans and by close monitoring of short-term funding requirements.

Liquidity risk

Liquidity risk is the risk that there will be insufficient short-term assets to finance short-term liabilities. Although the Company does not have sufficient short-term assets to finance its short-term liabilities, it does have sufficient access to funds from ITOCHU Treasury Centre Europe plc in relation to liquidity and so is not exposed to liquidity risk.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses primarily short-term debt finance, although there is also a degree of long-term debt finance.

The risk is managed throughout the Company by effective cash management and continual monitoring of short-term funding requirements. By virtue of the ultimate parent company's relationship with leading banks, and in particular leading Japanese banks, the Company also has quick access to short-term funding for its own needs.

Price risk

Price risk is the risk that commodities that are bought at market price will fall in value before the Company is able to sell them.

Strategic report (continued)

Financial risk management objectives and policies (continued)

Price risk (continued)

By nature of its trading, the Company is exposed to commodity price risk in many types of business undertaken, due to both market conditions and foreign exchange rate variation. This risk is managed and controlled mainly through entering into back-to-back transactions so that buying and selling prices are fixed at the same time. In certain specific types of commodity trade business, the price risk is controlled and managed through the purchase and sale of commodity futures to hedge against the physical trading positions.

Brexit has been extended to 31 October 2019 and there are still uncertainties about this event. Although the Brexit terms are still unknown, it is possible that there will be greater restrictions on imports and exports between the UK and EU countries and increased regulatory complexities which may affect business activities conducted by Group Companies in both the UK and EU countries.

Employees

The Company focus has been on improving employee wellbeing and developing its performance management processes.

The Company endeavours to provide competitive remuneration and offers a comprehensive package of benefits, including private health insurance, corporate gym membership and bonuses.

The Company takes all reasonable steps to ensure equality of employment opportunities irrespective of race, religion, age, sex, ethnic origin, marital status or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Regular formal and ad hoc informal meetings are held with staff to convey company information as appropriate.

Future prospects

The Directors are confident that the Company will continue its existing trading and investment management activities in the near future, despite the current economic environment presenting a challenge to its ability to maintain this performance. The Company is planning to acquire new investments in the next financial year within various business segments.

The Company has a close relationship with both the parent company and with other ITOCHU companies throughout the world. These relationships together with adherence to the parent company's global strategy enable the Company to meet the challenges it anticipates it will need to face in the near future.

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

K Kijima
Director
30 Aug 2019

Directors' report (continued)

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 March 2019. Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

Directors

The Directors, who served throughout the year except as noted, are shown on page 1.

Those that held office during the year but resigned prior to date of these accounts being signed are:

H Tsubai (resigned 1 April 2019)
Y Imazawa (resigned 1 May 2019)
M Umino (resigned 1 April 2019)

Information disclosed in the strategic reports:

The following information has been disclosed in the strategic report:

- Principal activities
- Fair review of business and key performance indicator
- Financial risk management objectives and policies
- Employees
- Future prospects

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income.

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

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Dividends

The Directors resolved on the payment of a final dividend of £18.0 million and was paid in June 2018 to ordinary shareholders on the register (2018: £12.4 million).

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out above. The report also considers the principal risks and uncertainties facing the Company and its policies and processes for managing these. Brexit has introduced considerable volatility to UK markets however this does not have a significant operational impact to the Company's business activities. The directors have prepared a cash flow forecast which, taking into account all reasonably possible changes in trading performance, shows that the Company should be able to meet its liabilities as they fall due. The directors, therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report (continued)

Supplier payment policy

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

The Company's average creditor payment periods at 31 March 2019 were 28 days (2018: 17 days).

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

Auditor

Each of the persons who is a director at the date of approval of this 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 he/she ought to have taken as a director in order to make himself/herself 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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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

K Kijima
Director

30 Aug 2019

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 such financial statements for each financial year. Under that law the directors and have chosen to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of ITOCHU Europe plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ITOCHU Europe plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Independent auditor's report to the members of ITOCHU Europe plc (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of ITOCHU Europe plc (continued)

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Makhan Chahal, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 August 2019

Profit and loss account
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	4	121,439	134,771
Cost of sales		(104,214)	(118,417)
Gross profit		17,225	16,354
Other operating income		324	134
Administrative expenses		(20,170)	(17,840)
Operating loss	5	**(2,621)**	**(1,352)**
Income from shares in company undertakings		21,368	15,742
Interest receivable and similar income	7	2,538	1,815
Other gains	8	1,640	4,065
Interest payable and similar charges	9	(3,321)	(2,489)
Profit on ordinary activities before tax		**19,604**	**17,781**
Tax	10	526	337
Profit for the year		20,130	18,118

All activities derive from continuing activities.

The notes on pages 15 to 51 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Profit for the year		20,130	18,118
Items that will not be reclassified subsequently to profit or loss:			
Pension scheme actuarial gain/(loss)	26	776	(244)
Items that will be reclassified subsequently to profit or loss:			
Cash flow hedges gain/(loss)		1,059	(791)
Total comprehensive income for the period attributable to the Owners of the Company		21,965	17,083

The Company did not discontinue any of its activities within the financial periods in context.

ITOCHU Europe plc

Statement of changes in equity
For the year ended 31 March 2019

	Share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2017	43,829	466	15,017	59,312
Profit for the period	-	-	18,118	18,118
Pension scheme actuarial loss (net of tax)	-	-	(244)	(244)
Cash flow hedges loss	-	(791)	-	(791)
Total comprehensive (expense)/income for the period	-	(791)	17,874	17,083
Dividend	-	-	(12,400)	(12,400)
Balance at 31 March 2018	43,829	(325)	20,491	63,995
Effect of change in IFRS 9	-	-	(19)	(19)
Balance at 1 April 2018 - restated	43,829	(325)	20,472	63,976
Profit for the period	-	-	20,130	20,130
Pension scheme actuarial gain (net of tax)	-	-	776	776
Cash flow hedges gain	-	1,059	-	1,059
Total comprehensive income for the period	-	1,059	20,906	21,965
Issue of share capital	26,620	-	-	26,620
Dividend	-	-	(18,000)	(18,000)
Balance at 31 March 2019	70,449	734	23,378	94,561

Balance sheet
As at 31 March 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Tangible fixed assets	12	637	342
Investments in subsidiaries	13	43,642	43,834
Interests in associates	14	125,969	91,473
Investment - loans	15	70,000	45,000
Other significant investments	15	7,884	7,884
Deferred tax assets	21	31	102
		248,163	188,635
Current assets			
Inventories	16	1,622	1,434
Investments - loans	15	94,996	112,123
Cash and bank balances		362	166
Trade and other receivables	17	19,465	22,142
Current tax receivables		9,574	8,862
Derivative financial instruments	20	1,334	839
		127,353	145,566
Total assets		**375,516**	**334,201**
Current liabilities			
Trade and other payables	18	(20,817)	(29,488)
Borrowings	19	(191,056)	(158,532)
Derivative financial instruments	20	(230)	(1,768)
		(212,103)	(189,788)
Net current liabilities		**(84,750)**	**(44,222)**
Non-current liabilities			
Borrowings	19	(70,000)	(80,000)
Retirement benefit obligations	26	1,383	(418)
Deferred tax liabilities	21	(235)	-
		(68,852)	(80,418)
Total liabilities		**(280,955)**	**(270,206)**
Net assets		94,561	63,995
Equity			
Share capital	22	70,449	43,829
Cash flow hedge reserves	20	734	(325)
Profit and loss account	23	23,378	20,491
Total equity		94,561	63,995

The financial statements of ITOCHU Europe plc, registered number 02098168 were approved by the Board of Directors and authorised for issue on 30 Aug 2019. They were signed on its behalf by:

Signed on behalf of the Board of Directors

K Kijima
Director

Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies

ITOCHU Europe plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the business review on page 2.

These financial statements are presented in pounds sterling because that is the functional currency and the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the consolidated company financial statements of ITOCHU Corporation. The Company financial statements of ITOCHU Corporation are available to the public and can be obtained as set out in note 29.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle Amendments to IAS 28 *Investments in Associates and Joint Ventures*	The Company has adopted the amendments to IAS 28 included in the *Annual Improvements to IFRS Standards 2014–2016 Cycle* for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 April 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

(a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

Notes to the financial statements (continued)
For the year ended 31 March 2019

1. Accounting policies (continued)

Adoption of new and revised Standards (continued)

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

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

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and

- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and,

2. Trade debtors and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade debtors and contract assets in certain circumstances. The Company has adopted the simplified approach for measuring the loss allowance.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

Notes to the financial statements (continued)
For the year ended 31 March 2019

1. Accounting policies (continued)

Adoption of new and revised Standards (continued)

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 April 2018. The Company's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 April 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

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

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

When option contracts are used to hedge forecast transactions, the Company designates only the intrinsic value of the option as the hedging instrument. Under IAS 39 changes in fair value of the time value of the option (i.e. non-designated component) were recognised immediately in profit or loss. Under IFRS 9, changes in the time value of the option that relate to the hedged item ('aligned time value') are recognised in other comprehensive income and accumulated in the cost of hedging reserve within equity. The amounts accumulated in equity are either reclassified to profit or loss when the hedged item affects profit or loss or removed directly from equity and included in the carrying amount of the non-financial item. IFRS 9 requires that the accounting for the non-designated time value of the option should be applied retrospectively. This only applies to hedging relationships that existed at 1 January 2017 or were designated thereafter.

Apart from this, the application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Company for the current and/or prior years.

Notes to the financial statements (continued)
For the year ended 31 March 2019

1. Accounting policies (continued)

Adoption of new and revised Standards (continued)

Accordingly, as of 1 April 2018 the profit and loss account reserve decreased by £19,000 (net of tax). As of 31 March 2019, the profit or loss account reserve was still the same due to no changes in loss allowance for the year.

(e) Impact of initial application of IFRS 9 on financial performance

Impact on assets, liabilities and equity as at 1 April 2018	IFRS 9 adjustments
Debtors	(19)
Total effect on net assets	(19)
Profit and loss account	(19)
Total effect on equity	(19)

Impact on assets, liabilities and equity as at 31 March 2019	IFRS 9 adjustments
Debtors	(19)
Total effect on net assets	(19)
Profit and loss account	(19)
Total effect on equity	(19)

The Company has adopted the modified retrospective approach whereby the current and cumulative transitional adjustment is reflected through retained earnings with no adjustment to prior year results

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 April 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has adopted the terminology used in IFRS 15 to describe such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council. The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.The Company first adopted FRS101 reporting for the period ended 31 March 2014 and this is the fifth year reporting under FRS101 since its adoption.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- non-current assets held for sale and discontinued activities;
- financial instruments;
- presentation of comparative movement information in respect of intangible and tangible assets;
- presentation of a cash-flow statement;
- standards not yet effective; and
- related party transactions.

Where relevant, equivalent disclosures have been given in the Group financial statements of ITOCHU Corporation. The Goup financial statements of ITOCHU Corporation are available to the public and can be obtained as set out in note 29.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments and pensions. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below:

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Fair review of the business and key performance indicators section of the Strategic report on page 2.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The Directors, having assessed the responses of the directors of the Company's parent ITOCHU Corporation to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of ITOCHU Europe plc to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of ITOCHU Corporation, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Additionally, the Company has received financial support from ITOCHU Treasury Centre Europe plc (a wholly-owned subsidiary of ITOCHU Corporation). Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Investments in associates

Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

2. Significant accounting policies (continued)

Assessment that the range of fair value measurements for certain available-for-sale investments cannot be reasonably assessed

The Company has certain available-for-sale equity investments for which no quoted market price in an active market is available. These investments represent minority shareholdings in a number of businesses that the Company invested in to augment its trading activities or the wider Itochu group's long-term strategic goals. None of the shares have a quoted market price in an active market and the Company's investments are all small percentages of the total in the context of long-term ownership of controlling interests by other investors which do not give the Company significant influence over the cash flows or operating and financial policies of these investments.

As a result the directors are of the opinion that the variability in the range of reasonable fair value measurements for these investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the Company measures these investments at cost, less any impairment, as an approximation to fair value. The details are described in note 15.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Significant accounting policies (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

Bank borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Retirement benefit costs

The Company participates in a company defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss account.

For defined benefit schemes these amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

With effect from 1 July 1995, the Company introduced a new company personal pension scheme to run alongside the existing final salary scheme. This pension scheme is a defined contribution scheme. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Significant accounting policies (continued)

Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is not provided on freehold land. Depreciation is provided on other assets on a reducing balance basis in annual instalments over the shorter of remaining life of the lease or fifteen years.

The following rates were applied during the year:

Leasehold improvements	24.6%
Fixtures, fittings, tools and equipment	14.5% - 100%

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Accounting Policy pre-1st April 2018

As noted within note 1 the Company has adopted IFRS 9 during the period and therefore has changed accounting policies in line with the adoption of new standards. The below items highlight the accounting policy pre-1st April 2018 with the post 1st April 2018 noted directly below. This is noted explicitly as "financial instruments" below and is relevant for assets and liabilities.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS *39 Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 20.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet 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 and finance lease receivables, 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.

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 differences 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.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 20.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, 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 profit and loss account 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.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Financial instruments – Effective from 1st April 2018 onwards

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

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

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

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

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

2. Significant accounting policies (continued)

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

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in note 8. Fair value is determined in the manner described in note 20.

2. Significant accounting policies (continued)

Impairment of financial assets

The Company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the

Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

2. Significant accounting policies (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the profit and loss account reserve.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in note 8 in profit or loss.

Fair value is determined in the manner described in note 20.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to ~~interest rate~~ and foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2. Significant accounting policies (continued)

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Company generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a fixed asset, current asset, or creditor falling due within or after one year based on the classification of the hybrid instrument to which the embedded derivative relates.

The Company currently does not hold any embedded derivatives.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Company designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Company applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item.

The Company currently does not hold any options.

Notes to the financial statements (continued)
For the year ended 31 March 2019

2. Significant accounting policies (continued)

Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

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

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Notes to the financial statements (continued)
For the year ended 31 March 2019

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies, which have a significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the Balance Sheet date, which would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the Balance Sheet date.

4. Turnover

An analysis of the Company's turnover is as follows:

	2019 £'000	2018 £'000
Continuing operations		
Sales of goods	121,439	134,771

The business segment that has the largest turnover for the Company is the food division, representing around 77% of the Company's turnover.

An analysis of the Company's turnover by geographical market is set out below.

	2019 £'000	2018 £'000
Turnover:		
From customers located within the United Kingdom	14,533	19,067
From customers located outside the United Kingdom	106,906	115,704
	121,439	134,771

In the year the main turnover from customers located outside the United Kingdom was from Japan with turnover of £84,119,000 (2018: £101,516,000).

	2019 £'000	2018 £'000
Turnover:		
Food Division	93,690	99,408
Other business	27,749	35,363
	121,439	134,771

Notes to the financial statements (continued)
For the year ended 31 March 2019

5. Operating loss

Operating loss for the year has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Net rentals payable under operating leases - property (note 25)	423	451
Net foreign exchange gains	(512)	(185)
Depreciation of tangible fixed assets	133	97
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	464	405
Fees payable to the Company's auditor and their associates for other services to the company		
- Audit related assurance services	11	19
- Taxation compliance services	179	175
- Other taxation advisory services	233	168
Staff costs (note 6)	13,818	12,088
Other administrative expenses	5,097	4,698

6. Staff costs

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Sales	31	30
Administration	49	44
Total	80	74

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	10,572	8,964
Directors' remuneration		
(Sums paid to third parties in respect of directors' services)	2,293	2,279
Social security costs	428	391
Defined contribution costs	468	412
Other staff costs	57	42
	13,818	12,088

Remuneration of the highest paid director:

	2019 £'000	2018 £'000
Emoluments		
(Sums paid to third parties in respect of directors' services)	1,246	1,045

The Company does not offer share options to employees including directors.

Notes to the financial statements (continued)
For the year ended 31 March 2019

7. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable:		
Bank deposits	12	5
Loans to subsidiaries (group finance)	2,424	1,725
Loans to other group companies	55	74
Other loans and receivables	47	11
	2,538	**1,815**

8. Other gains/(losses)

	2019 £'000	2018 £'000
Gain on sale of subsidiary investments	829	5
Gain on sale of associate investments	-	3,744
Loss on sale of general investments	(53)	(134)
Miscellaneous income	864	450
	1,640	**4,065**

The gain on sale of subsidiary investments of £829,000 was related to the disposal of 10% shareholding in Prominent (Europe) Limited.

In 2018, the gain on sale of associate investments of £3,744,000 was related to the disposal of PEGFIT Limited.

No other gains or losses have been recognised in respect of loans and receivables, other than as disclosed in notes 7 and 9 and impairment losses recognised/reversed in respect of debtors (see notes 4 and 17). No gains or losses have been recognised on financial liabilities measured at amortised cost other than as disclosed in notes 7 and 14.

9. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable on bank overdrafts and loans	14	7
Interest payable to other group companies	3,306	2,464
Interest payable on other loans	-	3
Net interest on defined benefit liability	1	15
Total interest payable	**3,321**	**2,489**

Notes to the financial statements (continued)
For the year ended 31 March 2019

10. Tax

	2019 £'000	2018 £'000
Corporation tax:		
UK corporation tax	575	389
Adjustments in respect of prior years		
- UK corporation tax	(49)	(52)
	526	337

The standard rate of corporation tax applied to reported profit is 19% (2018: 19%). The applicable rate has changed following the substantive enactment of the Finance Act 2015. The enactment of Finance Act 2016 has further reduced the main rate of UK corporation tax to 17% from 1 April 2020. The reduced rate of 17% has therefore been reflected in the calculation of the deferred tax asset. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2019 £'000	2018 £'000
Profit / (Loss) before tax on continuing operations	19,604	17,781
Tax at the UK corporation tax rate of 19% (2018: 19%)	(3,725)	(3,378)
Tax effect of expenses that are not deductible in determining taxable profit		
- Administrative and management expenses	(30)	1,148
Tax effect of income not taxable in determining taxable profit		
- Dividends received from EU resident affiliates	4,060	2,991
- Investment (gain)/loss	157	(491)
- Other	(234)	13
Change in unrecognised deferred tax assets	347	106
Adjustment in respect of prior years	(49)	(52)
Tax credit for the year	526	337

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(306)	(95)
Total income tax recognised in other comprehensive income	(306)	(95)

Notes to the financial statements (continued)
For the year ended 31 March 2019

11. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2018 paid in June 2018 (equivalent to 0.411p, 2018: 0.283p per share).	18,000	12,400

The proposed final dividend for the year ended 31 March 2019 of £18.0 million (equivalent to 0.256p per share) was declared and paid to its parent company ITOCHU Corporation in June 2019 and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Company.

12. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2017	880	614	1,494
Additions	-	101	101
Disposals	-	(21)	(21)
At 31 March 2018	880	694	1,574
Additions	384	47	431
Disposals	-	(28)	(28)
At 31 March 2019	**1,264**	**713**	**1,977**
Accumulated depreciation and impairment			
At 1 April 2017	634	519	1,153
Charge for the year	55	42	97
Disposals	-	(18)	(18)
At 31 March 2018	689	543	1,232
Charge for the year	83	50	133
Disposals	-	(25)	(25)
At 31 March 2019	**772**	**568**	**1,340**
Carrying amount			
At 1 April 2017	246	95	341
At 31 March 2018	191	151	342
At 31 March 2019	**492**	**145**	**637**

Notes to the financial statements (continued)
For the year ended 31 March 2019

13. Subsidiaries

	£'000
Cost	
At 1 April 2017	65,340
Disposal – Bramhope Group Holdings Limited	(17,355)
At 31 March 2018	47,985
Disposal - 10% shares of Prominent (Europe) Limited	(192)
At 31 March 2019	**47,793**
Provisions for impairment	
At 1 April 2017	(21,506)
Disposal – Bramhope Group Holdings Limited	17,355
At 31 March 2018	(4,151)
At 31 March 2019	**(4,151)**
Net book value 31 March 2019	**43,642**
Net book value 31 March 2018	**43,834**

Details of the Company's subsidiaries at 31 March 2019 are as follows:

Name	Place of business and registered office address	Principal activity	Proportion of voting rights and ordinary shares held %
ITOCHU Deutschland GmbH*	Fritz-Vomfelde-Str. 14 40547 Düsseldorf, Germany	Other service activities	100
ITOCHU Italiana S.p.A.*	Via Hoepli, 5-20121 Milan, Italy	Other service activities	100
ITOCHU France S.A.S.*	17 Square Edouard VII, 75009 Paris, France	Other service activities	100
Plastribution Limited*	Clinitron House, Ashby Park, Ashby-De-La-Zouch, Leicestershire, LE65 1JG, United Kingdom	Wholesale of chemical products	100
Prominent (Europe) Limited*	Unit 8, Wheatcroft Business Park, Landmere Lane, Edwalton, Nottingham, NG12 4DG, United Kingdom	Wholesale of clothing	75
First Response Finance Limited*	5 Regan Way, Chetwynd Business Park, Chilwell, Nottingham, Nottinghamshire, NG9 6RZ, United Kingdom	Credit instalment provider	100

*directly held by the Company

The investments in subsidiaries are all stated at cost less provision for impairment.

Notes to the financial statements (continued)
For the year ended 31 March 2019

14. Associates

	£'000
Cost	
At 1 April 2017	137,661
Disposal – PEGFIT Limited	(6,188)
At 31 March 2018	**131,473**
Addition – 5% shares in European Tyre Enterprise Limited and 15% shares in ITOCHU Fibre Limited	34,496
At 31 March 2019	**165,969**
Provisions for impairment	
At 1 April 2017	(40,000)
At 31 March 2018	(40,000)
At 31 March 2019	**(40,000)**
Net book value at March 2019	**125,969**
Net book value at March 2018	**91,473**

Details of the Company's associates at 31 March 2019 are as follows:

Name	Place of business and registered office address	Principal activity	Proportion of voting rights and ordinary shares held %
I-Solar Investment Limited*	The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, United Kingdom	Production of electricity	30
European Tyre Enterprise Limited*	Etel House, Avenue One, Letchworth Garden City, Hertfordshire, SG6 2HU, United Kingdom	Head office activity	25
I-Environment Investments Limited*	The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, United Kingdom	Holding company	30
DTM Renewables Limited*	The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, United Kingdom	Holding company	30
ITOCHU Fibre Limited*	The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, United Kingdom	Wholesale and trading of pulp	25
MCL Group Limited*	Two, Snowhill, Birmingham, United Kingdom, B4 6WR, United Kingdom	Head office activity	8.61

*directly held by the Company

The investments in associates are all stated at cost less provision for impairment.

Notes to the financial statements (continued)
For the year ended 31 March 2019

15. Other significant investments

	2019 £'000	2018 £'000
Other significant investments	7,884	7,884
Loans receivable carried at amortised cost		
Loans to related parties	164,883	156,879
Other loans	113	244
	164,996	157,123
Total investments	**172,880**	**165,007**

In addition to the Company's investments in subsidiaries and associates listed in the notes above, details of other significant investments at 31 March 2019 are as follows:

Name	Place of business and registered office address	Principal activity	Proportion of voting rights and ordinary shares held %
Paul Smith Group Holdings Limited	The Poplars, Lenton Lane, Nottingham, NG7 2PW, United Kingdom	Head office activity	5.56

16. Inventories

	2019 £'000	2018 £'000
Finished goods	1,622	1,434

The cost of inventories recognised as an expense during the year in respect of continuing operations was £104.2 million (2018: £118.4 million). There were no assets included in the Company's stock that have been pledged as security for any of the Company's bank overdrafts. No provision was made in the prior year.

17. Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amount receivable for the sale of goods	6,587	7,492
Allowance for doubtful debts	(29)	(48)
	6,558	7,444
Amounts owed by group undertakings	9,043	4,664
Other receivables	2,410	6,856
Prepayments and accrued income	1,454	3,178
Total debtors	**19,465**	**22,142**

Notes to the financial statements (continued)
For the year ended 31 March 2019

18. Trade and other payables

	2019 £'000	2018 £'000
Trade creditors and accruals	15,400	13,199
Amounts owed to group undertakings	5,367	16,244
Contract Liabilities (Advance from Customer)	50	45
Total creditors	**20,817**	**29,488**

19. Borrowings

	2019 £'000	2018 £'000
Unsecured borrowing at amortised cost		
Bank loans	985	311
Loans from related parties	260,071	238,221
Total borrowings	**261,056**	**238,532**
Amount due for settlement within 12 months	191,056	158,532
Amount due for settlement between one and five years	70,000	80,000
	261,056	238,532

In the opinion of the directors the contracted interest rates for borrowings are not materially different from the effective interest rates and accordingly the carrying amount of bank loans and overdrafts and amounts owed to parent company and fellow subsidiary undertakings is a reasonable approximation of fair value.

The loans from related parties are from ITOCHU Treasury Centre Europe plc at varying interest rates.

Notes to the financial statements (continued)
For the year ended 31 March 2019

20. Derivative financial instruments

	2019 £'000	2018 £'000
Assets:		
Currency derivatives	883	50
Commodity derivatives	451	789
	1,334	839
Liabilities:		
Currency derivatives	91	366
Commodity derivatives	139	1,402
	230	1,768

Categories of financial instruments held at fair value

	2019 £'000	2018 £'000
Financial instruments at fair value		
Fair value through profit and loss (FVTPL)		
Currency derivatives	58	9
Commodity derivatives	312	(613)
Fair value through other comprehensive income (FVTOCI)		
Currency derivatives	734	(325)

21. Deferred tax

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

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
At 1 April 2017	31	166	197
Credit to other comprehensive income	-	(95)	(95)
At 31 March 2018	31	71	102
Credit to other comprehensive income	-	(306)	(306)
At 31 March 2019	31	(235)	(204)

No deferred tax assets are recognised on tax losses available for offset against future profits of £7,307,614 (2018: £7,307,614), because it is not considered probable that there will be suitable future taxable profits available against which they can be realised. The deductible temporary differences and tax losses do not expire under current legislation.

The standard rate of UK corporation tax is 19% in accordance with the Finance Act 2015. The main rate of UK corporation tax is then further reduced to 17% from 1 April 2020. The reduced rate of 17% has therefore been reflected in the calculation of the deferred tax asset.

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax liabilities	(235)	-
Deferred tax assets	31	102
	(204)	102

22. Share capital

	2019 £'000	2018 £'000
Authorised:		
70,449,336 ordinary shares of £1 each	70,449	43,829
Issued and fully paid:		
At 1 April 2018 43,828,574 ordinary shares of £1 each	43,829	-
Issued at 2 July 2018 26,620,762 ordinary shares of £1 each	26,620	-
At 31 March 2019 70,449,336 ordinary shares of £1 each	70,449	-

The Company has one class of ordinary shares which carry no right to fixed income.

Notes to the financial statements (continued)
For the year ended 31 March 2019

23. Profit and loss account

	£'000
Balance at 1 April 2017	15,017
Dividends paid	(12,400)
Pension scheme actuarial loss (net of deferred tax)	(244)
Net profit for the year	18,118
Balance at 31 March 2018	20,491
Effect of changes in IFRS 9	(19)
Balance at 1 April 2018 - restated	20,472
Dividends paid	(18,000)
Pension scheme actuarial gain (net of deferred tax)	776
Net profit for the year	20,130
Balance at 31 March 2019	**23,378**

24. Contingent liabilities

There are company liabilities in respect of guarantees amounting to £157,072,000 (2018: £82,003,000).

The Company's liabilities in respect of guarantees fall into the following two categories: bank loan facilities for related parties amounting to £154,304,000 (2018: £80,172,000), and third-party performance and credit facility guarantees amounting to £2,768,000 (2018: £1,831,000).

In the opinion of the Directors, it is unlikely that any payments will be made in respect of these guarantees.

25. Operating lease arrangements

The company as lessee

	2019 £'000	2018 £'000
Office space lease payments under operating leases recognised as an expense in the year	423	451

At the balance sheet date, the Company had outstanding commitments of remaining fifteen years for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	757	706
In the second to fifth years inclusive	2,961	2,779
After five years	2,257	2,434
	5,975	5,919

26. Retirement benefits schemes

Defined benefit scheme

ITOCHU Corporate Pension Scheme

ITOCHU Europe Plc operates a multi-employer defined benefit scheme for employees. This scheme is closed to new members. The scheme is administered by a separate fund that is legally separated from the Company. The trustee of the pension fund is required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustee of the pension fund is responsible for the investment policy with regard to the assets of the fund. In accordance with the schedule of contributions prepared by the Scheme Actuary, the contributions to this scheme for the year were £720,000 (2018: £720,000).

The assumptions, which have the most significant effect on the results of the valuation, are those relating to the mortality, discount rate, rate of return on investments and the rates of increases in salaries and pensions.

Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries. The Company made contributions to the Scheme of £720,000 over the year to 31 March 2019. The Company contributions payable according to the schedule agreed as part of the formal valuation as at 31 December 2012 are 52.1% of pensionable salaries to meet the ongoing cost of benefits accruing plus an additional £60,000 a month for 5 years and 6 months from 1 January 2014 to recover the deficit, as well as a one-off payment of £500,000 which was due in 2014.

The best estimate of contributions expected to be paid to the defined benefit scheme during the annual period beginning after the reporting period is £720,000.

The major assumptions used by the actuary in the valuation of the scheme were:

		2019	2018
Rate of increase in pensionable salaries		n/a	n/a
Rate of increase in pensions in payment (RPI min 3% max 5%)		3.75%	3.70%
Rate of increase in pensions in payment (fixed 3%)		3.00%	3.00%
Discount rate		2.35%	2.50%
Revaluation in deferment (where linked to inflation)		2.45%	2.20%
The life expectancy of members currently age 65	-Male	21.4	22.1
	-Female	23.3	24.1
The life expectancy of members currently age 45 at age 65	-Male	22.4	23.4
	-Female	24.5	25.6

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Reduce by 0.1%	Increase liability value by 1.6%
Rate of inflation	Increase by 0.1%	Increase liability value by 0.1%
Life expectancy	Increase by 1 year	Increase liability value by 4.6%

Notes to the financial statements (continued)
For the year ended 31 March 2019

26. Retirement benefits schemes (continued)

The fair value of the scheme assets and the present value of the scheme liabilities as at each balance sheet date were:

	2019 £'000	2018 £'000
Bonds	16,704	15,725
Equities	5,125	4,566
Cash and other investments	124	375
Fair value of scheme assets	21,953	20,666
Present value of scheme liabilities	(20,570)	(21,084)
Defined benefit pension plan surplus/(deficit)	1,383	(418)

Virtually all equity and debt instruments have quoted prices in active markets. Derivatives can be classified as Level 2 instruments and property as Level 3 instruments.

Total expense recognised in the profit and loss

	2019 £'000	2018 £'000
Net interest on defined benefit liability	1	15
Total	1	15

The amount recognised in other comprehensive loss

	2019 £'000	2018 £'000
Actual return on scheme assets	1,066	350
Less: expected return on scheme assets	(519)	(510)
Changes in assumptions underlying the present value of the scheme liabilities	535	11
Deferred tax	(306)	(95)
Actuarial loss recognised in other comprehensive income	776	(244)

The cumulative net actuarial gain of £776,000 has been recognised through the statement of comprehensive income.

Notes to the financial statements (continued)
For the year ended 31 March 2019

26. Retirement benefits schemes (continued)

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Opening defined benefit obligation	21,084	21,485
Interest cost	520	525
Actuarial gains and losses	(535)	(11)
Disbursement	(499)	(915)
Closing defined benefit obligation	20,570	21,084

Changes in the fair value of scheme assets are as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Opening fair value of scheme assets	20,666	20,511
Expected return on scheme assets	519	510
Employer contributions	720	720
Actuarial gains and losses	547	(160)
Disbursement	(499)	(915)
Closing fair value of scheme assets	21,953	20,666

Defined contribution arrangement

The Company also operates a defined contribution pension scheme. The amount recognised as an expense in the period was £467,565 (2018: £412,291).

27. Events after the balance sheet date

The Company has increased number of shares in European Tyre Enterprise Limited by £23.6 million through cash injection in April and May 2019.

The Company has declared and paid £18.0 million as final dividend to its parent company ITOCHU Corporation in June 2019.

Notes to the financial statements (continued)
For the year ended 31 March 2019

28. Related party transactions

Trading transactions

During the year, the Company entered into the following trading transactions with related parties:

	Sale of goods		Purchase of goods		Other income		Other expenses	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Parent undertaking	46,268	52,348	10,921	8,941	10,025	8,997	14	102
Subsidiaries and Associates	-	-	-	-	1,612	1,355	-	-
Other group entities	27,581	39,916	2,661	2,214	2,101	1,875	3,292	2,362

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Parent undertaking	4,874	1,775	2,120	15,683
Subsidiaries and Associates	36,697	26,534	290	-
Other group entities	2,845	10,132	262,305	235,287

In applying Financial Reporting Standard 101 Reduced Disclosure Framework, the Company has excluded all transactions and balances with its wholly-owned subsidiaries from this disclosure.

Sales of goods to related parties were made at the Company's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (2018: £nil).

29. Controlling party

The Company's ultimate parent company and ultimate controlling party is ITOCHU Corporation, a company incorporated in Japan. The parent undertaking of the largest company, which includes the Company and for which company financial statements are prepared, is ITOCHU Corporation, a company incorporated in Japan. The parent undertaking of the smallest such group is ITOCHU Corporation, a company incorporated in Japan. Copies of the Company financial statements of ITOCHU Corporation are available from its registered address at 1–3 Umeda 3 Chome, Kita-ku, Osaka, Japan.