Company Registration No. 6699600

ITOCHU Treasury Centre Europe Plc

Report and Financial Statements

For the year ended 31 March 2018

ITOCHU Treasury Centre Europe Plc

Report and financial statements for the year ended 31 March 2018

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Strategic report

The purpose of the Strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006.

Principal business activities and business review

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

The principal activity of the Company is to provide Group financing services to ITOCHU Corporation's subsidiaries in Europe and the Middle East ("Group Companies").

During the year, the Company supplied funds to Group Companies and ensured stability of Group Companies through securing liquidity from banks and from the issue of Medium Term Notes on the Luxembourg stock exchange.

The Directors monitor the progress and performance of the Company with reference to a number of key performance indicators such as net margin and current ratio.

Gross profit of £4.07 million was slightly lower than the previous year (2017: £4.82 million). The decrease of Gross profit was offset to a degree by a net foreign exchange gain of £1.12 million, resulting from a foreign exchange loss of £1 million and a derivative revaluation gain of £2.11 million (2017: a net foreign exchange loss of £0.03 million). The Company entered into more foreign exchange contracts during the year as a result of pursuing a strategy of lowering the cost of funding. The Company concentrates on efficient liquidity management coupled with asset liability management, providing funds to Group Companies of £1,428 million (2017: £1,456 million). As at 31 March 2018, the Company had net current liabilities of £83 million (2017: net current liabilities £290 million) and net assets of £134 million (2017: £134 million). Profit after tax was £3.43 million (2017: £2.96 million). The Directors consider the results of the Company's trading period to be satisfactory and, given the scope of operations of the Company, do not believe further performance indicators are required to understand the operations of the Company.

Principal business objectives

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

Principal risks and uncertainties facing the Company

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

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

The Company is exposed to a number of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk as described in Note 15. The Company identifies these risks through a continuous monitoring process, and takes appropriate steps to mitigate risk by utilising financial instruments such as currency forwards and interest rate swaps.

The UK's withdrawal from the European Union (EU), commonly called "Brexit", has been officially formalised by Prime Minister Theresa May invoking Article 50 of the Lisbon Treaty on the European Union on 29 March 2017, which has started the two-year period of withdrawal negotiations. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the UK and EU countries and increased regulatory complexities. These changes may adversely affect the Company's operations and financial results.

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Strategic report (continued)

Future developments

The Directors are confident that the Company has adequate funding as and when required. The Company has credit facilities including a multi-currency committed facility with ITOCHU Corporation and/or ITOCHU Treasury Corporation which are backed by committed facility with several major banks and the Company also has the Euro Medium Term Note programme in place. Whilst some of these facilities are due for renewal within the foreseeable future, the Directors are not aware of any reasons why these renewals or equivalent measures would not be forthcoming at commercially acceptable terms.

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

Y. Imazawa
Managing Director
2nd July, 2018

Directors' report

The Directors present their report, together with the audited financial statements of ITOCHU Treasury Centre Europe Plc ("the Company") for the year ended to 31 March 2018. The prior year ended 31 March 2017.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in note 17. The Company has one class of ordinary shares which carry no right to a fixed dividend. Each share carries the right to one vote at general meetings of the Company.

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

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

Creditors' days

The Company takes loans from banks and deposits from Group Companies on terms which vary between due on demand and due within nine years. Other small credit balances are mainly due within 30 days.

Dividends

The Directors recommend a final dividend of £3,514,000 (£0.0270 per share) for the year ended 31 March 2018 (2017: £2,854,000, £0.0220 per share) which is subject to approval by shareholders at the Annual General Meeting.

Directors

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

Y. Imazawa (Managing Director)
K. Nitta (appointed on 1 June 2018)
Y. Ochiai (appointed on 1 May 2018)
N. Hattori
M. Itou (resigned on 31 May 2018)
K. Soma (resigned on 30 April 2018)
K. Amano (resigned on 1 May 2017)

Going concern

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

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

After making enquiries about budgets and business plans, the Directors have formed the opinion at the time of approving the financial statements, that the Company will have access to adequate resources to continue in operational existence for the foreseeable future.

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

Directors' indemnities

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

Strategic report

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

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Directors' report (continued)

Financial risk management objectives, future developments and post balance sheet events

In relation to the use of financial instruments, the financial risk management objectives and policies of the Company, and the exposure of the Company to foreign currency, interest rate, credit and liquidity risk are disclosed are disclosed in Note 15 'Financial Instruments'.

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

Particulars of any important events affecting the Company have been included in Note 21 'Post balance sheet events'.

Auditor

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

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

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

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

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

Y. Imazawa
Managing Director
2nd July 2018

Directors' responsibilities statements

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

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

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

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

Independent Auditor's Report to the Members of ITOCHU Treasury Centre Europe Plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- **give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of ITOCHU Treasury Centre Europe Plc (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 21.

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

Basis for opinion

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

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

ITOCHU Treasury Centre Europe Plc

Independent Auditor's Report to the Members of ITOCHU Treasury Centre Europe Plc

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the recoverability of receivables from group undertakings.
Materiality	The materiality that we used in the current year was £4 million which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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 confirm that we have nothing material to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of receivables from group undertakings	
Key audit matter description	Receivables from group undertakings are stated in the balance sheet at £1,428 million. We have identified a key audit matter in determining the recoverability of these receivables from group undertakings based on the financial position and future prospects of the group undertakings. This takes into consideration a range of factors such as the trading performance of the group undertakings.

	Further details are included within the significant accounting policies note in note 3 and in note 11 to the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of the key controls related to the valuation and recoverability of receivables from group undertakings. We challenged the directors' judgements regarding the appropriateness of the carrying value through comparing to the latest audited financial information and our understanding of the future trading performance of the group undertakings by benchmarking against industry peers and by assessing the ability of the group undertakings to repay these amounts. We also reviewed the historical accuracy of management's forecasts by comparing the actual results to forecasts.
Key observations	Based on the work performed we concluded that receivables from group undertakings are appropriately stated.

Our application of materiality

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

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

Materiality	£4 million
Basis for determining materiality	3% of net assets
Rationale for the benchmark applied	We determined materiality based on net assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.

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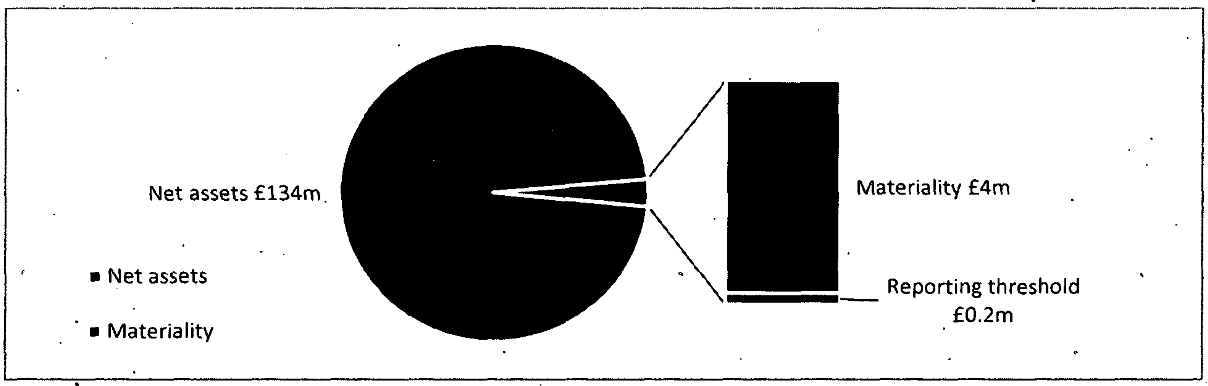
Independent Auditor's Report to the Members of ITOCHU Treasury Centre Europe Plc



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

An overview of the scope of our audit

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

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.

Independent Auditor's Report to the Members of ITOCHU Treasury Centre Europe Plc

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent Auditor's Report to the Members of ITOCHU Treasury Centre Europe Plc

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of this matter.

Makhan Chahal, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

2 July 2018

ITOCHU Treasury Centre Europe Plc

Income Statement
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Interest income	5	15,389	14,960
Interest expense	5	(11,319)	(10,137)
Gross profit		4,070	4,823
Administrative expenses		(1,084)	(1,100)
Other expenses			
Foreign exchange (loss)/gain		(991)	2,357
Derivatives revaluation gain/(loss)	15	2,108	(2,385)
Other		12	3
		1,129	(25)
Operating profit	7	4,115	3,698
Profit before tax		4,115	3,698
Tax charge	9	(688)	(742)
Profit for the period after tax		3,427	2,956

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

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

Statement of comprehensive income
For the year ended 31 March 2018

	2018 £'000	2017 £'000
Profit for the year	3,427	2,956
Items that may be reclassified subsequently to profit or loss:		
(Loss)/Gain on hedging instruments designated in cash flow hedge relationships	(137)	15
Other comprehensive (loss)/income for the year	**(137)**	**15**
Total comprehensive income for the year attributable to the owners of the company	**3,290**	**2,971**

ITOCHU Treasury Centre Europe Plc

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

	Share capital £'000	Retained earnings £'000	Cash flow hedge reserve £'000	Total £'000
Balance at 31 March 2016	130,000	3,776	107	133,883
Dividend paid	-	(3,086)	-	(3,086)
Profit for the year	-	2,956	-	2,956
Gain arising during the year	-	-	15	15
Total comprehensive income for the year	-	2,956	15	2,971
Balance at 31 March 2017	130,000	3,646	122	133,768
Dividend paid	-	(2,854)	-	(2,854)
Profit for the year	-	3,427	-	3,427
Loss arising during the year	-	-	(137)	(137)
Total comprehensive income for the year	-	3,427	(137)	3,290
Balance at 31 March 2018	130,000	4,219	(15)	134,204

Balance sheet
As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	10	1	2
Long-term loans to Group Companies	11	714,459	1,014,581
Derivative financial instruments	15	40	124
Other receivables	11	10	-
Deferred tax assets	16	10	-
		714,520	1,014,707
Current assets			
Short-term loans to Group Companies	11	714,006	441,707
Trade and other receivables	11	2,282	2,435
Derivative financial instruments	15	876	102
Cash and bank balances	12	4	1
		717,168	444,245
Total assets		1,431,688	1,458,952
Non-current liabilities			
Borrowings	14	493,561	591,310
Derivative financial instruments	15	3,296	-
Deferred tax liabilities	16	7	-
		496,864	591,310
Current liabilities			
Trade and other payables	13	106,074	90,474
Derivative financial instruments	15	1,153	2,487
Borrowings	14	693,393	640,913
		800,620	733,874
Total liabilities		1,297,484	1,325,184
Net assets		134,204	133,768
Shareholder's equity			
Ordinary share capital	17	130,000	130,000
Cash flow hedge reserve	15	(15)	122
Retained earnings	18	4,219	3,646
Total shareholder's equity		134,204	133,768

The financial statements of ITOCHU Treasury Centre Europe Plc, registered number 6699600 were approved by the Board of Directors and authorised for issue on 2nd July 2018. The accompanying notes are an integral part of the Financial Statements. They were signed on its behalf by:

Y. Imazawa
Managing Director

ITOCHU Treasury Centre Europe Plc

Cash flow statement
For the year ended 31 March 2018

	2018 £'000	2017 £'000
Cash flows from operating activities:		
Profit before tax	4,115	3,698
Adjusted for		
Depreciation of tangible assets	-	-
Amortisation of intangible assets	1	3
Decrease/(Increase) in accounts receivable	161	(485)
Increase/(Decrease) in loan receivables	27,825	(147,711)
Decrease of derivative financial instruments	1,131	2,385
Increase in accounts payable	78	380
Income tax paid	(790)	(746)
Prior year income tax adjustment received	77	-
Net Cash generated from(utilised by) operations activities	32,598	(142,476)
Cash flows from investing activities:		
Net cash utilised by investing activities	-	-
Cash flows from financing activities:		
(Decrease)/Increase in borrowings	(45,269)	123,092
Increase in loan received from Group Companies	15,528	22,470
Dividends paid	(2,854)	(3,086)
Net cash generated from financing activities	(32,595)	142,476
Net increase in cash and cash equivalents	3	-
Cash and cash equivalents at the beginning of the year	1	1
Cash and cash equivalents at the end of the year	4	1

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

1. General information

ITOCHU Treasury Centre Europe Plc is a company incorporated in England under the Companies Act 2006. The address of the registered office is given in the Directors' Report. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

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

2. Adoption of new Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but, may impact the accounting for future transactions and arrangements.

- Amendments to IAS 32 "Offsetting financial assets and liabilities"
- Amendments to IAS 39 "Novation of derivatives and continuation of hedge accounting"
- IFRS13 "Fair Value Measurement"

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 15 "Revenue from contracts with customers"
- Amendments to IAS 1 "Presentation of Financial Statements"
- IFRS 7 (amended) Disclosures "Transfers of Financial Assets"
- IFRS 9 "Financial Instruments"

Although the Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company, the impact of IFRS 9 is not yet certain and is currently being considered. Beyond the information above, it is not practical to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3. Significant accounting policies

Basis of accounting

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

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

Going concern

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

3. Significant accounting policies (continued)

Interest

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

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

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

Borrowing costs

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

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

Foreign currencies

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

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

Taxation

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

Current tax

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

3. Significant accounting policies (continued)

Deferred tax (continued)

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 and liabilities is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits or loss will be available to allow all or part of the asset and the liability to be recovered.

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

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

Cash and cash equivalents

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

Intangible assets

All intangible assets are carried at cost less subsequent amortisation. Amortisation is calculated on the basis of the straight-line method and charged through operating expenses over the estimated useful life as follows:

Accounting software: 5 years

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available for sale 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. 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.

a) Long-term loans to Group Companies and trade and other receivables

Long-term loans and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included as current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Loans are recognised when cash is advanced to the borrowers. They are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

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

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

Financial assets (continued)

b) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts 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 fair value through profit or loss.

c) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments or the borrower will enter bankruptcy or financial difficulties.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The estimated future cash flows are discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

d) Derecognition of financial assets

Financial assets are derecognised 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 party. 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 a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and that is no longer recognised on the basis of the relative fair values of those parts.

3. Significant accounting policies (continued)

Fair value

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

Determination of fair value

The Company's financial assets and liabilities recorded at fair value consist of derivative instruments. Fair values are categorised based upon the following hierarchy that reflects the degree to which fair value is observable

(i) Level 1 Quoted market price in active markets for identical assets or liabilities

(ii) Level 2 Valuation technique using observable inputs

(iii) Level 3 Valuation technique with non observable inputs

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. For these instruments, the Company anticipates using a third party market participant to establish fair value.

Derivative financial instruments

Derivative financial instruments ('derivatives') are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date. The Company transacts in interest rate and cross currency swaps and forward foreign exchange contracts to mitigate interest rate and foreign currency risk, respectively.

Derivatives are recognised initially (on the date on which a derivative contract is entered into), and are subsequently remeasured, at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments and, if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement, and included within derivative fair value gain or loss.

Hedge accounting

Hedge accounting can be used for derivatives provided certain criteria are met. At the time a financial instrument is designated as a hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s). Documentation includes risk management objectives and the strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Company formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been and will be highly effective in offsetting changes in the fair value of the hedged items. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Company can expect, and actual results indicate, that changes in the fair value of the hedged items are effectively offset by changes in the fair value of the hedging instrument, and actual results are within a range of 80% to 125%. This effectiveness testing is re-performed quarterly to ensure that the hedge remains effective.

The Company discontinues hedge accounting when it is determined that: a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; or when the hedged item matures or is sold or repaid. On discontinuance of hedge accounting, amortisation of the adjustment to the hedged item is included in net trading and other income.

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

3. Significant accounting policies (continued)

Hedge accounting (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge are recognised initially in other comprehensive income. The gain or loss relation to the ineffective portion is recognised immediately in the income statement, in derivative fair value losses, net.

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

Financial liabilities

Financial liabilities are classified as either trade payables at fair value through profit or loss or other payables.

a) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, for borrowings where there is not a significant difference between the accruals and the amortised cost basis, the accruals basis of calculating interest has been used.

b) 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 the profit and loss.

Share capital

Ordinary shares are classified as equity.

4. Critical accounting judgement and key sources of estimation uncertainty

The Company has not made any critical judgements in the process of applying the Company's accounting policies.

The Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

5. Analysis of net interest income

Included in net income are the following:

	2018 £'000	2017 £'000
Interest income		
Interest received from Group Companies	15,383	14,957
Interest received from banks	6	3
	15,389	14,960
Interest expense		
Interest paid to bank loans and overdrafts	(10,500)	(9,620)
Interest paid to Group Companies	(775)	(461)
Interest paid to Medium Term Notes	(44)	(56)
	(11,319)	(10,137)
Net interest income	4,070	4,823

6. Business and geographical segments

Business segments

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

7. Operating profit

	2018 £'000	2017 £'000
Profit for the period has been arrived at after charging:		
Foreign exchange (loss)/gain	(991)	2,357
Gain/(loss) on Derivative revaluation	2,108	(2,385)
Staff costs (see note 8)	309	291
Amortisation of intangible fixed assets	1	3
Auditor's remuneration:		
Audit services for the audit of the financial statements	53	44
Tax compliance and other services	22	37
	75	81

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

8. Directors and employees

Directors' remuneration	2018 £'000	2017 £'000
Remuneration in respect of qualifying services		
Emoluments	285	245

One of the Directors of the Company is also a director of the Company's sister company ITOCHU Europe PLC. The Company paid a service charge of £107,863 (2017: £107,548) to ITOCHU Europe PLC for services rendered by the director to this Company. This service charge has not been included in the figure above.

The emoluments above are classified as salaries and short-term employee benefits for 'Key management personnel' disclosure purposes.

Retirement benefits are accruing to two Directors (2017: two Directors) under the ITOCHU Corporation's defined benefit scheme.

	2018 £'000	2017 £'000
Management grades	2	2

Staff costs

The average monthly number of employees excluding Directors was three (2017: three)

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

	2018 £'000	2017 £'000
Wages and salaries	246	230
Social security costs and others	29	28
Pension costs	34	33
	309	291

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

9. Tax

	2018 £'000	2017 £'000
Corporation tax		
Current year	784	742
Prior year adjustment	(96)	-
Tax charge	688	742
Deferred tax (Note 16)	3	-
Tax expense for the year	691	742

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

	2018 £'000	2017 £'000
Profit before tax	4,115	3,698
	782	739
Effect of:		
Expenses not deductible for tax purposes	2	3
Prior year adjustment	(96)	-
Tax charge	688	742

The standard rate of corporation tax was 20% from 1 April 2014 to 31 March 2017. This has been reduced to 19% from 1 April 2017 and will then be further reduced to 17% from 1 April 2020.

The tax charge of deferred tax was recognised in other comprehensive income as follows:

Effect of:		
Charge in unrecognised deferred tax assets	10	-
Charge in unrecognised deferred tax liabilities	(7)	-
Tax charge	3	-
Tax expense for the year	691	742

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

10. Intangible assets

	Accounting software £'000
Cost	
At 1 April 2016	74
Additions	-
Disposal	-
At 31 March 2017	74
Amortisation	
At 1 April 2016	(69)
Charge for the period	(3)
At 31 March 2017	(72)
Carrying amount	
At 31 March 2017	2
Cost	
At 1 April 2017	74
Additions	-
Disposal	-
At 31 March 2018	74
Amortisation	
At 1 April 2017	(72)
Charge for the period	(1)
At 31 March 2018	(73)
Carrying amount	
At 31 March 2018	1

The amortisation charge for the year is included within Administrative expenses.

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

11. Trade and other receivables

	2018 £'000	2017 £'000
Current		
Short-term lending to Group Companies	714,006	441,707
Accrued receivable from Group Companies	2,200	2,391
Prepayments and other debtors	82	44
	716,288	444,142

At the year end the Company had no overdue debtors and not provision for bad debts. Short term lending to Group Companies are at market related rates linked to LIBOR and are due within one year.

	2018 £'000	2017 £'000
Non-current		
Long-term lending to Group Companies	714,459	1,014,581
Prepayments	10	-
	714,469	1,014,581
	1,430,757	1,458,723

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

12. Cash and bank balances

	2018 £'000	2017 £'000
Cash at bank	4	1

13. Trade and other payables

	2018 £'000	2017 £'000
Current		
Short-term borrowing from Group Companies	103,844	88,316
Current tax liabilities	384	390
Accrued interest payable to Group Companies	73	25
Accrued interest payable to banks	1,595	1,598
Other payables	178	145
	106,074	90,474

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

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

14. Borrowings

	2018 £'000	2017 £'000
Current		
Short-term borrowings from banks	605,716	555,377
Medium Term Notes	87,677	85,536
	693,393	640,913
Non current		
Long-term borrowings from banks	476,027	591,310
Medium Term Notes	17,534	-
	493,561	591,310
Total borrowings	1,186,954	1,232,223

This balance is comprised of borrowings from various International banks which comply with the credit risk management policy of the Company (See note 15). The borrowings are all unsecured, due for renewal within 12 months for the Short-term borrowings and due within nine years for the Long-term borrowings and bear market related interest linked to LIBOR or fixed.

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

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

15. Financial instruments

Capital risk management

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

The gearing ratio at 31 March 2017 was 9.91:1 and at 31 March 2018 was 9.67:1.

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

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

Categories of financial instruments

	Loans and receivables £'000	Derivative instrument in designated hedge accounting relationships £'000	Derivative instrument in designated at fair value through profit and loss £'000	Total 31 March 2018 £'000
Financial assets				
Long-term loans to Group Companies	714,459	-	-	714,459
Interest rate swap designated as cash flow hedge	-	40	-	40
Forward foreign exchange contracts	-	-	876	876
Trade and other receivables	716,206	-	-	716,206
Cash and cash equivalents	4	-	-	4
Total	1,430,669	40	876	1,431,585

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

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

15. Financial instruments (continued)

	Liabilities at amortised cost £'000	Derivative instrument in designated hedge accounting relationships £'000	Derivative instrument in designated at fair value through profit and loss £'000	Total 31 March 2018 £'000
Financial liabilities				
Borrowings	1,186,954	-	-	1,186,954
Forward foreign exchange contracts	-	3,296	1,153	4,449
Trade and other payables	105,690	-	-	105,690
Total	1,292,644	3,296	1,153	1,297,093

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

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

15. Financial instruments (continued)

	Loans and receivables £'000	Derivative instrument in designated hedge accounting relationships £'000	Derivative instrument in designated at fair value through profit and loss £'000	Total 31 March 2017 £'000
Financial assets				
Long-term loans to Group Companies	1,014,581	-	-	1,014,581
Interest rate swap designated as cash flow hedge	-	124	-	124
Forward foreign exchange contracts	-	-	102	102
Trade and other receivables	444,098	-	-	444,098
Cash and cash equivalents	1	-	-	1
Total	1,458,680	124	102	1,458,906

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

	Liabilities at amortised cost £'000	Derivative instrument in designated hedge accounting relationships £'000	Derivative instrument in designated at fair value through profit and loss £'000	Total 31 March 2017 £'000
Financial liabilities				
Borrowings	1,232,223	-	-	1,232,223
Forward foreign exchange contracts	-	-	2,487	2,487
Trade and other payables	90,084	-	-	90,084
Total	1,322,307	-	2,487	1,324,794

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

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

15. Financial instruments (continued)

Currency profile

	Euro £'000	Sterling £'000	USD £'000	HUF £'000	JPY £'000	Total 31 March 2018 £'000
Non-current assets						
Long- term lending	157,655	556,804	-	-	-	714,459
Derivative financial instruments	40	-	-	-	-	40
Current assets						
Short-term lending	329,178	308,931	32,997	-	42,900	714,006
Derivative financial instruments	-	876	-	-	-	876
Other receivables	1,271	849	69	2	13	2,204
	488,144	867,460	33,066	2	42,913	1,431,585
Non-current liabilities						
Long-term Bank borrowings	149,044	312,438	32,079	-	-	493,561
Derivative financial instruments	-	3,296	-	-	-	3,296
Current liabilities						
Short-term Bank borrowings	406,687	212,669	59,378	-	14,659	693,393
Short term borrowing from Group Companies	45,494	16,588	41,762	-	-	103,844
Derivative financial instruments	-	1,153	-	-	-	1,153
Other payables	1,098	612	131	-	5	1,846
	602,323	546,756	133,350	-	14,664	1,297,093

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

15. Financial instruments (continued)

Currency profile

	Euro £'000	Sterling £'000	USD £'000	HUF £'000	JPY £'000	Total 31 March 2017 £'000
Non-current assets						
Long- term lending	450,529	556,055	7,997	-	-	1,014,581
Derivative financial instruments	124	-	-	-	-	124
Current assets						
Short-term lending	38,717	320,303	60,105	249	22,332	441,706
Derivative financial instruments	-	102	-	-	-	102
Other receivables	1,232	1,049	105	-	7	2,393
	490,602	877,509	68,207	249	22,339	1,458,906
Non-current liabilities						
Long-term Bank borrowings	407,151	160,169	23,990	-	-	591,310
Current liabilities						
Short-term Bank borrowings	89,536	418,601	118,691	247	13,838	640,913
Short term borrowing from Group Companies	34,660	17,333	36,323	-	-	88,316
Derivative financial instruments	-	2,487	-	-	-	2,487
Other payables	1,046	624	96	-	2	1,768
	532,393	599,214	179,100	247	13,840	1,324,794

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

15. Financial instruments (continued)

Financial risk management objectives

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

Market risk

The Company's activities expose it primarily to the market risks of changes in foreign currency exchange rates and interest rates (see below). The Company matches the term and currency of lending and borrowing to minimise the market risk.

Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently exposures to EUR, USD, JPY and HUF exchange rate fluctuations arise. Fluctuations in Sterling against EUR, USD, JPY and HUF do not have any significant impact on the profit for the year ended 31 March 2018 as this risk is managed by matching the currency profiles of financial assets to liabilities, after utilising forward foreign exchange contracts or cross currency swaps, wherever possible. A reasonably expected change in exchange rates would not have a significant impact on the profitability of the company.

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

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

The fair valuation technique for forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate and for cross currency swaps is estimated future cash flows based on forward interest rates (from observable yeild curves at the end of the reporting period) and contract interest rates and are converted to the spot rate at the end of the reporting period.

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

Foreign currency risk (continued)

	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Fair value Hierarchy
	Fair value at 31/03/2018		Fair value at 31/03/2017		
Derivatives designated at fair value through Profit or Loss					
Forward foreign exchange contracts	876	1,153	102	2,487	Level 2
Derivatives designated at Cash flow hedge					
Cross curency swaps	-	3,296	-	-	Level 2

Interest rate risk

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

The Company also allots its capital of £130,000,000 for lending funds. In the case interest rate sensitive assets are financed by the capital, a 1% increase (decrease) in interest rates has possibility to result in an increase (decrease) of at most £1,050,000 to the profit after tax and the Equity for a year.

15. Financial instruments (continued)

Derivatives designated as Cash flow hedges

As of 31 March 2018, the outstanding derivatives are (i) the interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts which are designated as cash flow hedges in order to reduce the cash flow exposure resulting from variable interest rates on borrowings, and (ii) the cross currency swaps contracts exchanging principal and interest of USD floating rate loan to GBP floating rate note which is also designated as cash flow hedges to reduce the cash flow exposure for certain USD floating rate loans resulting from foreign exchange rate fluctuation. The payment dates of interest rate swaps and cross currency swaps are set on the payment dates of respective designated loan. The hedges were highly effective and the amount accumulated in cash flow hedge reserve is reclassified to profit or loss over the period of the respective designated loans.

Fair value measurements

	Fair value at		Fair value Hierarchy	Valuation technique
	31/03/2018	31/03/2017		
Financial asset				**Discounted cash flows**
Interest rate swaps	40	124	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates.
Financial liability				
Cross currency swaps	3,296	-	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period), forward foreign exchange rate at the time of principal and interest payment.

15. Financial instruments (continued)

Credit risk

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

Credit risk management

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

	2018 £'000	2017 £'000
Non-current assets		
Long-term loans to Group Companies	714,459	1,014,581
Derivative Financial Instrument	40	124
	714,499	1,014,705
Current assets		
Trade and other receivables	716,206	444,098
Derivative Financial Instrument	876	102
Cash and cash equivalents	4	1
	717,086	444,201
Total assets	1,431,585	1,458,906

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

15. Financial instruments (continued)

Liquidity risk

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

The table includes both interest and principal cash flows.

At 31 March 2018 Liabilities	Contractual amount £'000	Less than 1 month £'000	1-6 months £'000	6-12 months £'000	1-2 Years £'000	2-5 years £'000	Over 5 years £'000
Non Derivative financial liabilities							
Bank Borrowings	1,081,743	298,516	21,386	285,814	124,858	219,659	131,510
Medium Term Notes issued	105,211	-	87,677	-	17,534	-	-
Trade and other payables	105,690	105,262	417	11	-	-	-
Derivative financial liabilities							
Forward foreign exchange contracts	1,153	1,153	-	-	-	-	-
Cross currency swap contracts	3,296	-	-	-	-	3,296	-
	1,297,093	404,931	109,480	285,825	142,392	222,955	131,510

At 31 March 2017 Liabilities	Contractual amount £'000	Less than 1 month £'000	1-6 months £'000	6-12 months £'000	1-2 Years £'000	2-5 years £'000	Over 5 years £'000
Non Derivative financial liabilities							
Bank Borrowings	1,146,687	290,377	-	265,000	302,837	-	288,473
Medium Term Notes issued	85,536	-	85,536	-	-	-	-
Trade and other payables	90,084	89,392	681	11	-	-	-
Derivative financial liabilities							
Forward foreign exchange contracts	2,487	2,317	170	-	-	-	-
	1,324,794	382,086	86,387	265,011	302,837	-	288,473

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

16. Deferred tax

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

	Revaluation of Cross Currency Swap £'000	Revaluation of Interest Rate Swap £'000	Total £'000
As at 31 March 2017	-	-	-
Charge to the profit or loss	-	-	-
Charge to other comprehensive income	10	(7)	3
As at 31 March 2018	10	(7)	3

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

The Finance Act 2015 was substantively enacted to reduce the main rate of UK Corporation Tax from 19% to 17% from 1 April 2020. The reduced rate of 17% has therefore been reflected in 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.

	2018 £'000	2017 £'000
Deferred tax liabilities	(7)	-
Deferred tax assets	10	-
	3	-

17. Share capital

	2018 £'000	2017 £'000
Authorised		
130,000,000 ordinary shares of £1 each	130,000	130,000
Allotted, Issued and Fully paid up:		
130,000,000 ordinary shares of £1 each	130,000	130,000
	130,000	130,000

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

18. Retained earnings

	£'000
At 1 April 2016	3,776
Dividends paid	(3,086)
Profit for the year	2,956
Balance at 31 March 2017	3,646
At 1 April 2017	3,646
Dividends paid	(2,854)
Profit for the year	3,427
Balance at 31 March 2018	4,219

19. Related party transactions

Related parties are defined as the Company's parent and its Group Companies which the parent has control or significant influence either directly or indirectly through one or more intermediaries.

Amounts due to and from companies which are related parties are shown in these financial statements. The following were transacted with Group Companies which we provide Group financing services during the financial year:

	2018 £'000	2017 £'000
Income statement		
Interest income	15,383	14,957
Interest expense	(775)	(461)
	14,608	14,496

Balance sheet	2018 £'000	2017 £'000
Assets		
Short-term lending to Group Companies	714,006	441,707
Long-term lending to Group Companies	714,459	1,014,581
Accrued interest receivable from Group Companies	2,161	2,325
	1,430,626	1,458,613
Liabilities		
Short-term borrowing from Group Companies	103,844	88,316
Accrued interest payable to Group Companies	73	25
	103,917	88,341

Remuneration of key management personnel

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

20. Ultimate controlling and holding company

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

21. Post balance sheet events

The Company issued EUR denominated Medium Term Notes with a notional value of EUR fifty million at a fixed rate of interest on 1 June 2018.

The Directors recommend a final dividend of £3,514,000 (£0.0270 per share) for the year ended 31 March 2018 (2017: £2,854,000, £0.0220 per share), which is subject to approval by shareholders at the Annual General Meeting to be held and has not been included as a liability in these financial statements.