Company registration no. 06925256

DBJ Europe Limited

Report and Financial Statements

For the year ended 31 December 2019

Company information

Directors

Hiroshi Sakamaki

Mitsutaka Ozaki (resigned on 27 June 2019)

Hiroyuki Kitakata (appointed on 27 June 2019)

Hiroaki Koide

Yasufumi Niizaki (resigned on 12 November 2019)

Yasufumi Matsuo (appointed on 12 November 2019)

Shinji Ohno (resigned on 12 November 2019)

Shinji Yoshioka (appointed on 12 November 2019)

Bankers

HSBC Bank plc

RSCE 2nd floor

Park Street

London

SE1 9WP

Citibank, N.A.

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

Auditor

Deloitte LLP

Statutory Auditor

1 New Street Square

London

EC4A 3HQ

United Kingdom

Registered office

3rd Floor

8 Finsbury Circus

London

EC2M 7EA

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and Business review

DBJ Europe Limited's ("The Company") principal activities during the year comprised fees and commissions received and receivable for the provision of various finance advisory services to the parent company, Development Bank of Japan Inc., including arrangement of loan transactions and corporate bond purchases ("debt transactions") especially in Europe, Middle East and Africa. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

During the year ended 31 December 2019, the Company arranged three long-term debt transactions totalling €60,868,000 at 31 December 2019 (2018: three transactions totalling €46,704,000). The clients' business sectors are mostly Energy and Transportation.
All the transactions except six undrawn committed transaction were pass-through transactions by way of funded participation where the Company agrees to receive cash flows from the assets and has a concurrent obligation to pay those cash flows to Development Bank of Japan Inc. as the eventual recipient, in return for funding of the transactions. Consequently, these transferred assets were derecognised pursuant to the relevant requirement under IFRS 9.

The Company's key financial and other performance indicators during the year were as follows:

		€'000	2019	2018	2017
Performance					
	Fee income		8,549	7,277	6,653
	Fee Income growth (%)		17.5%	9.4%	13.9%
	Profit before tax		746	602	472
	Profit after tax		641	478	376
Position					
	Shareholder's funds		10,030	9,389	8,911
	Cash		7,947	8,317	8,200
Capital					
	Own funds (Regulatory Capital resources)		9,874	9,382	8,907
	Total Capital Ratio (%)		26.7%	30.1%	23.3%
Loan and investment activity					
	Balance of arranged transactions		490,713	815,275	879,651
	Annual growth (%)		-40%	-7%	8%
	Location (%)				
		UK	34%	35%	32%
		France	27%	16%	14%
		USA	23%	15%	15%
		Netherlands	8%	9%	9%
		Norway	4%	3%	3%
		Germany	4%	3%	1%
		Italy	-	10%	18%
		Spain	-	10%	8%
		Energy	32%	33%	38%
		Transportation	29%	29%	30%
		Infrastructure	11%	23%	20%
		Other	28%	15%	12%
Size					
	Employees		21	19	15

Strategic report (continued)

Future developments

The Company intends to continue the loans/bonds booking business as part of the support and advisory activities provided to the parent company during the year ending 31 December 2019 and the Directors expect this area of the business to grow.

Principal risks and uncertainties

The Company's risk management framework is set out in its policy which provides a minimum standard for risk management, detailing principles, roles and responsibilities for management and monitoring of risk.

The Board has an active involvement in the identification of the Company's key risks and in setting the risk appetite for the Company. The more detailed assessment and quantification of the identified risks is delegated to the Chief Risk Officer (CRO).

The Company has implemented controls to manage the risks to which the business is exposed. Governance arrangements are in place to monitor and mitigate overarching and business wide risks. The Enlarged Session of Executive Committee, chaired by the Company's Senior Advisor, advises the Board on the risk management issues and acts as the second line of defence in the 'three lines of defence' model. In addition, the Company has implemented specific and tailored controls to each operating function to monitor and mitigate the risks at the operating level.

The Company undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital needs. The outcome of the ICAAP is reviewed and approved by the Board. The FCA periodically reviews the adequacy of the ICAAP and may set individual capital guidance resulting in additional capital requirements for the Company.

The following shows the principal risks the Company is exposed to and the Company's approach to mitigating these risks, which are examined in the latest ICAAP.

- Credit risk and Concentration risk

Credit risk is the risk that a firm will incur a loss because its clients or counterparties fail to discharge their contractual obligations. Concentration risk is the risk arising from the heavily concentrated credit risk exposure to a particular counterparty or a group of counterparties. Under a pass-through transaction scheme, the Company is not exposed to material credit risk or concentration risk in relation to the loan and investment activities. The credit risk exposures are limited to the following: bank deposits, receivables from the parent company, and short-term exposures guaranteed by the parent company.

The Company has a monitoring policy and a credit rating system in place to mitigate credit risk and concentration risk.

- Liquidity risk

Liquidity risk is the risk that a firm does not have sufficient available resources to enable it to meet its obligations as they fall due. The Company faces liquidity risk mainly in relation to the settlement of the loan and investment activities and meeting its operational expense obligations.

The Company has a Liquidity Risk Policy in place to mitigate liquidity risk. The Company maintains a multi-currency committed facility and a multi-currency overdraft facility for settlement risk, and keeps a cash balance equivalent to six months expenses to cover its operational liquidity risk. An analysis of the Company's liquidity exposure is included in Note 21.

- Market risk

Market risk is the risk that the value of a portfolio will decrease due to market risk factors such as stock equity prices, interest rates, foreign exchange rates, and commodity prices.

Currently the relevant market risk factor for the Company is foreign exchange risk. The only currency in which the company has substantial Foreign Exchange position is Pound (£). Thus the Company is exposed to fluctuations in the Euro (€) against the Pound (£). To mitigate the foreign exchange risk, the Company regularly monitors its net Foreign Exchange position of each non-Euro currency, and the sum of absolute values of these net positions is limited to €3.5 million (2018: €3.4 million) at any time. An analysis of the Company's market exposure is included in Note 21.

- Regulatory risk

The main regulatory risk the Company faces is that of breaching FCA rules and requirements. The Company has internal compliance procedures in place to avoid or detect potential breaches.

Strategic report (continued)

- Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The main sources of risk for the Company are settlement risk, loss of key persons, outsourcing risk and regulatory risk.

The Company has an operational risk management system which includes operational risk report procedures.

All new products and services are subject to extensive assessment prior to launch or adoption by the Company. Such assessments include, but are not limited to, a full review of the impact on the Firm's capital, operations, compliance and existing risks. The Board has to sign off on any new business activities and products subject to the relevant FCA permission where necessary, after the CRO, in conjunction with the Enlarged Session of Executive Committee, has conducted detailed assessments of the proposed products or services. As a result of such assessment, there has been no significant change in the Company's principal risks and uncertainties in 2019.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal activity and Business review. In addition, notes 21 and 23 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

For the year ended 31 December 2019 the Company has made a profit of €641,000 (2018: €478,000). The Directors believe that the Company has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of the financial statements in light of the level of cash and working capital balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Additionally, the impact of covid-19 on the going concern assessment is considered below.

Covid-19

Management performed the analysis of the possible impact of Covid-19 on DBJE's business and operations up to the signing date. The Company has a Business Continuity Management (BCM) Strategy and the operational disruption caused by Covid-19 should be limited and manageable through implementing the business continuity procedures established on the BCM Strategy. The Company should be able to keep operational consistency to meet regulatory compliance obligations and provide support and advisory services in accordance with the Commission Agreement with the parent company. Furthermore, neither decreasing demand in loan markets nor deterioration of overall credit quality of borrowers would cause any significant impact on business continuity as the Company is not exposed to credit risk on the loans and earns revenue from the parent company based on a cost plus 10% Mark-up method. The emergence of Covid-19 is considered a material non-adjusting event and the Company has therefore disclosed the potential impact (see Note 23).

The parent company, Development Bank of Japan Inc., will continue to perform its mission as a government-owned bank of pursuing the sustainable development for Japan and the World. Against the emergency caused by Covid-19 outbreak, the parent company was mandated by the Japanese government to provide financial support to large and mid-size companies under the country's Emergency Response Package.

Approved by order of the board

Hiroyuki Kitakata

Hiroyuki Kitakata

Director (CEO)

17 April 2020

Directors' report

The Directors present their report and financial statements together with the auditor's report for the year ended 31 December 2019. The information about financial risk management and objectives and policies, and future developments is presented in the strategic report and in Note 21. The information about possible financial impacts of Covid-19 is given in Post-Balance Sheet Events in Note 23.

Results and dividends

The profit for the year, after taxation, is € 641,000 (2018: €478,000). The Directors do not recommend the payment of a dividend (2018: €nil).

Directors of the Company

The Directors of the Company who held office throughout the year were as follows:

Hiroshi Sakamaki

Mitsutaka Ozaki (resigned on 27 June 2019)

Hiroyuki Kitakata (appointed on 27 June 2019)

Hiroaki Koide

Yasufumi Niizaki (resigned on 12 November 2019)

Yasufumi Matsuo (appointed on 12 November 2019)

Shinji Ohno (resigned on 12 November 2019)

Shinji Yoshioka (appointed on 12 November 2019)

Political and charitable contributions

The Company made no political or charitable contributions during the year.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Auditor

In the case of each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) 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(2) of the Companies Act 2006.

Directors' report (continued)

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Deloitte LLP as auditor of the Company.

Approved by order of the board

Hiroyuki Kitakata

Hiroyuki Kitakata

Director (CEO)

17 April 2020

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the members of DBJ Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of DBJ Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the 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 23.

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 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.

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.

Independent auditors' report to the members of DBJ Europe Limited (continued)

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.

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.

Independent auditors' report to the members of DBJ Europe Limited (continued)

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.

Giles Lang

Giles Lang, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

17 April 2020

Income Statement

for the year ended 31 December 2019

	Notes	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Interest and similar income	3	2	3
Interest and similar expense	3	(11)	(12)
Net interest expense	3	(9)	(9)
Fee and commission income	4	8,549	7,277
Fee and commission expense	4	(1,436)	(1,347)
Net fee and commission income	4	7,113	5,930
Total operating income		7,104	5,921
Other income	15	82	-
Total other income		82	-
Personnel expenses	7	(2,936)	(3,054)
Depreciation of property and equipment	11	(303)	(28)
Depreciation of right-of-use assets	19	(319)	-
Amortisation of intangible assets	12	(92)	(5)
Professional fees		(1,273)	(1,123)
Foreign exchange (loss)		(11)	(17)
Other operating expenses		(1,444)	(1,092)
Total operating expenses		(6,378)	(5,319)
Finance expenses	5, 15	(62)	-
Total finance expenses		(62)	-
Profit before tax		746	602
Income tax expense	9	(105)	(124)
Profit for the year		**641**	**478**

Statement of Comprehensive Income

for the year ended 31 December 2019

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Profit for the year	641	478
Total comprehensive income for the year	641	478

Total comprehensive income for the year is attributable to the owners of the Company. The income for the year is attributable to continuing operations.

Balance Sheet

as at 31 December 2019

	Notes	2019 €'000	2018 €'000
Assets			
Cash at bank and in hand	10	7,947	8,317
Trade and other receivables	13	1,574	1,658
Intangible assets	12	156	6
Property and equipment	11	1,428	228
Right-of-use assets	19	1,175	-
Current tax assets	9	48	-
Deferred tax assets	9	-	7
Total assets		**12,328**	**10,216**
Liabilities			
Trade and other payables	14	346	605
Lease liabilities	19	1,522	-
Provisions	15	334	188
Deferred tax liabilities	9	96	-
Current tax liabilities	9	-	34
Total liabilities		**2,298**	**827**
Net assets		**10,030**	**9,389**
Equity attributable to equity holders of parent			
Share capital	17	7,500	7,500
Retained earnings		2,530	1,889
Total equity		**10,030**	**9,389**
Equity shareholders' funds		**10,030**	**9,389**

The notes on the subsequent (excluding Note 24) are an integral part of these financial statements.

The financial statements for the year ended 31 December 2019 were approved by the board of Directors and authorised for issue on 17 April 2020.
They were signed on its behalf by:

Hiroyuki Kitakata

Hiroyuki Kitakata

Director (CEO)
17 April 2020

Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital €'000	Retained earnings €'000	Total equity €'000
At 1 January 2018	**7,500**	**1,411**	**8,911**
Profit for the year	-	478	478
At 31 December 2018	**7,500**	**1,889**	**9,389**
Profit for the year	-	641	641
At 31 December 2019	**7,500**	**2,530**	**10,030**

Cash Flow Statement

for the year ended 31 December 2019

	Notes	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Operating activities			
Profit before tax		746	602
Non-cash items included in profit before tax:			
Depreciation of property and equipment	11	303	28
Depreciation of right-of-use assets	19	319	28
Amortisation of intangible assets	12	92	5
Finance expenses	5, 15	62	-
Unused provisions reversed	15	(75)	-
Foreign exchange translation loss		60	12
Interest and similar income	3	(2)	(3)
Interest and similar expense	3	11	12
Working capital adjustments:			
Decrease / (Increase) in trade receivables	13	133	(90)
(Increase) in other receivables	13	(49)	(329)
Increase in trade payables	14	34	39
(Decrease) / Increase in other payables	14	(84)	24
(Decrease) in provisions	15	(110)	-
Cash generated from operations:			
Interest received	13	2	3
Interest paid	14	(16)	(16)
Income tax paid	9	(84)	(121)
		596	(436)
Net cash flows from operating activities		**1,342**	**166**
Investing activities			
Payments in relation to the purchase of property and equipment		(1,357)	(26)
Payments in relation to the purchase of intangible assets		(243)	(7)
Net cash flows used in investing activities		**(1,600)**	**(33)**
Financing activities			
Repayment of lease liabilities	19	(163)	-
Net cash flows used in financing activities		**(163)**	**-**
Net increase in cash and cash equivalents		(421)	133
Net foreign exchange movement		51	(16)
Cash and cash equivalents at beginning of year		8,317	8,200
Cash and cash equivalents at 31 December	10	**7,947**	**8,317**

Notes to the financial statements

for the year ended 31 December 2019

1. Corporate information

DBJ Europe Limited ("the Company") is a private company limited by shares, domiciled and incorporated in the England and Wales. Its registered office is at 3rd Floor 8 Finsbury Circus, London, United Kingdom, EC2M 7EA.

Its main income stream comprises fees and commissions received and receivable for the provision of various financial advisory services. The Company is regulated by the FCA.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euros ("€") (the functional currency) being the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest €'000 except when otherwise indicated.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), IFRS as adopted by the European Union ("EU") and in accordance with the Companies Act 2006.
The accounting policies adopted by the Company are consistent with standards, amendments and interpretations applicable at the balance sheet date. The major accounting standards applied for the financial statements are as follows.

- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 12 Income Taxes
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets

2.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, 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.

(i) Critical judgements in applying the group's accounting policies

The following are the 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 and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15. The directors have confirmed that the revenue recognition satisfies the requirement of IFRS 15 and that the amount recognised as revenue in the current year is appropriate.

(ii) Key source of estimation uncertainty

Covid-19

The nature of the event and an estimate of its financial effect shall be disclosed in Note 23.

Notes to the financial statements

for the year ended 31 December 2019

Brexit

The company does not gain any economic benefits (e.g. Tax treaty benefit) that are currently available due to UK's membership of EU. There is no significant effect on the financial statements.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

2.3 Summary of significant accounting policies

2.3.1 Financial instruments – initial measurement and classification

The Company regularly holds cash and the short-term trade debtors and creditors. All financial instruments are measured initially at their fair value plus transaction costs. In principal, the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Therefore, it is measured at amortised cost. The Company shall classify all financial liabilities as subsequently measured at amortised cost.

2.3.2 Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
  - the Company has transferred substantially all the risks and rewards of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Note that all loans issued so far are on a pass through basis and are derecognized, therefore there are no loans in the balance sheet as of the balance sheet date.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the financial statements

for the year ended 31 December 2019

2.3 Summary of significant accounting policies (continued)

2.3.3 Impairment

Impairment recognitions are based on an expected credit loss ("ECL") model. Loss allowance for ECL on a financial asset or a group of financial assets as well as a commitment provided shall be measured by the probability of default (PD) / loss - given - default (LGD) method. Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime ECL.

2.3.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the balance sheet.

2.3.5 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Computer hardware - 2 years
- Office furniture and equipment - 5 years
- Leasehold improvements - 5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income or loss' in the income statement in the period the asset is derecognised.

2.3.6 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration. The Company does not act as a lessor.

For all leases (except as noted below), the company recognises right-of-use assets and lease liabilities in the balance sheet, recognises depreciation of right-of-use assets over a lease term and interest on lease liabilities in the income statement. The total amount of cash paid is separated into a principal portion (presented within financing activities) and interest (presented within financing activities) in the cash flow statement.

For short-term leases and leases of low-value assets, the Company shall recognise the lease payments as an expense on either a straight-line basis over the lease term or another systematic basis.

2.3.7 Foreign currency translation

The financial statements are presented in the Company's functional and presentational currency, the Euro (€). Transactions in foreign currencies are initially recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences arising on non-trading activities are taken to 'Other operating income' in the income statement.

Notes to the financial statements

for the year ended 31 December 2019

2.3 Summary of significant accounting policies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

2.3.8 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.3.9 Intangible assets

The Company's intangible assets include the value of computer software and associated licences. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licences - 2 years

2.3.10 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the assets or CGU's recoverable amount.

2.3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease on its premises.

Notes to the financial statements

for the year ended 31 December 2019

2.3 Summary of significant accounting policies (continued)

2.3.12 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset and the deferred tax relates to the same taxable entity and the same taxation authority.

2.3.13 Recognition of income

Revenue is recognised at a point in time when the company satisfies a performance obligation by transferring a service promised on a contract to a customer.

(i) Interest and similar income

The Company earns interest and similar income from a provision of a financial instrument to a client. Interest income is recognised only to the extent that a contract asset is recognised on the Company's balance sheet. Interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

(ii) Fee and commission income

The Company earns fee and commission income from financial advisory services to Development Bank of Japan Inc., and its customers. Services include arranging and advising on investments and loans. Fees earned for the provision of these services over a period of time are accrued over that period.

2.4 New and amended standards and interpretations adopted by the Company

New and amended standards and IFRIC Interpretations recently adopted

The following new and amended IFRS and IFRIC interpretations are mandatory for the year ended 31 December 2019. Except IFRS 16, there is no material impact on the financial statements of the company:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Notes to the financial statements

for the year ended 31 December 2019

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

Impact of initial application of IFRS 16 Leases

The new definition does not significantly change the scope of the contracts that is determined as leasing. The company applies IFRS 16 to leases that were previously classified as operating leases under IAS 17.

The Company applies IFRS 16 using the cumulative catch-up approach. The weighted average leases incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 was 3.53%.
The following table shows an explanation of the difference between operating lease commitments disclosed applying IAS 17 at 31 December 2018 and lease liabilities recognised in the statement of financial position at 1 January 2019.

	€'000
Operating lease commitments at 31 December 2018	1,729
Short-term leases and leases of low-value assets	(70)
Effect of discounting	(159)
Effect of FX movements	(2)
Lease liabilities recognised at 1 January 2019	1,498

2.5 Future accounting developments

New standards and IFRIC Interpretations not yet adopted

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ended 31 December 2019. The Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

It is not expected that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

Notes to the financial statements

for the year ended 31 December 2019

3. Net interest expense

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Interest and similar income		
Loans to customers	2	3
	2	3
Interest and similar expense		
Due to banks	(11)	(12)
	(11)	(12)
Net interest and similar expense	**(9)**	**(9)**

4. Net fee and commission income

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Fee and commission income		
Inter-company corporate finance fees	8,054	6,855
Commitment fees	485	409
Other financial service fees	9	13
Other	1	0
	8,549	**7,277**
Fee and commission expense		
Due to inter-company	(495)	(423)
Other financial service fees	(941)	(924)
	(1,436)	**(1,347)**
Net fee and commission income	**7,113**	**5,930**

5. Profit for the year

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Profit for the year has been arrived at after charging:		
Depreciation expense on right-of-use assets (note 19)	319	-
Interest expense on lease liabilities	58	-
Expense relating to short-term leases and leases of low value assets	94	-
Cost of operating leases (note 19)	-	217
	471	**217**

Notes to the financial statements

for the year ended 31 December 2019

6. Auditor's remuneration

The Company incurred the following amounts due to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Audit of the financial statements	36	27
Other fees to auditor	4	6
	40	**33**

7. Personnel expenses

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Wages and salaries	2,850	2,930
Social security costs	45	86
Pension costs	41	38
	2,936	**3,054**

The average monthly number of employees (including executive directors) for the continuing operations during the year was made up as follows:

	2019 No.	2018 No.
Management	3	3
Trading and Marketing	7	7
Risk management and Compliance	4	4
Finance and Administration	7	5
	21	**19**

8. Directors' remuneration

Directors' remuneration represents amounts paid to five members of Directors for services to the Company. No long-term incentive scheme, accruing benefits, pension schemes or share options are not provided to the Directors.

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Emoluments	944	970

Directors' remuneration in respect of the highest paid director was €291,000 (2018: €388,000).

Notes to the financial statements

for the year ended 31 December 2019

9. Income tax expense

Income statement

The components of income tax expense for the year ended 31 December 2019 and 2018 are:

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Current tax:		
Corporation tax on profit for the year	12	121
Adjustment to current tax charge in respect of prior years	(10)	(7)
Current tax charge	2	114
Deferred tax:		
Relating to (origination) of temporary differences	107	3
Adjustment to deferred tax charge in respect of prior years	6	7
Impact of changing rates in deferred tax balances	(10)	-
Deferred tax charge	103	10
Income tax expense reported in the income statement	**105**	**124**

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting loss multiplied by the UK's domestic tax rate for the year ended 31 December 2019 and 2018 are as follows:

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Profit before tax on continuing operations	**746**	**602**
Tax at the UK corporation tax rate of 19% (2018: 19%)	142	114
Tax effect of expenses that are not deductible in determining taxable profit	(29)	13
Tax effect of depreciation on assets which do not qualify for capital allowances	6	-
Impact of changing rates in deferred tax assets	(10)	(3)
Adjustment to current tax charge in respect of previous periods	(10)	(7)
Adjustment to deferred tax charge in respect of previous periods	6	7
Income tax expense reported in the income statement	**105**	**124**

Notes to the financial statements

for the year ended 31 December 2019

9. Income tax expense (continued)

Deferred tax

The deferred tax accounted for in the balance sheet comprised the following deferred tax assets and liabilities. Deferred tax is calculated on temporary differences using the tax rate at which the temporary difference is expected to unwind. On 16th of March 2016, the UK Government announced changes to the UK corporation tax rate. Rates subsequently reduced from 20% to 19% from 1 April 2017 and will also reduce to 17% with effect from 1 April 2020.

	2018
	€'000
At 1 January	17
Tax expense	(7)
Accelerated capital allowances	(32)
Accrued expense	9
Professional expenses eligible to capital allowances	17
Effect of change in tax rate	3
At 31 December	7

	2019
	€'000
At 1 January	7
Tax expense	(5)
Accelerated capital allowances	(101)
Accrued expense	10
Professional expenses eligible to capital allowances	(17)
Effect of change in tax rate	10
At 31 December	(96)

Balance sheet disclosures

	2019	2018
	€'000	€'000
Current tax assets	48	-
Deferred tax assets	-	7
Current tax liabilities	-	34
Deferred tax liabilities	96	-

10. Cash at bank and in hand

	2019	2018
	€'000	€'000
Cash at bank or short term deposits	7,947	8,317
	7,947	**8,317**

Notes to the financial statements

for the year ended 31 December 2019

11. Property and equipment

	Leasehold improvements €'000	Computer hardware €'000	Office furniture and equipment €'000	Total €'000
Cost:				
At 1 January 2018	**587**	**179**	**103**	**869**
Additions	-	217	-	217
At 31 December 2018	**587**	**396**	**103**	**1,086**
Additions	1,159	176	168	1,503
Disposal	(587)	-	(68)	(655)
At 31 December 2019	**1,159**	**572**	**203**	**1,934**
Depreciation and impairment:				
At 1 January 2018	**581**	**150**	**99**	**830**
Depreciation charge for the year	6	20	2	28
Eliminated on disposals	-	-	-	-
At 31 December 2018	**587**	**170**	**101**	**858**
Depreciation charge for the year	140	143	20	303
Eliminated on disposals	(587)	-	(68)	(655)
At 31 December 2019	**140**	**313**	**53**	**506**
Net book value:				
At 31 December 2018	**0**	**226**	**2**	**228**
At 31 December 2019	**1,019**	**259**	**150**	**1,428**

Notes to the financial statements

for the year ended 31 December 2019

12. Intangible assets

	Computer software €'000
Cost:	
At 1 January 2018	**215**
Additions	7
At 31 December 2018	**222**
Additions	242
At 31 December 2019	**464**
Amortisation and impairment:	
At 1 January 2018	**211**
Amortisation charge for the year	5
At 31 December 2018	**216**
Amortisation charge for the year	92
At 31 December 2019	**308**
Net book value:	
At 31 December 2018	**6**
At 31 December 2019	**156**

13. Trade and other receivables

	2019 €'000	2018 €'000
Amounts falling due within one year:		
Amounts owing from inter-company	777	910
Prepayments	238	194
Accrued income	110	75
Other receivables	191	222
Amounts falling due after more than one year:		
Sundry deposits	258	257
	1,574	**1,658**

As at 31 December, 2019 and 2018, there were no receivables past their due date and the Directors estimated that all of the carrying value of trade and other receivables was recoverable. Amounts owing from inter-company is to be paid promptly on demand with zero interest. The carrying amount of trade and other receivables is approximately equal to their fair value. ECL is determined to be in effect nil due to low credit risk of parent and short term nature of receivables (refer to 2.3.3 Impairment).

Notes to the financial statements

for the year ended 31 December 2019

14. Trade and other payables

	2019	2018
	€'000	€'000
Amounts falling due within one year:		
Sundry creditors	31	269
Accruals	204	260
Interest payable	1	1
Fees due to inter-company	110	75
	346	**605**

Fees due to inter-company shall be paid promptly once the fees are received from borrowers. The carrying amount of trade and other payables is approximately equal to their fair value.

15. Provisions

	2019	2018
	€'000	€'000
Dilapidation provision	**334**	**188**

The movement in 2019 is as follows:

	2019
	€'000
At 1 January	188
Arising during the year	314
Utilisation of provision	(110)
Unused amounts reversed	(75)
Unwinding cost	4
Foreign exchange movement	13
	334

The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease on its premises.

16. Pensions

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Pensions cost – Defined contribution plan contributions	41	38
	41	**38**

Notes to the financial statements

for the year ended 31 December 2019

17. Issued capital and reserves

Ordinary shares

Issued and fully paid	**No. thousand**	**€'000**
At 31 December 2018	**7,500**	**7,500**
At 31 December 2019	**7,500**	**7,500**

On incorporation (5 June 2009), authorised share capital of €1,500,000 ordinary shares of €1 each was created, and the full amount was issued. A further €6,000,000 of share capital was authorised and issued in November 2009. The Company has one class of ordinary shares which carry no right to fixed income.

18. Contingent liabilities and commitments

	Year ended 31 Dec 2019	**Year ended 31 Dec 2018**
Commitments	**€'000**	**€'000**
Undrawn formal standby facilities, credit lines and other commitment to lend	65,719	64,613
	65,719	**64,613**

The commitment noted here is exactly matched by committed undrawn funding from the parent company. There is no impairment loss recognised in profit or loss on the commitment.

19. Leases

	Property	**Office equipment**	**Total**
	€'000	**€'000**	**€'000**
Right-of-Use Assets:			
At 1 January 2019	**1,427**	**29**	**1,456**
Additions	-	38	38
Depreciation	(290)	(29)	(319)
At 31 December 2019	**1,137**	**38**	**1,175**

As required by IAS 17, future minimum rentals payable under non-cancellable operating leases are as follows:

			2019			**2018**
	Property	**Office equipment**	**Total**	**Property**	**Office equipment**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Future minimum payments due:						
Not later than one year	-	-	-	202	32	234
After one year but not more than five years	-	-	-	1,827	7	1,834
After more than five years	-	-	-	-	-	-
	-	**-**	**-**	**2,029**	**39**	**2,068**

Notes to the financial statements

for the year ended 31 December 2019

19. Leases (continued)

The lease liabilities are initially measured at the present value of the future lease payments, discounted by using the Company's incremental borrowing rate, and subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities and by reducing the carrying amount to reflect the lease payments made. The value of lease liabilities was €1,522,000 at 31 December 2019. As the Company elected a practical expedient, the Company does not include the liabilities on short term and low value leases into lease liabilities. Note that the expenses of short term and low value leases recognised in income statement for 2019 was €92,000.

The total cash outflow for leases amount is €163,000 in 2019.

20. Related party disclosures

Compensation of key management personnel of the Company

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Short-term employee benefits	1,497	1,522

Transactions with other related parties

In addition to transactions with key management, the Company enters into transactions with Development Bank of Japan Inc. The following table shows the relevant transactions during the year.

	Year ended 31 Dec 2019 €'000	Year ended 31 Dec 2018 €'000
Income from related parties	8,054	6,855
Expense paid to related parties	495	423
Amounts owing from related parties	777	910
Amounts owing to related parties	110	75
Commitments from related parties	65,719	64,613

Terms and conditions of transactions with related parties

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions with third parties.

21. Financial risk management objectives and policies

21.1 Introduction

The Company's risk management framework is set out in its Risk Management Framework Policy which provides a minimum standard for risk management in the Company. The Company risk management framework sets out principles, roles and responsibilities for the management and monitoring of risk. The day-to-day assessment and management of risks is documented in the Company's policy documents.

21.2 Carrying amount and fair value

For all of the Company's financial assets and liabilities, the Directors estimate that the carrying amount shown in the financial statements approximates to their fair value. The fair value of the financial assets and liabilities is considered to be the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the financial statements

for the year ended 31 December 2019

21. Financial risk management objectives and policies (continued)

21.3 Credit risk

Credit risk is the risk that the Company will incur a loss because its clients or counterparties fail to discharge their contractual obligations. As all risks and rewards in relation to the loan and investment activities are assigned to the parent company, the Company does not incur any credit risk in relation to its loan booking business at the balance sheet date. Further, ECL on trade and other receivables is determined to be in effect nil due to low credit risk of parent and short term nature of receivables (refer to 2.3.3 Impairment).

21.4 Liquidity risk

The Company has a liquidity policy. The Company signed and agreed on a Multi-Currency revolving facility and Multi-Currency overdraft facility for the purpose of mitigating the risk. At 31 December 2019, the Company had £ 300,000,000 (2018: £300,000,000) of undrawn Multi-Currency revolving facility and £ 50,000,000 and $ 100,000,000 (2018: £50,000,000 and $100,000,000) of undrawn Multi-Currency overdraft facility available.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted repayment obligations.

Financial liabilities

	On demand €'000	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Over 5 years €'000	Total €'000
At 31 December 2019						
Due to inter-company	-	110	-	-	-	110
Due to Bank	-	81	-	-	-	81
Due to Supplier	-	67	-	-	-	67
Leases Note 19	-	117	333	1,190	-	1,640
	-	**375**	**333**	**1,190**	**-**	**1,898**
At 31 December 2018						
Due to inter-company	-	75	-	-	-	75
Due to Bank	-	75	-	-	-	75
Due to Supplier	-	375	-	-	-	375
	-	**525**	**-**	**-**	**-**	**525**

21.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

21.5.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. There has been no significant interest rate risk during the year.

21.5.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. The Company could be exposed to fluctuations in the Euro/pounds sterling exchange rates. To mitigate this, the net position of non-Euro balances including pounds sterling cash balance for working including is limited to up to €3,500,000 at the end of each month.

Notes to the financial statements

for the year ended 31 December 2019

21. Financial risk management objectives and policies (continued)

The following table details the Company's sensitivity to 8% increase and decrease in Euro against the relevant foreign currencies to which the Company had significant exposure at 31 December 2019. 8% is the rate used when reporting foreign currency risk internally in accordance with capital adequacy assessment required under Capital Requirements Directive ("CRD IV") and Capital Requirements Regulation. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in % 2019 €'000	Effect on profit before tax 2019 €'000	Effect on equity 2019 €'000
Sterling			
	8% higher	(30)	(30)
	8% lower	30	30

Currency	2018 €'000	2018 €'000	2018 €'000
Sterling			
	8% higher	(131)	(131)
	8% lower	131	131

22. Ultimate parent undertaking

DBJ Europe Limited is a wholly-owned subsidiary of Development Bank of Japan Inc., a limited liability company incorporated in Japan. The Directors of the Company consider Development Bank of Japan Inc. to be the ultimate parent undertaking of the Company. Development Bank of Japan Inc. is in turn wholly-owned by the Minister of Finance of Japan.

Consolidated financial statements of the smallest and largest group into which the Company is consolidated are available from 9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178, Japan.

23. Events After the Reporting Period

The emergence and spread of Covid-19 during these few months represents a non-adjusting post balance sheet event. At 31 December 2019, there were few reported cases and little confirmed evidence of its spread amongst humans. Since then, the development and spread of this virus happened and the World Health Organization (WHO) has officially announced the disease on 11 March 2020 as a global pandemic.
The Company's management performed the analysis of the possible impact of Covid-19 on DBJE's business and operations up to the signing date. The Company's operational disruption caused by Covid-19 shall be manageable by implementing its Business Continuity Management (BCM) Strategy. Further, the main possible risks that result in financial effects should be the currency risk. Every 10 % decrease of pounds sterling against EURO causes a net reduction of EUR 56,000 in income statement or equity based on the net FX exposure as of the balance sheet date. This impact should be not be material enough to lead to the business continuity risks.

Notes to the financial statements

for the year ended 31 December 2019

24. Capital (unaudited)

The Company maintains a sufficient capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using the rules and ratios adopted by the Financial Conduct Authority (FCA) in supervising the Company.

During the year, the Company has complied in full with all its externally imposed capital requirements.

Capital management
The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

There have been no material changes in the Company's management of capital during the year.

Regulatory capital
The Company manages its own regulatory capital and the Company's regulator is the FCA which imposes a minimum level of regulatory capital which must be retained.

On the basis of the company's permission granted by the FCA, the company is subject to the EU's Capital Requirements Directive (CRD IV) from 1 January 2014. As this company is an IFPRU limited licence firm, the standardised approach is applied for calculating the Pillar 1 minimum own funds requirement.

Own funds are comprised of Common Equity Tier 1 Capital, namely share capital and reserves, net of intangible assets. Pillar 1 own funds requirement is calculated as higher of (i) sum of own funds requirement for credit risk, market risk and settlement risk and (ii) fixed overhead requirement. Own funds and Pillar 1 own funds requirement at the balance sheet dates were as follows:

	2019 €'000	2018 €'000	
Own funds	**9,874**	**9,382**	
Common Equity Tier 1 capital	9,874	9,382	
Pillar 1 own funds requirement (risk weighted assets) (the higher of (i) and (ii))	**22,282**	**20,393**	
(i) Credit Risk	21,623	18,982	
(i) Market Risk	658	1,411	
(i) Settlement Risk	0	0	
(ii) Fixed Overhead requirement	14,646	14,722	
			Requirement
Common Equity Tier 1 Capital Ratio (calculated vs. Pillar 1)	44.3%	46.0%	>4.5%
Tier 1 Capital Ratio	44.3%	46.0%	>6.0%
Total Capital Ratio	44.3%	46.0%	>8.0%

The Company undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital needs. The outcome of the ICAAP is reviewed and approved by the Board.

The own funds requirements are also calculated and monitored against expected ranges and available resources. The own funds requirement, own funds and capital ratios are recalculated monthly and reported to the Board of Directors.

The Company has disclosed the information of Pillar 3 on the Website "http://www.pillar3.eu/".