Company Registration No. 02214224

Mitsubishi Corporation International (Europe) Plc

Annual Report and Financial Statements

31 March 2016

Mitsubishi Corporation International (Europe) Plc

Annual report and financial statements 2016

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Officers and professional advisers

Directors

H Hayashi
A Kurosawa
M Takada
M Kochi
J Nagase
T Shimizu
G Williams
M Pratt
A Fraser
J Rogers

Secretary

A Kawaguchi

Registered Office

Mid City Place
71 High Holborn
London
WC1V 6BA

Principal Bankers

Bank of America Merrill Lynch
5 Canada Square
London
E14 5AQ

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Mitsubishi Corporation International (Europe) Plc

Strategic report

The Directors present their Strategic Report for the year ended 31 March 2016 in accordance with section 414C of the Companies Act 2006.

The company's principal activities are those of trading in a broad range of commodities, industrial and consumer products, and the provision of services, including financing.

Review of the business and key performance indicators

Turnover for the year ended 31 March 2016 amounted to £448 million (2015: £501 million) and the gross profit percentage was 2.29% (2015: 3.08%). The decrease in turnover and gross profit percentage was mainly due to the decrease in aluminium transactions. Profit after taxation for the year ended 31 March 2016 amounted to £7.7 million (2015: £32.6 million), including dividend income of £4.7 million (2015: £18.5 million) from the company's European subsidiaries. The decrease in profit after tax was mainly due to a reduction in the profitability of the aluminium business within the Metal division and a reduction in dividend income from the European subsidiaries.

Other operating income net of expenses for the current year amounted to £18.0 million which is £3.5 million lower than last year (2015: £21.5 million). There was an increase in service and management fee income. The company has recognised foreign exchange gains of £6.5 million (2015: gains £3.1 million) as a result of favourable exchange rate changes. The total dividend income received during the year including dividends from European subsidiaries and from other investments amounted to £10.0 million (2015: £22.6 million). The reduction was mainly due to a reduction in dividend from the European subsidiaries as mentioned above.

The inventory holding level has decreased by approximately £101 million to £90 million as at 31 March 2016 compared to the prior year (2015: increase of £39 million to £191 million). The reduction in inventories is mainly due to a planned reduction in aluminium inventory levels as a result of challenging market conditions for the aluminium business. The proportion of current liabilities to current assets is 85% which is almost the same as in the previous year (2015: 84%).

During the year, the company has sold its shareholdings in Seabased AB, a company developing 'sea wave' technology. This investment was fully impaired in previous years and as a result the company has recognised a small profit from the disposal. On the other hand the company has recognised an impairment loss on its associate Deucalion MC Engine Leasing Ltd.

Taking into account the difficult market conditions for commodities the company has continued to perform reasonably well during the year ended 31 March 2016. The directors expect that the company will continue to perform satisfactorily although the prevailing market conditions present some challenges for the aluminium business. The directors remain committed to further strengthening internal controls and compliance to manage the risks to which the company is exposed.

Principal risks and uncertainties

Because of the nature of the company's trading and business model, it is exposed to various risks, all of which are monitored and controlled. However these risks could potentially have a material impact on the company's performance. The principal areas of risk relate to credit risk, foreign exchange currency risk, interest rate risk, price risk and liquidity risk. These are discussed below and in more detail in notes 13 and 17 to the financial statements.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk primarily arises since trade in most cases requires extending credit to customers, without which many would not trade with the company.

This risk is managed through taking out credit insurance wherever possible and also having rigorous monitoring and investigation carried out by the risk management department.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company trades in many products in many countries in different currencies and is exposed to currency risk.

To manage this, the company has established and follows a strict policy of entering into forward exchange contracts to match sales and purchases in different currencies, wherever this risk exists.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Interest rate risk

Interest rate risk is split into two different types of risks - cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. As the company has variable rate bank deposits and loans, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. A significant proportion of activity centres around funding made available to related parties, for which interest is charged at a market rate. Funding for this is borrowed and so a potential risk of movements in interest rates arises on both the borrowing and lending side.

As a matter of policy, risk is managed by ensuring that lending is on the same basis as borrowing so movements on one side are matched by movements on the other side.

Price risk

Price risk is the risk that commodities that are bought at market price will fall in value before the company has been able to sell them. By the nature of its trading, the company is exposed to price risk.

This risk is managed and controlled in different ways. Where possible the company enters into back-to-back transactions so that the buying price and selling price are fixed at the same time. Also for some of the commodities that are traded, there is a commodities exchange market. In this instance commodity futures are bought and sold to hedge physical trading positions.

Liquidity risk

Liquidity risk is the risk that the company will have insufficient short-term assets to finance short-term liabilities. The company has significant levels of short-term liabilities so it is open to liquidity risk.

The risk is managed by effective cash management and continual monitoring of short-term funding requirements and an enhanced risk management system to identify any potential problems early with the realisation of liquid assets. The company also has quick access to short-term funding from group sources.

The use of derivatives is governed by the company's policies approved by the board of directors, which provides written principles on the use of financial derivatives. The company wishes to strictly control risk positions that are taken. All significant foreign exchange risk should be hedged. Where price risk occurs this needs to be within pre-approved limits and the company will use futures to hedge that exposure. The overall position is constantly monitored to ensure adherence to agreed limits.

Future prospects

While the directors do not anticipate any significant changes in the business in the near future, the current economic environment does present a challenge to the company in maintaining its performance.

The company has a close relationship with its parent company and follows the group's strategic plan whenever possible. The company will continue to take up new challenges and adapt to changes which best suit the group's development plan. It is considered that the company is in a good position to deal with these challenges. Internal controls that identify and manage risk exposures and good relationships with customers will continue to be fundamental management tools in the day-to-day business operations.

Approved by the Board of Directors
and signed by order of the Board

H Hayashi
Managing Director
30 June 2016

Mitsubishi Corporation International (Europe) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Directors

The current directors are shown on page 1. The directors who served throughout the year, except as noted, and up to the date of this report were:

H Hayashi
Y Kitagawa (resigned 31 March 2016)
M Takada (appointed 1 April 2016)
A Kurosawa
J Kitaguchi (resigned 31 March 2016)
M Kochi (appointed 1 April 2016)
G Williams
M Kawamata (resigned 31 March 2016)
K Shiobara (resigned 31 March 2016)
J Nagase (appointed 1 April 2016)
T Shimizu (appointed 1 April 2016)
M Pratt
A Fraser
J Rogers

Dividends

The directors have recommended and paid a dividend of £16.3million during the year (2015: £19.5million). As set out in Note 22, in May 2016, the directors recommended a dividend of £10.3million to be paid on 30 June 2016.

Financial risk management objectives and policies and future prospects

Details of the company's financial risk management objectives and policies and future prospects can be found within the principal risks and uncertainties section of the Strategic Report and form part of this report by cross-reference.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. In addition the company has financing sources both from the group as well as third party banks. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board

H Hayashi
Managing Director
30 June 2016

Mitsubishi Corporation International (Europe) Plc

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc

We have audited the financial statements of Mitsubishi Corporation International (Europe) Plc for the year ended 31 March 2016 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed in 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 and the Directors' Report.

Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 June 2016

Mitsubishi Corporation International (Europe) Plc

Income statement
Year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	1, 2	447,761	501,299
Cost of sales		(437,524)	(485,838)
Gross profit		10,237	15,461
Administrative expenses		(28,401)	(26,006)
Other operating income and expenses	5	18,028	21,568
Operating (loss)/profit	4	(136)	11,023
Dividend income from shares in group undertakings		8,945	21,955
Profit from sales of fixed asset investment	11	64	1,936
Income from other fixed asset investment		1,031	676
Impairment of fixed asset investment	11	(1,745)	(74)
Interest income	6	421	628
Interest expense	7	(808)	(1,081)
Profit before taxation		7,772	35,063
Tax	8	(28)	(2,464)
Profit after taxation attributable to owners of the Company		7,744	32,599

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Statement of comprehensive income
Year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Profit for the financial year		7,744	32,599
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on pension scheme	18	(2,179)	(2,336)
UK deferred tax credit attributable to actuarial loss	18	-	467
Items that may be reclassified subsequently to profit or loss:			
Gains arising on available for sale financial assets during the period		123	408
Movement on cash flow hedges	17	(8)	4
Tax relating to items that may be reclassified		(6)	(79)
Total other comprehensive expense for the period net of tax		(2,070)	(1,536)
Total comprehensive income for the period		5,674	31,063

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Statement of changes in equity
Year ended 31 March 2016

	Called up share capital £'000	Revaluation reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2014	**120,658**	**241**	**-**	**15,408**	**136,307**
Profit for the period	-	-	-	32,599	32,599
Other comprehensive income/(expense) for the period	-	330	3	(1,869)	(1,536)
Total comprehensive income for the period	**-**	**330**	**3**	**30,730**	**31,063**
Dividends payable	-	-	-	(19,507)	(19,507)
Balance at 31 March 2015	**120,658**	**571**	**3**	**26,631**	**147,863**
Profit for the period	-	-	-	7,744	7,744
Other comprehensive income/(expense) for the period	-	115	(6)	(2,179)	(2,070)
Total comprehensive income/(expense) for the period	**-**	**115**	**(6)**	**5,565**	**5,674**
Dividends payable	-	-	-	(16,300)	(16,300)
Balance at 31 March 2016	**120,658**	**686**	**(3)**	**15,896**	**137,237**

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Balance sheet
As at 31 March 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	9	325	249
Property, plant and equipment	10	2,146	929
Investments	11	93,720	95,271
Trade and other receivables	13	-	18
Derivative assets	17	1,570	354
Deferred tax assets	8	255	426
		98,016	97,247
Current assets			
Inventories	12	90,189	191,450
Trade and other receivables	13	131,265	101,141
Derivative assets	17	12,956	29,220
Cash and cash equivalents		23,239	1,786
		257,649	323,597
Current liabilities			
Bank loans and overdrafts	14	(15,028)	(14,132)
Trade and other payables	14	(193,908)	(253,892)
Derivative liabilities	17	(7,494)	(4,533)
Deferred income		(1,561)	(75)
		(217,991)	(272,632)
Net current assets		39,658	50,965
Total assets less current liabilities		137,674	148,212
Non-current liabilities			
Derivative liabilities	17	(437)	(278)
Other payables	14	-	(71)
		(437)	(349)
Net assets		137,237	147,863
Equity			
Share capital	15	120,658	120,658
Hedging reserve		(3)	3
Revaluation reserve		686	571
Profit and loss account		15,896	26,631
Equity attributable to owners of the company		137,237	147,863

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 30 June 2016.

Signed on behalf of the Board of Directors

H Hayashi
Managing Director

Notes to the financial statements
Year ended 31 March 2016

1. Accounting policies

a) Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Mitsubishi Corporation International (Europe) Plc is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and inventories.

Group financial statements

These financial statements present information about the company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the company is a wholly-owned subsidiary of Mitsubishi Corporation, a company incorporated in Japan and so is therefore exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare and deliver group financial statements.

Cash flow statement and disclosure exemptions

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cashflow statement, standards not yet effective, presentation of comparative information in respect of certain assets, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Mitsubishi Corporation which are available to the public and can be obtained as set out in note 19.

Going concern

The company has policies in place to ensure the risks mentioned in the Strategic Report and Directors' Report and notes 13 and 17 are within management's scrutiny and control. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. In addition the company has financing sources both from the group as well as third party banks.

As discussed in the Review of the business and key performance indicators of the Strategic Report, the company has continued to perform reasonably well given the difficult market conditions for commodities during the year ended 31 March 2016. The company has a strong balance sheet with positive net current assets and shareholders' equity. The total borrowings of the company as at 31 March 2016 of £182.7 million (2015: £235.7 million) (bank loans, overdrafts and intergroup balances – see note 14) are short-term facilities.

1. Accounting policies (continued)

Going concern (continued)

These are matched to a large extent against the aggregate of cash and cash equivalents of £23.2 million (2015: £1.8 million), trade receivables of £83.1 million (2015: £53.7 million) (see note 13), amounts receivable from other group companies of £33.6 million (2015: £35.4 million) (see note 13) which are on terms similar to the borrowings and inventories of £90.2 million (2015: £191.4 million) (see note 12), a large portion of which relates to commodities that are traded on international exchanges and therefore considered to be liquid and easily convertible to cash. While the bank borrowings and facilities are current and uncommitted, the directors are of the opinion that these will remain available to the company for the foreseeable future.

Based on the above factors, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the company continues to adopt the going concern basis in preparing the annual report and financial statements.

Intangible assets

Software assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives, estimated to be approximately three years. Amortisation expenses are recognised within administration expenses in profit and loss. Provision is made for any impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. Office equipment has an estimated useful life of four years and IT equipment has an estimated useful life of three years, all other assets have an estimated useful life of four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Inventories

Inventories except aluminium are stated at the lower of cost and net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and cost to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

All aluminium inventories are valued at fair value, determined at the quoted price of aluminium at the London Metal Exchange (LME) at the balance sheet date, plus the approximate market premium/discount published by *Metal Bulletin* at that date less costs to sell.

Revenue

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Turnover is recognised at the point where delivery of goods is made. For those transactions where the company takes significant risk in terms of inventory, pricing or credit, turnover is recognised as principal. Where no significant risk passes to the company and the company acts as either agent or broker then only the commission receivable is recorded as turnover.

Interest income is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income consists mainly of fees charged for non-trading services which are recognised on an accruals basis.

Dividend income from investments is recognised when the company's right to receive payment has been established.

1. Accounting policies (continued)

Foreign exchange

The company's financial statements are presented in pounds sterling which is the currency of the primary economic environment in which it operates and is deemed to be its functional currency.

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions. Resulting differences on translation are charged or credited to profit and loss.

In order to hedge its exposure to certain foreign exchange risks the company enters into forward contracts. See below for details of the company policy on such derivatives and financial instruments.

Leases

Rental costs under operating leases are charged to profit and loss in equal annual amounts over the period of the leases. For operating leases where the company acts as lessor, rental income is credited to profit and loss in equal instalments over the period of the lease.

Pension costs

The company operates both a defined benefit and a defined contribution pension scheme. The defined benefit scheme closed to future accrual of final salary benefits on 28 February 2015. The company is planning for a buy out of the pension scheme in the next financial year.

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

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

For defined contribution schemes the amount charged to profit and loss in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at the amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

1. Accounting policies (continued)

Taxation (continued)

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 difference and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in profit and loss, 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 related 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.

Deferred taxation is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

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

Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Investments

Investments are stated at cost less any provision for impairment in all cases where the ultimate holding company holds a majority stake, as the company has no control of the cash flows or the eventual selling price. All other investments, including investments held as current assets, are classified as available-for-sale and are stated at fair value except where the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed, in which case the investment is stated at cost less provisions for impairment as an approximation to fair value. Changes in fair value are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period. Provisions for impairment are recognised in profit and loss.

1. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash 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.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit and loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded when the proceeds are received net of direct issue costs.

Derivative financial instruments and hedge accounting

The company's activities expose it primarily to the financial risks of changes in price and changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge its foreign exchange exposure and uses futures as traded on the London Metal Exchange to manage against any price risk exposure on its aluminium trading operations. However, the company does not apply hedge accounting under IAS39 Financial Instruments: recognition and measurement for these derivatives used to manage price risk on commodities. The company only uses derivative financial instruments for speculative purposes to a limited extent with board approval.

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis the company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 17 sets out the details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of other comprehensive income.

1. 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 hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

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

The company also hedges the foreign currency exchange risks on certain investments (the 'hedged item') that are denominated in US dollars. Such investments are hedged against loans in the same foreign currency of the same value and similar maturity profile (the 'hedging instrument').

Fair value hedges that meet the hedge accounting criteria are accounted for as follows:

- The gain or loss from re-measuring the hedging instrument at fair value is recognised in profit and loss; and
- The carrying amount of the hedged item is adjusted through profit and loss for the gain or loss on the hedged item attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

1. Accounting policies (continued)

Evaluating the substance of transactions and gross versus net presentation of revenue

The company and its employees undertake a very wide range of business activities. These involve trading in goods on the company's own account and as an intermediary on behalf of others, as well as performing a range of management, treasury and other services on behalf of other Mitsubishi group undertakings.

Management is required to exercise judgement in order to determine to what extent, if at all, the company is exposed to the significant risks and rewards of these business activities. This judgement determines whether the company should recognise revenue and profit at all, for example where transactions may have the legal form of a sale but do not expose the company to any significant risks and rewards of the underlying goods or services and whether the company should recognise revenue on a principal or agency basis, where the company is acting as an intermediary. Management judgement is also required to determine the appropriate revenue recognition policy to apply, for example where transactions have the legal form of a sale but where the substance of the transaction is that of an inventory lending or financing transaction.

In making these judgements, management considers the detailed guidance set out in IAS 18 Revenue and IAS 39 Financial instruments: recognition and measurement, in particular whether the company has received from, or transferred to, the counterparty the significant risks and rewards of the goods, services or financial instruments.

Fair value measurements

The company has material assets and liabilities which are measured at fair value or fair value less costs to sell, most notably the company's derivatives and aluminium inventories. Fair value measurements are based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. In almost all cases where fair value accounting is applied the company has chosen not to apply the hedge accounting requirements of IAS 39 Financial instruments: recognition and measurement and as a result the full unrealised gains and losses resulting from the revaluation of these assets and liabilities at each reporting date are recognised directly in profit and loss.

Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions rarely exist. Further details of the techniques applied, inputs used and the sensitivity to changes are given in notes 11 and 17 to the financial statements.

Assessment that the range of fair value measurements for certain available-for-sale investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed

The company has certain available-for-sale equity investments for which no quoted market price in an active market is available (see note 11). These investments represent minority shareholdings in a number of businesses that the company invested in to augment its trading activities or the wider Mitsubishi group's long-term strategic goals. None of the shares have a quoted market price in an active market and the company's investments are all small percentages of the total in the context of long-term ownership of controlling interests by other investors which do not give the company significant influence over the cash flows or operating and financial policies of these investments.

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

1. Accounting policies (continued)

Assessment of events and changes in circumstances which may indicate the impairment of assets

Investments in subsidiaries and associates, other investments (see note 11), loans and receivables (see note 13), intangible assets (see note 9) and property, plant and equipment (see note 10) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these investments may not be fully recoverable. While IAS 36 Impairment of assets provides examples of events and changes within the company and in its external environment which should be considered as a minimum for this assessment, the application of management judgement is required in determining whether other events and changes in circumstance may also be indications of impairment. Management judgement is also required to determine the significance of the impact of identified events and changes in circumstances on the company's assets, the determination of which may also involve making judgements and estimates about the likelihood of future events.

If an asset's recoverable amount is less than the asset's carrying amount, an impairment is recognised in profit and loss. Estimates which are used to calculate the asset's recoverable amount are discounted using asset specific discount rates and are based on expectations about future cash flows. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

Measurement of post-employment benefit liabilities

The defined benefit pension scheme's assets are measured at fair value, the estimation uncertainty around which is discussed above. The present value of the defined benefit pension scheme's liabilities is also dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations.

Management judgement and estimates are also required in determining the extent of the economic benefit the company will receive from the surplus, either through refund or a reduction in future contributions and whether additional deficit reduction contributions might be required which would require immediate provision. Further details of the techniques applied, inputs used and the sensitivity to changes of the net pension liabilities are given in note 18 to the financial statements.

Additional insured annuity contracts were purchased in the year to further reduce risks in the scheme and the company is planning for a buy out of the pension scheme in the next financial year; however, while management expects that the probability of the planned buy out going ahead is high it has assessed that as at 31 March 2016 the company retains both a legal and constructive obligation to the scheme. As such the company has not recognised a settlement in the year and has continued to recognise the scheme assets and liabilities.

2. Revenue

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

	2016 £'000	2015 £'000
Sales of goods and services ("turnover")	447,761	501,299
Service and management fees income	16,167	15,012
Interest receivable and similar income (note 6)	421	628
Dividend income	9,976	22,631
Total revenue	474,325	539,570

An analysis of the company's turnover by type of transactions:

Turnover represents:

- gross sales with respect to transactions in which the company is named as principal;
- commission receivable for transactions in which the company acts as a disclosed settlement agent; and
- brokerage commission receivable.

Turnover comprises:

	2016 £'000	2015 £'000
Principal	442,259	494,947
Agency	2,787	3,217
Brokerage	2,715	3,135
	447,761	501,299

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

	2016 £'000	2015 £'000
From customers located within the United Kingdom	93,576	96,002
From customers located outside the United Kingdom	354,185	405,297
	447,761	501,299

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3. Information regarding directors and employees

	2016	2015
	£'000	£'000
Directors' emoluments:		
Emoluments	1,574	1,870
Company contributions to money purchase pension scheme	60	32
	1,634	1,902
	No.	No.
Number of directors who are members of a money purchase pension scheme	2	2
	£'000	£'000
Remuneration of the highest paid director	624	851
	No.	No.
Average number of persons employed (including directors)		
Trading and administration	169	169
	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	7,296	7,956
Social security costs	1,055	1,017
Pension costs/(credits)	897	(1,264)
Cost in respect of parent company's employees on secondment	5,950	5,489
	15,198	13,198

The company's defined benefit pension scheme closed to future accrual of final salary benefit on 28 February 2015 and as a result a past service credit of £2.3million was recognised in profit and loss for the year ended 31 March 2015. Please refer to note 18 for further details.

Notes to the financial statements
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4. Operating (loss)/profit

Operating (loss)/profit is stated after charging the following amounts:

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	637	145
Amortisation of intangible assets	116	163
Net rentals payable under operating leases - property (note 16)	1,558	1,711
Staff costs	16,832	15,100
Fees payable to the company's auditor for the audit of the company's annual accounts	207	192
Fee payable to the company's auditor and their associates for other services to the company		
– Audit-related assurance services	247	230
– Taxation compliance services	78	73
– Others/Pensions advice	6	57

5. Other operating income and expenses

	2016 £'000	2015 £'000
Service and management fees income	16,167	15,012
Net foreign exchange gains	6,485	3,081
Other items of operating (expense)/income	(4,624)	3,475
	18,028	21,568

Service and management fees include management, IT and other recharges to various group companies for services provided. Other items of operating income and expense consist mainly of fair value gains and losses on foreign exchange contracts, gains and losses on disposal of property, plant and equipment as well as movements in bad debt and other provisions.

6. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from group undertakings	132	168
Interest receivable from associates	56	183
Bank and other interest receivable	200	264
Net interest income on the net defined benefit asset	33	13
	421	628

7. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on bank loans and overdrafts	108	93
Interest payable to group undertakings	700	988
	808	1,081

8. Tax charge on profit on ordinary activities

(i) The tax charge comprises:

	2016 £'000	2015 £'000
United Kingdom corporation tax	(155)	1,632
Adjustment in respect of prior years	17	(170)
Foreign tax	1	9
Total current tax	(137)	1,471
Deferred tax		
Origination and reversal of temporary differences	165	993
Total deferred tax	165	993
Total tax on profit on ordinary activities	28	2,464

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

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	7,772	35,063
Tax at 20 % (2015: 21%) thereon:	(1,554)	(7,363)
Effects of:		
Expenses not deductible for tax purposes	(582)	(171)
Pension adjustment	549	859
Fixed asset timing differences	(47)	26
Foreign tax suffered	(1)	(9)
United Kingdom dividend income	1,789	4,611
Other income not chargeable for tax purposes	-	406
Prior year adjustments	(17)	170
Total tax charge for the year	137	(1,471)
Total deferred tax	(165)	(993)
Total tax on profit on ordinary activities	(28)	(2,464)

8. Tax charge on profit on ordinary activities (continued)

(iii) Tax recognised in other comprehensive income comprises:

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

	2016 £'000	2015 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income		
Revaluation of available-for-sale financial assets	(8)	(78)
Deferred tax attributable to actuarial loss	-	467
Revaluations of financial instruments treated as cash flow hedges	2	(1)
Total income tax recognised in other comprehensive income	(6)	388

(iv) Deferred taxation

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

	Accelerated tax depreciation £	Others £	Revaluation of financial assets £	Retirement benefit obligations £	Total £
At 31 March 2015	140	79	(143)	350	426
(Charge)/credit to profit or loss	(75)	35	-	(125)	(165)
(Charge)/credit to other comprehensive income	-	2	(8)	-	(6)
At 31 March 2016	65	116	(151)	225	255

The company has no unused trading or capital losses as at the balance sheet date.

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 (after offset) for financial reporting purposes:

	2016 £'000	2015 £'000
Deferred tax liabilities	(151)	(143)
Deferred tax assets	406	569
	255	426

The Finance Act 2014, which provides for reductions in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. In the 2015 Summer Budget, the Chancellor announced additional reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) and these were enacted on 18 November 2015. This will reduce the company's future current tax charge accordingly. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

9. Intangible assets

	Software £'000	Total £'000
Cost		
At 31 March 2015	2,045	2,045
Additions	192	192
Disposals	-	-
At 31 March 2016	2,237	2,237
Accumulated depreciation		
At 31 March 2015	1,796	1,796
Charge for the year	116	116
Disposals	-	-
At 31 March 2016	1,912	1,912
Net book value		
At 31 March 2016	325	325
At 31 March 2015	249	249

10. Property, plant and equipment

	Vehicles £'000	Furniture, fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 31 March 2015	27	2,534	653	3,214
Additions	-	1,626	236	1,862
Disposals	-	(173)	(20)	(193)
At 31 March 2016	27	3,987	869	4,883
Accumulated depreciation				
At 31 March 2015	1	1,891	393	2,285
Charge for the year	7	504	126	637
Disposals	-	(165)	(20)	(185)
At 31 March 2016	8	2,230	499	2,737
Net book value				
At 31 March 2016	19	1,757	370	2,146
At 31 March 2015	26	643	260	929

11. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Investment in associates £'000	Other investments £'000	Total £'000
Cost					
At 31 March 2015	87,010	2,379	2,251	5,103	96,743
Additions	90	-	-	-	90
Disposals/capital redemption	-	-	-	(947)	(947)
Fair value movement	-	1	-	122	123
Foreign currency revaluation	-	-	74	-	74
At 31 March 2016	87,100	2,380	2,325	4,278	96,083
Provision					
At 31 March 2015	-	74	-	1,398	1,472
Additions	-	-	1,745	-	1,745
Disposals	-	-	-	(947)	(947)
Foreign currency revaluation	-	-	93	-	93
At 31 March 2016	-	74	1,838	451	2,363
Net book value					
At 31 March 2016	87,100	2,306	487	3,827	93,720
At 31 March 2015	87,010	2,305	2,251	3,705	95,271

Shares in subsidiary undertakings

In October 2015 the company acquired 100% of Mitsubishi Hellas A.E.E. in Greece. The shares in subsidiary undertakings represents the six European subsidiaries of the company located in Germany, Spain, Italy, Netherlands, France and Greece. All the subsidiaries' principal activities relate to general trading of commodities and the provision of services.

Shareholdings in subsidiaries are as follows:

Company name	Country of incorporation	Shareholding %	£'000
Mitsubishi International G.m.b.H	Germany	100	59,312
Mitsubishi France S.A.	France	100	15,072
Mitsubishi Italia S.p.A	Italy	100	1,468
Mitsubishi Nederland B.V.	Netherlands	100	7,292
Mitsubishi Espana S.A.	Spain	100	3,866
Mitsubishi Hellas A.E.E.	Greece	100	90
Total			**87,100**

In the opinion of the directors, there is no impairment to the carrying value of the subsidiaries.

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Year ended 31 March 2016

11. Investments (continued)

Shares in other group undertakings

Company name	Country of incorporation	Shareholding %	£	Class	Principal business activity
Princes Limited	United Kingdom	10	700,000	Ordinary	Trading in canned foods
Triland Metals Limited	United Kingdom	9.09	1,431,764	Ordinary	Metal brokerage
Green Power Development	Netherlands	0.12	18,266	Special Member	Development of wind power projects
Mitsubishi Corporation LT Europe G.m.B.H.	Germany	21.67	156,282	Ordinary	Logistic services
			2,306,312		

The company's investments in shares in other group undertakings represent non-controlling interests in these companies. None of the shares have a quoted market price in an active market and all of the shares in all of the companies except Green Power Development are wholly owned between various Mitsubishi group undertakings which intend to hold them as long-term investments. Given the lack of marketability of the shares, the context of long-term ownership of controlling interests in the investments by other Mitsubishi group undertakings and the fact that the company's investments in the shares do not give it control or significant influence over the cash flows or operating and financial policies of these investments the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these group undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured these investments at cost as an approximation to fair value.

11. Investments (continued)

Investment in associates

This represents an unlisted investment of £0.5 million (US$0.7million) in an Irish associate, Deucalion MC Engine Leasing Ltd (DMCELL), which specialises in aircraft engine leasing in which the company has a 40% shareholding. As at year end DMCELL is in the final stages of selling its last remaining engine asset, following which it will start a liquidation process, in accordance with the original investment plan. During the year, the company has recognised an impairment loss of £1.7m, of which £1.3m was received as dividend income as return of capital following the sale of DMCELL's engine assets. To hedge against foreign currency movements, the company has a designated loan of a similar amount as a fair value hedge of this investment.

Other investments

All other investments represent minority shareholdings in a number of businesses that the company invested in to augment its trading activities or the wider Mitsubishi group's long-term strategic goals. None of the shares have a quoted market price in an active market and the company's investments are all small percentages of the total in the context of long-term ownership of controlling interests by other investors which do not give the company significant influence over the cash flows or operating and financial policies of these investments. The directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in these undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured these investments at cost as an approximation to fair value.

The most significant other investment is the £3.8 million (US$5.5 million) investment for approximately 1% share in Capula Investment Management LLP and Capula Management Ltd, a hedge fund manager and hedge fund management company respectively.

During the year the company has sold its entire shareholding in Seabased AB, a Swedish company which develops 'sea wave' technology for power generation. A full provision for impairment was recognised against the £1 million cost of this investment in 2013 due to delays in the underlying project. As a result the company has recognised a small profit of £0.06 million from the disposal.

12. Inventories

	2016 £'000	2015 £'000
Aluminium inventories held at fair value less costs to sell	85,071	186,653
Other inventories held at the lower of cost and net realisable value	5,118	4,797
Finished goods and goods for resale	90,189	191,450

13. Trade and other receivables

	2016 £'000	2015 £'000
Amounts due within one year:		
Trade receivables	84,102	54,383
Less: allowance for doubtful receivables	(1,012)	(705)
	83,090	53,678
Amounts owed by parent company and fellow subsidiary undertakings	33,572	35,380
Amount owed by associates	-	2,765
Loans to third parties	6,810	6,598
Corporation tax receivable	242	187
VAT receivable	823	1,749
Prepayments	6,123	405
Accrued income	605	379
	131,265	101,141
Amounts due after more than one year:		
Other prepayment	-	18
	-	18
Total trade and other receivables	131,265	101,159

All trade receivables that are due within one year have a maturity of nine months or less and are non-interest bearing and therefore do not expose the company to material interest rate risk.

The loans to fellow subsidiary undertakings have no fixed repayment terms. The loans carry interest at LIBOR plus an appropriate margin for group finance. In the opinion of the directors the carrying amount is a reasonable approximation of fair value. The loan to the associated company carries interest at the company's borrowing rate plus an appropriate margin.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk arises from trade receivables due to the fact that trading in most cases requires extending of credit to customers which otherwise may not trade with the company. The company's principal customers, suppliers and financial institutions with which it conducts business are spread across diverse geographical areas.

13. Debtors (continued)

Credit risk management (continued)

The company has stringent policies in place, managed by a specialist risk management team, which govern the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals in line with the company's delegation of authority. The company limits the credit risk by evaluating the potential counterparties before entering into transactions with them and continues to monitor and assess their creditworthiness after transactions have been initiated. Creditworthiness is assessed using information from various sources, an internal credit rating system and qualitative and quantitative data. The system of internal credit rating is based on statistical analysis, with customers being individually rated.

The company attempts to minimise credit risk through using credit insurance wherever considered appropriate and rigorous monitoring of receivables. Depending on the creditworthiness of the counterparty the company may require collateral in the form of guarantees, letters of credit and cash. As at 31 March 2016 the company has credit exposure of £45.30 million (31 March 2015: £23.96 million) covered by parent and third party guarantees in relation to its trade receivables. Credit exposure to any low rated single non-related counterparty or any group of counterparties having similar characteristics is not considered to be significant. The company defines counterparties as having similar characteristics if they are part of the same corporate group.

The company's maximum exposure to credit risk is largely limited to the carrying amount of its receivables, cash and derivatives.

Included in the company's trade receivables balance are debtors with a carrying amount of £0.02 million (31 March 2015: £0.02 million) which are more than 30 days overdue at the reporting date for which the company has not provided since there has not been a significant change in credit quality and the company believes that the amounts are still recoverable.

Below is the table showing the movement in the provision against doubtful receivables which are aged from current to over one year. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely.

Movement in the allowance for doubtful receivables

	2016	**2015**
	£'000	**£'000**
Balance at the beginning of the year	705	1,732
Exchange difference	12	21
Provision charged during the year	295	26
Provision used during the year	-	(1,074)
Provision reversed during the year	-	-
Balance as at end of the year	1,012	705

14. Trade and other payables

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade payables	19,212	23,430
Amounts owed to parent company and fellow subsidiary undertakings	167,736	221,597
Corporation tax	-	-
Other taxation and social security	391	366
Accruals	6,569	8,499
	193,908	253,892
Amounts falling due after more than one year		
Other payable	-	71
	-	71
Total trade and other payables	193,908	253,963

All trade payables and amounts owed to the parent for trading transactions are due within one year and are non-interest bearing and therefore do not expose the company to material interest rate risk.

	2016 £'000	2015 £'000
Bank loans and overdrafts (unsecured)		
The borrowings are repayable as follows:		
On demand or within one year	15,028	14,132

Analysis of borrowings by currency

	US$ £'000	EUR £'000	CHF £'000
31 March 2016			
Bank loans	15,028	-	-
31 March 2015			
Bank loans	13,405	723	4

In the opinion of the directors the contracted interest rates for borrowings are not materially different from the effective interest rates and accordingly the carrying amount of bank loans and overdrafts and amounts owed to parent company and fellow subsidiary undertakings is a reasonable approximation of fair value. Further information in respect of interest rate risk is presented in note 17 to the financial statements.

15. Called up share capital

	2016 £'000	2015 £'000
Called up, allotted and fully paid:		
120,658,154 (2015: 120,658,154) ordinary shares of £1 each	120,658	120,658

16. Operating lease commitments

At 31 March 2016, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2016 £'000	2015 £'000
Leases which expire:		
- within one year	3,107	2,242
- between two and five years	12,426	12,428
- after five years	17,086	20,196

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2016 is £13.2million (2015: £14.5million).

The company has entered into an operating lease for its office premises. The lease is due to expire in 2026. The company subleases part of the office premises to fellow group companies over the same lease term.

The gross rental expense charged to profit and loss is £2.8million (2015: £2.7million) with sub-lease income from the fellow group companies of £1.2million (2015: £1.0million).

17. Derivatives and financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Financial risk management objectives

The company's treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles for the management of foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. It is not the policy of the company to enter into these derivative positions on a speculative basis except to a very limited extent with board approval, and firm rules and procedures are in place to ensure that the company follows these policies and that the company risk position is properly managed.

The company has entered into a number of financial instruments as part of its trading portfolio, which are used as hedging tools to match the risks to which the company is exposed. It is the company policy to use these financial instruments and derivatives to hedge outstanding assets and liabilities or transactions that have not yet been undertaken but to which there is a firm commitment or highly probable forecast transaction.

The company is exposed to certain risks and applies the appropriate hedge to match that risk. Where trading exposes the company to foreign exchange risk, forward exchange contracts are entered into to hedge the risk. If the company is exposed to credit risk it will, where appropriate, take out credit insurance to help manage that risk. Where it trades in commodities physically that are also traded on terminal markets it will use futures contracts to hedge any price exposure that it may have.

A summary of the financial instruments of the company, by category, including the estimate of fair value is as follows:

At 31 March 2016

	Loans and receivables £'000	Available-for-sale £'000	Amortised cost £'000	Designated hedging relationships £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets							
Non-derivative assets	124,077	-	-	-	-	124,077	124,077
Derivative assets	-	-	-	-	14,526	14,526	14,526
Available-for-sale investments	-	6,133	-	-	-	6,133	6,133
Cash and cash equivalents	23,239	-	-	-	-	23,239	23,239
Financial liabilities							
Non-derivative liabilities	-	-	(29,525)	-	-	(29,525)	(29,525)
Derivative liabilities	-	-	-	(4)	(7,927)	(7,931)	(7,931)
Bank overdrafts and other loans							
Current	-	-	(179,020)	-	-	(179,020)	(179,020)
Non-current	-	-	-	-	-	-	-

17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

At 31 March 2015

	Loans and receivables £'000	Available-for-sale £'000	Amortised cost £'000	Designated hedging relationships £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets							
Non-derivative assets	98,818	-	-	-	-	98,818	98,818
Derivative assets	-	-	-	4	29,570	29,574	29,574
Available-for-sale investments	-	6,010	-	-	-	6,010	6,010
Cash and cash equivalents	1,786	-	-	-	-	1,786	1,786
Financial liabilities							
Non-derivative liabilities	-	-	(42,813)	-	-	(42,813)	(42,813)
Derivative liabilities	-	-	-	-	(4,811)	(4,811)	(4,811)
Bank overdrafts and other loans							
Current	-	-	(224,916)	-	-	(224,916)	(224,916)
Non-current	-	-	-	-	-	-	-

Please refer to note 11 for further disclosure on the fair value of available-for-sale investments. In the opinion of the directors, the carrying values of the financial instruments above approximate to the fair values.

The fair value of the derivative financial instruments at the balance sheet date was as follows:

	2016 £'000	2015 £'000
Assets:		
Current derivative assets		
- Currency derivatives	1,057	6,285
- Aluminium commodity contracts	11,899	22,935
	12,956	29,220
Non-current derivative assets		
- Currency derivatives	210	177
- Aluminium commodity contracts	1,360	177
	1,570	354
Liabilities:		
Current derivative liabilities		
- Currency derivatives	2,825	3,148
- Aluminium commodity contracts	4,669	1,385
	7,494	4,533
Non-current derivative liabilities		
- Currency derivatives	138	183
- Aluminium commodity contracts	299	95
	437	278

17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

The fair values for currency derivatives were calculated using the closing price published in *The Financial Times* on the last working day of the month and forward point adjustment from Reuters also on the last working day. The fair values for commodity contracts were calculated using the applicable closing rates on the London Metal Exchange and the market premium published by *Metal Bulletin.*

Hedge accounting

While the company makes extensive use of derivative financial instruments to hedge the risks to which it is exposed, it applies hedge accounting under IAS 39 Financial instruments: recognition and measurement only in limited circumstances. The hedging transactions the company undertakes that are not recognised in profit and loss are cash flow hedges in respect of foreign exchange forward contracts and other financial instruments used to hedge variations in cash flows likely to arise out of changes in foreign currency exchange rates and commodity prices for highly probable forecast future transactions and firm commitments.

In addition, the company also uses a fair value hedge for its investment in an associate. The only risk hedged is foreign currency risk as this investment is US dollar denominated and is hedged by equivalent borrowings also denominated in US dollars. The total exchange gain recognised in profit and loss on this investment during the year as a result of this fair value hedge was £74,000 (2015: £255,000), offset by a loss of a similar amount on the loan.

Below is a summary of the aggregate gains and losses that are recognised directly in other comprehensive income:

	2016 £'000	**2015 £'000**
Aggregated gains on foreign exchange hedges	-	4
Aggregated losses on foreign exchange hedges	(4)	-
Net (losses)/gain on foreign exchange hedges	(4)	4
(Losses)/gains for the year deferred to other comprehensive income	(4)	4
Recycling of amounts from hedging reserve to profit and loss	(4)	-
Net (losses)/gains for the year	(8)	4

As at 31 March 2016, there were two designated and effective cash flow hedges which have been deferred in other comprehensive income.

The following table details the forward foreign currency contracts outstanding as at the year end designated for cash flow hedges:

Outstanding contracts	**Foreign currency**		**Contract value**		**Fair value**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Cash flow hedges						
Buy US dollars	**$'000**	**$'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than three months	1,152	190	806	124	(4)	4
	1,152	190	806	124	(4)	4

Effectiveness testing is carried out on each cash flow hedge on inception and at the reporting dates. Management have assessed the above hedges to be highly effective.

17. Derivatives and financial instruments (continued)

Market risk

The company's activities expose it to the financial risks of changes in commodity price and foreign currency exchange rates. The company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk; and
- futures as traded on the exchanges to hedge against any price risk exposure on its aluminium trading operations.

The major commodity traded in the current year was aluminium. The company's risk management objective and strategy for undertaking the hedge is to eliminate any commodity price risk within a transaction in line with the company and departmental guidelines and rules concerning the internal risk position.

Market risk exposures are measured using sensitivity analysis, disclosed below. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk over the last financial year.

(i) Commodity price risk exposure

The company utilises derivative contracts to hedge price fluctuation on aluminium. The company buys and sells commodity futures on the commodity exchanges as a means to hedge its price risk exposure. The futures are traded on a back-to-back basis with each physical contract and as a result very few speculative positions are held.

At the balance sheet date, the total notional amount of outstanding future commodity contracts was as follows:

	Aluminium	
	£'000	**£'000**
	Long	**Short**
31 March 2016	70,667	135,487
31 March 2015	213,346	371,742

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in December 2017. 'Long' refers to the buying position of aluminium future contracts whereas 'Short' refers to the selling position of aluminium future contracts.

The ranges that have been used in the fair value of the material commodity derivatives are as follows:

Aluminium: US$1,509 – US$1,593 per metric ton (2015: US$1,787 – US$1,883 per metric ton).

17. Derivatives and financial instruments (continued)

(ii) Commodity price sensitivity analysis

The sensitivity analysis demonstrates the potential impact on the company's profit due to the market and price risk associated with aluminium trading. The following sensitivity analysis has been carried out on the fair values of the commodity derivatives:

	2016 Impact on profit and loss	
	Lowest case (loss) £'000	**Highest case (profit) £ '000**
Aluminium futures	1,793	8,065
Total	1,793	8,065

	2015 Impact on profit and loss	
	Lowest case (loss) £'000	**Highest case (profit) £ '000**
Aluminium futures	12,321	10,479
Total	12,321	10,479

The highest and lowest cases were picked up from the highest and lowest monthly average premium, contango/backwardation and published market price data from the last three years. This is consistent with the data and calculations used by management in its internal risk management process.

Foreign currency risk

The company's treasury department will undertake cash management to ensure the foreign currency cash balances are maintained as working capital based on the estimate of future needs. When a transaction results in a foreign exchange exposure in any currency then this exposure is hedged by the treasury department. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

17. Derivatives and financial instruments (continued)

(i) Foreign Currency risk exposure

A significant portion of the company's earnings are denominated in foreign currencies. Consequently the company has significant risk in the translation of these earnings to its functional currency in sterling. The foreign currency profits before tax by major currency (other than sterling) for the company are:

	2016 £'000	2015 £'000
US Dollar	9,924	17,242
Euro	4,998	18,688
Japanese Yen	557	427

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to sterling. Additionally any changes to budgeted earnings figures are also taken into account. Where required, hedging action is undertaken and a report on the outstanding positions and valuations is presented to the management at each month end.

Monetary assets and liabilities by major foreign currency at the balance sheet date are:

	Monetary liabilities		Monetary assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
US Dollar	133,429	210,210	101,648	66,595
Euro	30,548	12,272	27,315	15,755
Japanese Yen	5,516	1,471	5,456	1,471

(ii) Foreign currency sensitivity analysis

The following table shows the company's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity analysis demonstrates the impact to the company profit and loss as a result of the change in foreign currency exchange rates based on the earnings and the value of foreign currency monetary assets and liabilities shown above.

Sensitivity analysis profit (loss) impact:

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2016 £'000 On net monetary items	2016 £'000 On earnings	2015 £'000 On net monetary items	2015 £'000 On earnings
US Dollar	(3,531)	1,103	(15,957)	1,916
Euro	(323)	555	348	2,076
Japanese Yen	(7)	62	-	47
Total impact (loss)/profit	(3,861)	1,720	(15,609)	4,039

For a 10% strengthening of sterling against the relevant currency, there would be an almost equal and opposite impact on the earnings and on the monetary items in the balance sheet.

17. Derivatives and financial instruments (continued)

(iii) Foreign currency contracts

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposure. The instruments purchased are primarily denominated in the currencies of the commodity or the marketplace that the physical transaction takes place in.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the company has committed to are as below.

	GBP £'000	USD £'000	EUR £'000
31 March 2016	75,248	117,935	18,175
31 March 2015	92,027	98,831	7,997

These arrangements are designed to address significant exchange exposures that the company has for contracted commitments. The vast majority are due to mature within twelve months of the balance sheet date. A very small number extend beyond then, the latest one maturing in March 2018.

At 31 March 2016 the fair value of the company's currency derivatives is estimated to be a net liability of £2.5million (2015: net asset of £6.3million). These contracts are valued using pricing techniques involving assumptions based on observable market data to determine the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional currency amount, taking into account the need for adjustments for credit risk. This comprises £2.5million (2015: £6.3million) relating to booked transactions, being accounts receivable and short-term borrowing and this year the amount of effective cash flow hedges which have been deferred in other comprehensive income was £4,000 (2015: £4,000) as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2016 for the key currencies held as derivatives.

US Dollars – Euro	1.1395 – 1.1721	(2015: 1.0740 – 1.07675)
US Dollars – Sterling	1.4373 – 1.4374	(2015: 1.4845 – 1.48442)

The company also acts as agent for its fellow subsidiaries and parent company in contracting foreign exchange forward contracts. These foreign exchange contracts are not included on the company's balance sheet on the basis that the company is only acting as agent and does not bear the significant risks and rewards of these instruments other than the fixed agency commission that is recognised as income as earned. The fair value of such contracts as at 31 March 2016 was a loss of £18,369,583 (2015: gain of £52,028,739).

Interest rate risk

The company in its normal course of business requires funding to finance its commodity trading operations. It is exposed to interest rate risk predominantly because of the mismatch between the value of floating rate assets, mainly consisting of cash flows from inventories and receivables versus fixed rate liabilities. The company's interest risk management policy is to hedge the overall floating rate exposure by using fixed rate borrowings of a similar short-term duration. Longer dated assets over 1 year in duration are normally matched by borrowings obtained from a fellow group undertaking.

Notes to the financial statements
Year ended 31 March 2016

17. Derivatives and financial instruments (continued)

Interest rate risk (continued)

From time to time the company uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. As at 31 March 2016 the company has no outstanding interest rate swaps contracts (2015: £nil).

The table below summarises the contractual maturity dates of the company's financial instruments, from the year end, which are exposed to cash flow interest rate risk.

As at 31 March 2016	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
Assets:						
Cash at bank and in hand	23,239	-	-	-	-	23,239
Loans to third parties	6,810	-	-	-	-	6,810
Amounts owed by parent company and fellow subsidiary undertakings	12,666	-	-	-	21,511	34,177
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	15,028	-	-	-	-	15,028
Amounts owed to parent company and fellow subsidiary undertakings	163,992	-	-	-	3,744	167,736

As at 31 March 2015	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000	Non-interest bearing £'000	Total £'000
Assets:						
Cash at bank and in hand	1,786	-	-	-	-	1,786
Loans to third parties	6,598	-	-	-	-	6,598
Amounts owed by parent company and fellow subsidiary undertakings	15,857	-	-	-	19,902	35,759
Amount owed by associates	2,765	-	-	-	-	2,765
Liabilities:						
Bank loans and overdrafts	14,132	-	-	-	-	14,132
Amounts owed to parent company and fellow subsidiary undertakings	210,784	-	-	-	10,813	221,597

Contracted interest rates on cash at bank and deposit range from nil% to 0.25%.

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0.40% to Libor + 0.50%.

17. Derivatives and financial instruments (continued)

Interest rate risk (continued)

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0.125% to Libor +0.30%.

The directors are of the opinion that the above contracted interest rates are a fair approximation of the effective interest rates as at 31 March 2016.

Liquidity risk

The financing requirements of the company are predominantly short-term in nature and therefore liquidity management is one of the key risks that the company faces. The company manages its financing requirement and hence its liquidity risk with the aid of a cash-flow forecast that is continuously updated to reflect the actual requirement in each currency. Where appropriate the company seeks to match the duration of liabilities to the underlying assets so as to minimise liquidity risk.

The company meets its financing requirements mainly through a combination of inter-group loans and reserves. The company also has access to uncommitted facilities from a range of banks.

An analysis of the liquidity profile of the company's financial liabilities is as follows:

2016	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans and overdrafts	(15,028)	-	-	(15,028)
Other loans	(163,992)	-	-	(163,992)
Related interest	(150)	-	-	(150)
Non-derivative liabilities	(29,525)	-	-	(29,525)
Derivative liabilities	(7,494)	(437)	-	(7,931)
Total	(216,189)	(437)	-	(216,626)

2015	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans and overdrafts	(14,132)	-	-	(14,132)
Other loans	(210,784)	-	-	(210,784)
Related interest	(103)	-	-	(103)
Non-derivative liabilities	(42,742)	(71)	-	(42,813)
Derivative liabilities	(4,533)	(278)	-	(4,811)
Total	(272,294)	(349)	-	(272,643)

17. Derivatives and financial instruments (continued)

Fair value measurements recognised in the balance sheet

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2016			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	14,526	-	14,526
Available-for-sale financial assets				
Unquoted equities	-	-	6,133	6,133
Total	-	14,526	6,133	20,659
Financial liabilities at FVTPL				
Derivative financial liabilities	-	7,931	-	7,931
Total	-	7,931	-	7,931

	2015			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	29,574	-	29,574
Available-for-sale financial assets				
Unquoted equities	-	-	6,010	6,010
Total	-	29,574	6,010	35,584
Financial liabilities at FVTPL				
Derivative financial liabilities	-	4,811	-	4,811
Total	-	4,811	-	4,811

17. Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities 2016 £'000	Available-for-sale Unquoted equities 2015 £'000
Opening balance	6,010	10,107
Total gains or losses:		
- impairment loss in profit and loss	-	(74)
- fair value movement in other comprehensive income	123	409
- purchases less disposals	-	(4,432)
Closing balance	6,133	6,010

The table above only includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases. All gains and losses included in the statement of comprehensive income relate to unquoted equities held at the balance sheet date and are reported as fair value movements in investments (note 11).

Netting arrangements

The company enters into netting agreements with counterparties to manage the credit and settlement risks associated with all its derivatives. These netting agreements and similar arrangements enable the company and its counterparties to settle cash flows on a net basis and set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations. Gross notional amounts of the company's derivatives are set out above in the sections of this note relating to the risk the derivatives are used to manage.

18. Pension scheme

Defined benefit scheme

The Mitsubishi Corporation Retirement Benefits Scheme ("the defined benefit scheme") is a funded defined benefit pension scheme. The scheme operated for the benefit of the employees of Mitsubishi Corporation International (Europe) Plc and provided benefits linked to salary at retirement or earlier date of leaving service until the scheme closed to future accrual of benefits on 28 February 2015.

The charge for the year in the profit and loss account represents the interest cost and expected return on assets as measured through the actuarial valuation for the year. A past service credit was recognised in profit and loss for the year ending 31 March 2015.

An actuarial valuation is performed every three years, the latest as at 1 April 2012. This revealed a funding deficit versus the actuarial provisions for the Scheme's liabilities of £5.6million. Following this the Trustees of the Scheme reviewed their investment policy in consultation with the company. It was decided to reduce risks in the scheme by purchasing bulk annuities and deferred annuities to cover pensions in payment and deferred pensions. This was funded by a combination of the sale of other scheme investments and a single company contribution of £8.0 million in December 2012. The contribution was part of a Recovery Plan dated 3 December 2012 that was designed to both eliminate the funding deficit revealed in the April 2012 valuation and to substantially cover the additional cost experienced by the Scheme in purchasing annuities. The scheme closed to future accrual of final salary benefits on 28 February 2015. Additional insured annuity contracts were purchased in the year ending 31 March 2016 to further reduce risks in the scheme. The company is planning for a buy out of the pension scheme in the next financial year. The pension charge for the period in respect of employees was £nil (2015: £0.5million).

18. Pension scheme (continued)

Defined benefit scheme (continued)

An interim valuation for this reporting period (for accounting purposes) was carried out by a qualified actuary. The major assumptions used for this valuation were:

			2016	2015
Discount rate (pre and post retirement)			3.40%	3.20%
Rate of increase in salaries			-	4.30%
RPI price inflation			3.10%	3.30%
CPI price inflation			2.10%	2.10%
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)			3.15%	3.15%
Rate of increase for pensions in deferment			2.10%	2.10%
Life expectancy at age 60:				
Current pensioners	-	Men	28.1	28.0
	-	Women	30.8	30.7
Future pensioners now aged 40	-	Men	29.6	29.5
	-	Women	32.5	32.4

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 4.9%
Inflation assumption *	Increase/decrease by 0.25%	Increase/decrease by 1.9%
Post retirement mortality	Increase/decrease by 1 year	Increase/decrease by 3.8%

* The inflation sensitivity assumption allows for the impact on all inflation related assumptions (deferred revaluation and pension increases subject to relevant caps and floors).

Based on the above assumptions the surplus/(deficit) in the scheme at each assessment date was:

	2016 £'000	2015 £'000
Value of insured annuities	50,044	39,345
Fair value of other scheme assets	1,081	19,674
Total value of scheme assets	51,125	59,019
Present value of funded obligations (including insured annuities)	(50,044)	(52,407)
Surplus in the scheme	1,081	6,612
Adjustment for IAS 19 asset ceiling	(1,081)	(6,612)
Net pension asset recognised on the balance sheet	-	-

The net defined benefit pension asset recognised has been restricted to nil as the company does not have an unconditional right to the refund of the surplus from the scheme and will not obtain economic benefit from a reduction in future contributions.

18. Pension scheme (continued)

Defined benefit scheme (continued)

The fair value of the scheme's invested assets is set out below.

	2016 £'000	2015 £'000
Bonds	971	19,502
Cash	110	172
Insurance annuities	50,044	39,345
Total	51,125	59,019

The fair value of the bonds is based on quoted prices. Other assets are unquoted. The scheme does not invest in any of the company's own financial instruments or property occupied by, or other assets used by, the company.

Total income recognised in profit and loss

	2016 £'000	2015 £'000
Current service cost	-	513
Past service credit	-	(2,324)
Net interest income on the net defined benefit liability/asset	(245)	(167)
Interest cost on adjustment for the IAS 19 asset ceiling	212	154
Total income	(33)	(1,824)

Annual return on scheme assets:

	2016 £'000	2015 £'000
Actual return on scheme assets	(7,569)	12,888

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

	2016 £'000	2015 £'000
Opening defined benefit obligation	52,407	43,355
Current service cost	-	513
Past service credit	-	(2,324)
Employee contributions	-	75
Interest cost on funded obligations	1,638	1,857
Actuarial (gains)/losses	(1,530)	10,280
Disbursement	(2,471)	(1,349)
Closing defined benefit obligation	50,044	52,407

18. Pension scheme (continued)

Defined benefit scheme (continued)

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

	2016 £'000	2015 £'000
Opening fair value of Scheme assets	59,019	46,893
Interest income on assets	1,883	2,024
Sponsor contributions	2,146	512
Employee contributions	-	75
Actuarial (losses)/gains	(9,452)	10,864
Disbursements	(2,471)	(1,349)
Closing fair value of scheme assets	51,125	59,019

Analysis of recognised loss in other comprehensive income:

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	(9,452)	10,864
Experience gains and (losses) arising on the scheme liabilities	240	-
Actuarial gains/(losses) arising from change in financial assumptions	1,290	(10,280)
Impact of change in irrecoverable surplus	5,743	(2,920)
	(2,179)	(2,336)
Deferred tax	-	467
Actuarial loss recognised in other comprehensive income	(2,179)	(1,869)

The Scheme is currently in surplus on a funding basis and no regular or one-off deficit reduction contributions are due under the current scheme of contributions. The company is planning for a buy-out of the pension scheme in the next financial year. However, while management expects that the probability of the planned buy out going ahead is high it has assessed that as at 31 March 2016 the company retains both a legal and constructive obligation to the scheme. As such the company has not recognised a settlement in the year and has continued to recognise the scheme assets and liabilities.

The scheme closed to future accrual of final salary benefits on 28 February 2015. The company's best estimate of the contributions to be paid in respect of the scheme during the financial year ending 31 March 2017 is nil.

Defined contribution scheme

The company also operates a defined contribution scheme which began on 1 April 2003. The charge for the year (being the contributions made by the company) was £1.0million (2015: £0.6million). No amounts were accrued or prepaid as at 31 March 2016.

19. Immediate and ultimate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. This is the smallest and largest group in which the company is consolidated. The immediate parent company is MC Europe Holdings NV, a company incorporated in the Netherlands.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan and are also available on Mitsubishi Corporation's website (www.mitsubishicorp.com). The immediate parent company does not prepare group financial statements.

20. Related party transactions

The disclosures below show transactions with related parties which are not wholly owned within the group headed by Mitsubishi Corporation. The company has taken advantage of the exemption from disclosing details of related party transactions available under FRS101 for transactions with other wholly owned group companies.

	Mozal		Other related parties	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Turnover	-	-	180	844
Purchases	-	11,790	92	883
Interest income	-	-	56	183
Trade and other receivables and loans receivable	-	-	96	2,839
Payables	8,381	14,761	13	131

The company purchased aluminium on normal commercial terms from Mozal s.a.r.l, which is an associate of the company's parent undertaking, Mitsubishi Corporation until May 2014. Thereafter the company changed its arrangement and purchases aluminium directly from the parent company, but remains as a settlement agent for the parent company with Mozal. Amounts due from other related parties primarily comprised a loan extended to the company's associate, DMCELL.

Contributions to the defined benefit pension scheme, which is also a related party of the company, have been disclosed in note 18.

21. Capital risk management and dividends

Capital risk management

The company manages its capital to ensure that it will be able to fund both its own day-to-day activities and those of its subsidiaries while continuing as a going concern. The capital structure of the company consists of net debt (bank loans, overdrafts and intercompany balances disclosed in note 14 after deducting cash and bank balances) and equity (comprising issued capital, reserves and retained earnings). The company is not subject to any externally imposed capital requirements and does not manage its capital on the basis of specific target gearing or leverage ratios.

Instead, each year the directors make an assessment of the valuation of the company's assets and liabilities using assumptions which are more prudent than those adopted for financial reporting purpose, taking into account unrealised gains and losses on assets and liabilities held at fair value and unrecognised contingent liabilities. Having made this assessment the company pays out all remaining retained earnings as dividends such that the company's equity should remain broadly stable over the long term. Any requirements for additional capital identified by the company through its ongoing cashflow forecasting are met through additional borrowings obtained from the wide range of facilities available to the company, both directly from external banks and from other group undertakings.

Dividends

Amounts recognised as distributions to equity holders in the year:

	2016 £'000	2015 £'000
Dividend for the year ended 31 March 2016 of 13.50924p per share (for year ended 31 March 2015: 16.1672 per share)	16,300	19,507
	16.300	19,507

22. Events after the balance sheet date

On 16 May 2016 the directors recommended a dividend of £10.3million (8.5365p per share) to be paid on 30 June 2016.