Company Registration No. 02214224

Mitsubishi Corporation International (Europe) Plc

Annual Report and Financial Statements

For the year ended 31 March 2018

Mitsubishi Corporation International (Europe) Plc

Annual report and financial statements 2018

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Mitsubishi Corporation International (Europe) Plc

Annual report and financial statements 2018

Officers and professional advisers

Directors

I Kano
K Kawakami
J Nagase
N Suzuki
Y Katayama
K Ninomiya
G Williams
M Pratt
A Fraser
J Rogers

Secretary

H Hayakawa

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
Statutory Auditor
London
United Kingdom

Mitsubishi Corporation International (Europe) Plc

Strategic report

The Directors present their Strategic Report for the year ended 31 March 2018 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 2018 amounted to £746 million (2017: £511 million) and the gross profit percentage was 3.18% (2017: 3.38%). The increase in turnover was mainly due to a new crude oil trading business as well as an increase in metal transactions. Profit after taxation for the year ended 31 March 2018 amounted to £48.2 million (2017: £16.8 million), including dividend income of £6.3million (2017: £8.2million) from the company's European subsidiaries. The increase in profit after tax was mainly due to capital gains from the sale of several fixed asset investments, partly offset by the reduction in dividend income.

Other operating income net of expenses for the current year amounted to £14.2 million which is £6 million lower than the previous year. There was a slight increase by £0.8 million in service and management fee income. The company has recognised foreign exchange losses of £2.8 million (2017: gains of £0.8 million) and mark to market losses on forward contracts of £0.8 million (2017: gains of £1.7 million). The total dividend income received during the year including dividends from European subsidiaries and from other investments amounted to £7.4 million (2017: £13.3 million). The decrease was mainly due to a decrease in dividends from the European subsidiaries and the sale of fixed asset investments.

The inventory holding level has increased by approximately £25 million to £134 million as at 31 March 2018 compared to the prior year (2017: increase of £19 million to £109 million). The increase in inventories is mainly due to an increase in aluminium inventory levels. The proportion of current liabilities to current assets is 84.1% which is slightly higher than the previous year (2017: 83%).

During the year, the company has transferred several investments to its parent and associated company as well as a disposal to a third party. This is part of a strategic decision to streamline investments within the group. Please refer to note 11 for details.

The company has finalised the buy out of the pension scheme in the year since the scheme's liabilities have been settled with the insurance companies. A loss on settlement of £0.1 million (2017: £nil) has been recognised in the year. Please refer to note 18 for details.

Taking into account the challenging market conditions for commodities the company has continued to perform reasonably well during the year ended 31 March 2018. The directors expect that the company will continue to perform satisfactorily, although the prevailing market conditions present some challenges for the business. The directors remain committed to further strengthening internal controls and compliance to manage the risks to which the company is exposed.

Mitsubishi Corporation International (Europe) Plc

Strategic report

Principal risks and uncertainties and financial risk management objectives and policies

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.

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.

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.

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.

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.

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Strategic report (continued)

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

I Kano
Managing Director
1 August 2018

Mitsubishi Corporation International (Europe) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018.

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 (resigned 11 April 2018)
I Kano (appointed 11 April 2018)
K Kawakami (appointed 23 May 2017)
M Takada (resigned 31 March 2018)
A Kurosawa (resigned 1 September 2017)
M Kochi (resigned 31 March 2018)
N Suzuki (appointed 23 May 2018)
Y Katayama (appointed 23 May 2018)
K Ninomiya (appointed 23 May 2018)
J Nagase
G Williams
M Pratt
A Fraser
J Rogers

Dividends

The directors have recommended and paid a dividend of £16.8 million during the year (2017: £15.9 million).

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

I Kano
Managing Director
1 August 2018

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 FRS101 "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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitsubishi Corporation International (Europe) Plc (the 'company') 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 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 August 2018

Mitsubishi Corporation International (Europe) Plc

Income statement
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	1, 2	745,833	511,328
Cost of sales		(722,145)	(494,052)
Gross profit		23,688	17,276
Administrative expenses		(31,617)	(30,873)
Other operating income and expenses	5	14,186	20,249
Operating profit	4	6,257	6,652
Dividend income from shares in group undertakings		6,512	11,073
Dividend income from other investments		902	2,206
Profit from sale of fixed asset investment	11	38,234	32
Loss from sale of fixed asset investment	11	(55)	-
Impairment of fixed asset investment	11	-	(280)
Interest income	6	585	262
Interest expense	7	(3,103)	(1,410)
Profit before taxation		49,332	18,535
Tax	8	(1,138)	(1,768)
Profit after taxation attributable to owners of the Company		48,194	16,767

Mitsubishi Corporation International (Europe) Plc

Statement of comprehensive income
For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Profit for the financial year		48,194	16,767
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on pension scheme	18	69	44
UK deferred tax credit attributable to actuarial gains	18	-	-
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains arising on available for sale financial assets during the period	11	(1,407)	573
Movement on cash flow hedges	17	3	1
Tax relating to items that may be reclassified		239	(89)
Total other comprehensive (expense)/income for the period net of tax		(1,096)	529
Total comprehensive income for the period		47,098	17,296

Mitsubishi Corporation International (Europe) Plc

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

	Notes	Called up share capital £'000	Revaluation reserve £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2016		**120,658**	**686**	**(3)**	**15,896**	**137,237**
Profit for the period		-	-	-	16,767	16,767
Other comprehensive income for the period		-	484	1	44	529
Total comprehensive income for the period		**-**	**484**	**1**	**16,811**	**17,296**
Dividends payable	21	-	-	-	(15,900)	(15,900)
Balance at 31 March 2017		**120,658**	**1,170**	**(2)**	**16,807**	**138,633**
Profit for the period		-	-	-	48,194	48,194
Other comprehensive (expense)/income for the period		-	(1,167)	2	69	(1,096)
Total comprehensive (expense)/ income for the period		**-**	**(1,167)**	**2**	**48,263**	**47,098**
Dividends payable	21	-	-	-	(16,800)	(16,800)
Balance at 31 March 2018		**120,658**	**3**	**-**	**48,270**	**168,931**

Mitsubishi Corporation International (Europe) Plc

Balance sheet
As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	9	172	241
Property, plant and equipment	10	1,031	1,618
Investments	11	87,120	94,015
Derivative assets	17	28	171
Deferred tax assets	8	468	-
Other non-current asset	13	13	13
		88,832	96,058
Current assets			
Inventories	12	133,796	109,197
Trade and other receivables	13	359,642	145,348
Derivative assets	17	20,489	5,925
Cash and cash equivalents		2,223	2,786
		516,150	263,256
Current liabilities			
Bank loans and overdrafts	14	(3,506)	(6,894)
Trade and other payables	14	(422,506)	(193,069)
Derivative liabilities	17	(7,682)	(19,392)
Deferred income	14	(310)	(142)
		(434,004)	(219,497)
Net current assets		82,146	43,759
Total assets less current liabilities		170,978	139,817
Non-current liabilities			
Derivative liabilities	17	(89)	(177)
Deferred income	14	(1,958)	(971)
Deferred tax liabilities	8	-	(36)
		(2,047)	(1,184)
Net assets		168,931	138,633
Equity			
Share capital	15	120,658	120,658
Hedging reserve	15	-	(2)
Revaluation reserve	15	3	1,170
Profit and loss account	15	48,270	16,807
Equity attributable to owners of the company		168,931	138,633

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 1 August 2018.

Signed on behalf of the Board of Directors

I Kano
Managing Director

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

1. General information and accounting policies

a) General information

Mitsubishi Corporation International (Europe) Plc is incorporated in England, the United Kingdom under the Companies Act. The company is a public company limited by shares and 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 (FRC). The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the 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.

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

b) Principal accounting policies

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

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 cash flow 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 2018. 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 2018 of £332.0 million (2017: £168.0 million) (bank loans, overdrafts and intergroup balances – see note 14) are short-term facilities.

1. General information and accounting policies (continued)

b) Principal accounting policies (continued)

Going concern (continued)

These are matched to a large extent against the aggregate of cash and cash equivalents of £2.2 million (2017: £2.8 million), trade receivables of £265.0 million (2017: £79.5 million) (see note 13), amounts receivable from other group companies of £72.5 million (2017: £40.9 million) (see note 13) which are on terms similar to the borrowings and inventories of £134 million (2017: £109.2 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. The company has current and uncommitted bank borrowings and facilities of £1,895 million, 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 and any provision for impairment. 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 less costs to sell. This is 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 adjusted to take account of location of inventory. Location factors are determined based on actual transport costs incurred.

Turnover

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.

1. General information and accounting policies (continued)

b) Principal accounting policies (continued)

Other income

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.

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 has completed the buyout of the pension scheme in March 2018.

At 31 March 2017 the scheme held buy-in policy assets with three insurance companies to match its liabilities. During the year the scheme has settled its liabilities with these insurance companies, who are now wholly responsible for meeting all benefits payable. The liabilities extinguished on settlement have been calculated using assumptions based on market conditions at the relevant settlement dates.

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.

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.

1. **General information and accounting policies (continued)**

b) **Principal accounting policies (continued)**

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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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. General information and accounting policies (continued)

b) Principal 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. **General information and accounting policies (continued)**

b) **Principal 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 forecast 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.

c) **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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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.

1. General information and accounting policies (continued)

c) Critical accounting judgements and key sources of estimation uncertainty (continued)

Evaluating the substance of transactions and gross versus net presentation of revenue (continued)

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.

Key sources of estimation uncertainty

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.

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 judgement, 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.

Notes to the financial statements (continued)
For the year ended 31 March 2018

2. Turnover and revenue

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

	2018 £'000	2017 £'000
Sales of goods and services ("turnover")	745,833	511,328
Service and management fees income	18,589	17,789
Interest receivable and similar income (note 6)	585	262
Dividend income	7,414	13,279
Total revenue	772,421	542,658

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:

	2018 £'000	2017 £'000
Principal	740,258	505,269
Agency	3,768	3,143
Brokerage	1,807	2,916
	745,833	511,328

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

	2018 £'000	2017 £'000
From customers located within:		
United Kingdom	298,310	169,075
Europe other than United Kingdom	436,772	330,948
Others	10,751	11,305
	745,833	511,328

3. Information regarding directors and employees

	2018 £'000	2017 £'000
Directors' emoluments:		
Emoluments	1,958	1,965
Company contributions to money purchase pension scheme	51	61
	2,009	2,026

	No.	No.
Number of directors who are members of a money purchase pension scheme	2	2

	£'000	£'000
Remuneration of the highest paid director	1,047	901

	No.	No.
Average number of persons employed (including directors)		
Trading	78	76
Administration	86	92
	164	168

	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	8,492	8,264
Social security costs	1,014	906
Pension costs	965	945
Cost in respect of parent company's employees on secondment	6,363	6,353
	16,834	16,468

4. Operating profit

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

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	796	794
Amortisation of intangible assets	164	143
Net rentals payable under operating leases - property (note 16)	2,322	1,984
Staff costs including directors	18,843	18,494
Net foreign exchange losses/(gains) (note 5)	2,817	(776)
Loss on disposal of property, plant and equipment	-	1
Impairment loss recognised on trade receivables	600	-
Reversal of impairment loss recognised on trade receivables	-	(32)
Fees payable to the company's auditor for the audit of the company's annual financial statements	214	195
Fee payable to the company's auditor and their associates for other services to the company		
– Audit-related assurance services	242	234
– Taxation compliance services	120	75
– Others/Pensions advice	1	3

5. Other operating income and expenses

	2018 £'000	2017 £'000
Service and management fees income	18,589	17,789
Net foreign exchange (losses)/gains	(2,817)	776
Other items of operating (expenses)/income	(1,586)	1,684
	14,186	20,249

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

	2018 £'000	2017 £'000
Interest receivable from group undertakings	493	252
Bank and other interest receivable	92	10
	585	262

7. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on bank loans and overdrafts	642	429
Interest payable to group undertakings	2,461	980
Net interest expense on the defined benefit scheme	-	1
	3,103	1,410

8. Tax charge on profit on ordinary activities

(i) The tax charge comprises:

	2018 £'000	2017 £'000
United Kingdom corporation tax	1,587	1,647
Adjustment in respect of prior years	(184)	(81)
Total current tax	1,403	1,566
Deferred tax		
Origination and reversal of temporary differences	(265)	202
Total deferred tax	(265)	202
Total tax on profit on ordinary activities	1,138	1,768

(ii) The charge for the year can be reconciled to the income statement as follows:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	49,332	18,535
Tax at 19% (2017: 20%) thereon:	(9,373)	(3,707)
Effects of:		
Expenses not deductible for tax purposes	(311)	(247)
Pension adjustment	-	(19)
Fixed asset temporary differences	(113)	(108)
Other temporary differences	214	(77)
Utilisation of capital items	238	-
United Kingdom dividend income	1,237	2,215
Other income not chargeable for tax purposes	22	88
Profit from disposal of investment not chargeable for tax purposes	6,764	6
Prior year adjustments	184	81
Total tax charge for the year	(1,138)	(1,768)

Notes to the financial statements (continued)
For the year ended 31 March 2018

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:

	2018 £'000	2017 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income		
Revaluation of available-for-sale financial assets	240	(89)
Revaluations of financial instruments treated as cash flow hedges	(1)	-
Total income tax recognised in other comprehensive income	239	(89)

(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 £'000	Others £'000	Revaluation of financial assets £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2017	32	72	(240)	100	(36)
Charge to profit or loss	90	275	-	(100)	265
Charge to other comprehensive income	-	-	239	-	239
At 31 March 2018	122	347	(1)	-	468

The company has approximately £0.8m (2017: £0.8m) capital losses as at the balance sheet date. The company has recognised a deferred tax asset in respect of timing differences relating to capital losses during the year as there is sufficient evidence that the asset will be recovered.

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:

	2018 £'000	2017 £'000
Deferred tax liabilities	(1)	(240)
Deferred tax assets	469	204
	468	(36)

Finance Act No2 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the rate of corporation tax of 19% with effect from 1 April 2017. In additional Finance Act 2016 include provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax asset and liabilities as at 31 March 2018.

9. Intangible assets

	Software £'000
Cost	
At 31 March 2017	2,296
Additions	95
At 31 March 2018	2,391
Accumulated depreciation	
At 31 March 2017	2,055
Charge for the year	164
At 31 March 2018	2,219
Net book value	
At 31 March 2018	172
At 31 March 2017	241

10. Property, plant and equipment

	Vehicles £'000	Furniture, fixtures and fittings £'000	Office and IT equipment £'000	Total £'000
Cost				
At 31 March 2017	27	4,027	988	5,042
Additions	-	16	193	209
Disposals	-	(6)	(25)	(31)
At 31 March 2018	27	4,037	1,156	5,220
Accumulated depreciation				
At 31 March 2017	15	2,823	586	3,424
Charge for the year	7	583	206	796
Disposals	-	(6)	(25)	(31)
At 31 March 2018	22	3,400	767	4,189
Net book value				
At 31 March 2018	5	637	389	1,031
At 31 March 2017	12	1,204	402	1,618

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 2017	87,100	2,382	2,672	4,849	97,003
Disposals	-	(2,288)	(2,490)	(3,442)	(8,220)
Fair value movement	-	-	-	(1,407)	(1,407)
Foreign currency revaluation	-	-	(182)	-	(182)
At 31 March 2018	87,100	94	-	-	87,194
Provision					
At 31 March 2017	-	74	2,463	451	2,988
Disposals	-	-	(2,490)	(451)	(2,941)
Additions	-	-	202	-	202
Foreign currency revaluation	-	-	(175)	-	(175)
At 31 March 2018	-	74	-	-	74
Net book value					
At 31 March 2018	87,100	20	-	-	87,120
At 31 March 2017	87,100	2,308	209	4,398	94,015

Shares in subsidiary undertakings

The shares in subsidiary undertakings represent 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	Registered office and Country of incorporation	Shareholding %	£'000
Mitsubishi International G.m.b.H	Kennedydamm 19, 40476 Duesseldorf, Federal Republic of Germany	100	59,312
Mitsubishi France S.A.	3 Avenue Hoche 75008 Paris, France	100	15,072
Mitsubishi Italia S.p.A	Largo Toscanini, 1 20122 Milano, Italy	100	1,468
Mitsubishi Nederland B.V.	500 Beethovenstraat, 3rd floor, Beethovanstraat 514, 1082 PR, Amsterdam, The Netherlands	100	7,292
Mitsubishi Espana S.A.	Orense, 58 1-Planta 28020 Madrid, Spain	100	3,866
Mitsubishi Hellas A.E.E.	68 Vassilisis Sofias Avenue & 2 Aiginitou Street, GR 115 28 Athens, Greece	100	90
Total			**87,100**

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

11. Investments (continued)

Shares in other group undertakings

Company name	Registered office and Country of incorporation	Shareholding %	£	Class	Principal business activity
Green Power Development Fund Cooperatief U.A.	WTC, Tower H, Level 13, Zuidplein 110, 1077 XV Amsterdam, Netherlands	0.12	20,199	Special Member	Development of wind power projects
			20,199		

During the year the company has re-structured the investments in other group undertakings as follows:

The company transferred its shareholding in Triland Metals Limited and Princes Limited to its parent company, Mitsubishi Corporation in Japan, resulting in a profit on disposal of £35.6 million.

The company also transferred its shareholding in Mitsubishi Corporation LT Europe G.m.B.H. to an associated company in Japan with a small loss on disposal of £0.05 million.

The restructuring is part of a strategic decision to streamline investments within the group.

After the transfer, Green Power Development Fund Cooperatief U.A. is the only investment remaining in other group undertakings and represents non-controlling interests in the company. The share does not have a quoted market price in an active market. Given the lack of marketability of the shares 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 the investment the directors are of the opinion that the variability in the range of reasonable fair value measurements for the company's shares in the group undertakings is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. As such the company has measured the investment at cost as an approximation to fair value.

Investment in associates

This represents an unlisted investment in an Irish associate, Deucalion MC Engine Leasing Ltd (DMCELL), which specialises in aircraft engine leasing in which the company has a 40% shareholding. During the year DMCELL has finalised its liquidation process and the company was dissolved in accordance with the investment plan.

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.

The most significant other investment is the 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 shareholding at a gain of approximately £2.6 million.

The company has written off the investment in Erb Autokredit AG, a company incorporated in Switzerland. This company went into bankruptcy and was fully impaired in 2003. The liquidation has been finalised and Erb Autokredit AG was dissolved in 2017.

12. Inventories

	2018 £'000	2017 £'000
Aluminium inventories held at fair value less costs to sell	125,458	104,807
Other inventories held at the lower of cost and net realisable value	8,338	4,390
Finished goods and goods for resale	133,796	109,197

13. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due within one year:		
Trade receivables	266,526	80,520
Less: allowance for doubtful receivables	(1,563)	(1,027)
	264,963	79,493
Amounts owed by parent company and fellow subsidiary undertakings	72,517	40,942
Loans to third parties	5,891	7,423
VAT receivable	402	-
Prepayments	15,853	16,959
Accrued income	16	531
	359,642	145,348
Amounts due after more than one year:		
Other non-current asset	13	13
	13	13
Total trade and other receivables	359,655	145,361

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. Trade and other receivables (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 2018 the company has credit exposure of £50 million (31 March 2017: £36 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 £nil (31 March 2017: £0.004 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

	2018 £'000	2017 £'000
Balance at the beginning of the year	1,027	1,012
Exchange difference	(43)	47
Provision charged during the year	728	-
Provision reversed during the year	(149)	(32)
Balance as at end of the year	1,563	1,027

14. Trade and other payables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade payables	87,453	22,094
Amounts owed to parent company and fellow subsidiary undertakings	328,456	161,154
Corporation tax	265	418
VAT payable	-	1,470
Other taxation and social security	400	495
Accruals	5,932	7,438
	422,506	193,069
Deferred income		
Amounts falling due within one year	310	142
Amounts falling due after more than one year	1,958	971
	2,268	1,113
Total trade and other payables including deferred income	424,774	194,182

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.

	2018 £'000	2017 £'000
Bank loans and overdrafts (unsecured)		
The borrowings are repayable as follows:		
On demand or within one year	3,506	6,894

Analysis of borrowings by currency

	US$ £'000	GBP £'000	JPY £'000
31 March 2018			
Bank loans	-	-	3,506
31 March 2017			
Bank loans	6,877	3	14

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 income statements.

15. Called up share capital and revaluation reserve

	2018 £'000	2017 £'000
Called up, allotted and fully paid:		
120,658,154 (2017: 120,658,154) ordinary shares of £1 each	120,658	120,658

	2018 £'000	2017 £'000
Revaluation reserve	3	1,170

Revaluation reserve represents accumulated gains arising from available for sale investments.

	2018 £'000	2017 £'000
Hedging reserve	-	(2)

Hedging reserve represents the cumulative portion of gains and losses on cash flow hedge on forward foreign currency contracts.

Profit and loss reserve represents cumulative profit or losses net of dividends paid and other adjustments.

16. Operating lease commitments

At 31 March 2018, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2018 £'000	2017 £'000
Within one year	4,122	3,126
In the second to fifth years inclusive	16,487	12,503
After five years	14,426	14,066

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 future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 March 2018 is £13.4 million (2017: £11.5 million).

The gross rental expense charged to profit and loss is £4.1 million (2017: £2.8 million) with sub-lease income from the fellow group companies of £1.8 million (2017: £1.3 million). During the year the company has finalised the rent review with the landlord and the new rental is reflected in the income statement.

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:

Mitsubishi Corporation International (Europe) Plc

Notes to the financial statements (continued)
For the year ended 31 March 2018

17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

At 31 March 2018

	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	343,371	-	-	-	-	343,371	343,371
Derivative assets	-	-	-	-	20,517	20,517	20,517
Available-for-sale investments	-	20	-	-	-	20	20
Cash and cash equivalents	2,223	-	-	-	-	2,223	2,223
Sub-total	345,594	20	-	-	20,517	366,131	366,131
Financial liabilities							
Non-derivative liabilities	-	-	(92,800)	-	-	(92,800)	(92,800)
Derivative liabilities	-	-	-	-	(7,771)	(7,771)	(7,771)
Sub-total	-	-	(92,800)	-	(7,771)	(100,571)	(100,571)
Bank overdrafts and other loans							
Current	-	-	(326,615)	-	-	(326,615)	(326,615)
Total	345,594	20	(419,415)	-	12,746	(61,055)	(61,055)

Mitsubishi Corporation International (Europe) Plc

Notes to the financial statements (continued)
For the year ended 31 March 2018

17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

At 31 March 2017

	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	128,389	-	-	-	-	128,389	128,389
Derivative assets	-	-	-	-	6,096	6,096	6,096
Available-for-sale investments	-	6,706	-	-	-	6,706	6,706
Cash and cash equivalents	2,786	-	-	-	-	2,786	2,786
Sub-total	131,175	6,706	-	-	6,096	143,977	143,977
Financial liabilities							
Non-derivative liabilities	-	-	(30,193)	-		(30,193)	(30,193)
Derivative liabilities	-	-	-	(3)	(19,569)	(19,572)	(19,572)
Sub-total	-	-	(30,193)	(3)	(19,569)	(49,765)	(49,765)
Bank overdrafts and other loans							
Current	-	-	(159,950)	-	-	(159,950)	(159,950)
Total	131,175	6,706	(190,143)	(3)	(13,473)	(65,738)	(65,738)

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.

17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

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

	2018 £'000	2017 £'000
Assets:		
Current derivative assets		
- Currency derivatives	2,417	1,707
- Aluminium commodity contracts	18,072	4,218
	20,489	5,925
Non-current derivative assets		
- Currency derivatives	22	65
- Aluminium commodity contracts	6	106
	28	171
Liabilities:		
Current derivative liabilities		
- Currency derivatives	1,515	1,376
- Aluminium commodity contracts	6,167	18,016
	7,682	19,392
Non-current derivative liabilities		
- Currency derivatives	33	58
- Aluminium commodity contracts	56	119
	89	177

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. This investment has started to liquidate at the end of the previous financial year and no longer required for the fair value hedge in the current period. The total exchange gain recognised in profit and loss on this investment during the year as a result of this fair value hedge was £nil (2017: £347,000), 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:

	2018 £'000	2017 £'000
Aggregated losses on foreign exchange hedges	-	(3)
Net losses on foreign exchange hedges	-	(3)
Losses for the year deferred to other comprehensive income	-	(3)
Recycling of amounts from hedging reserve to profit and loss	3	4
Net gains for the year	3	1

As at 31 March 2018, 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**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Cash flow hedges						
Buy US dollars	**$'000**	**$'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than three months	12	172	9	140	-	(3)
	12	172	9	140	-	(3)

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 Long	**£'000 Short**
31 March 2018	136,274	253,990
31 March 2017	73,942	149,422

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in January 2019. 'Long' refers to the buying position of aluminium future contracts whereas 'Short' refers to the selling position of aluminium future contracts. The company has a notional 'short' position of approximately £6 million for copper future contracts as at year end.

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

Aluminium: US$1,991 – US$2,031 per metric ton (2017: US$1,955 – US$1,989 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:

	2018 Impact on profit and loss	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	1,334	1,838
Total	1,334	1,838

	2017 Impact on profit and loss	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	2,310	9,964
Total	2,310	9,964

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.

(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 which comprise most of the company operating expenses) for the company are:

	2018 £'000	2017 £'000
US Dollar	17,696	17,279
Euro	6,695	7,959
Japanese Yen	354	780
	24,745	26,018

17. Derivatives and financial instruments (continued)

(i) Foreign Currency risk exposure (continued)

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
US Dollar	371,071	134,909	310,754	112,106
Euro	11,432	22,613	24,804	9,526
Japanese Yen	4,569	924	4,547	4,211
	387,072	158,446	340,105	125,843

(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	
	2018 £'000 On net monetary items	2018 £'000 On earnings	2017 £'000 On net monetary items	2017 £'000 On earnings
US Dollar	(6,702)	1,966	(2,534)	1,920
Euro	1,337	744	(1,309)	884
Japanese Yen	(2)	39	365	87
Total impact (loss)/profit	(5,367)	2,749	(3,478)	2,891

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	JPY £'000
31 March 2018	103,802	157,357	30,805	-
31 March 2017	108,402	136,679	35,404	3,859

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 October 2019.

At 31 March 2018 the fair value of the company's currency derivatives is estimated to be a net asset of £0.5 million (2017: net asset of £1.1 million). 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 £0.5 million (2017: £1.1 million) 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 nil (2017: £3,000) as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2018 for the key currencies held as derivatives.

US Dollars – Euro	1.2298 – 1.2883	(2017: 1.0696 – 1.1317)
US Dollars – Sterling	1.4028 – 1.4089	(2017: 1.2505 – 1.2548)

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 2018 was a loss of £23,725,671 (2017: gain of £29,835,744).

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.

17. Derivatives and financial instruments (continued)

Interest rate risk (continued)

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 2018	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	2,223	-	-	-	-	2,223
Loans to third parties	5,891	-	-	-	-	5,891
Amounts owed by parent company and fellow subsidiary undertakings	40,855	-	-	-	31,662	72,517
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	3,506	-	-	-	-	3,506
Amounts owed to parent company and fellow subsidiary undertakings	323,109	-	-	-	5,347	328,456

As at 31 March 2017	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	2,786	-	-	-	-	2,786
Loans to third parties	7,423	-	-	-	-	7,423
Amounts owed by parent company and fellow subsidiary undertakings	17,832	-	-	-	23,641	41,473
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	6,894	-	-	-	-	6,894
Amounts owed to parent company and fellow subsidiary undertakings	153,056	-	-	-	8,098	161,154

Contracted interest rates on cash at bank and deposit range from -0.40% to nil%.

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0.20% to Libor + 0.30%.

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 2018.

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:

2018	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans and overdrafts	(3,506)	-	-	(3,506)
Other loans	(323,109)	-	-	(323,109)
Related interest	(673)	-	-	(673)
Non-derivative liabilities	(92,800)	-	-	(92,800)
Derivative liabilities	(7,682)	(89)	-	(7,771)
Total	(427,770)	(89)	-	(427,859)

2017	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Bank loans and overdrafts	(6,894)	-	-	(6,894)
Other loans	(153,056)	-	-	(153,056)
Related interest	(151)	-	-	(151)
Non-derivative liabilities	(30,193)	-	-	(30,193)
Derivative liabilities	(19,392)	(177)	-	(19,569)
Total	(209,686)	(177)	-	(209,863)

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).

	2018			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	20,517	-	20,517
Available-for-sale financial assets				
Unquoted equities	-	-	20	20
Total	-	20,517	20	20,537
Financial liabilities at FVTPL				
Derivative financial liabilities	-	7,771	-	7,771
Total	-	7,771	-	7,771

	2017			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	6,096	-	6,096
Available-for-sale financial assets				
Unquoted equities	-	-	6,706	6,706
Total	-	6,096	6,706	12,802
Financial liabilities at FVTPL				
Derivative financial liabilities	-	19,569	-	19,569
Total	-	19,569	-	19,569

17. Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities	
	2018	2017
	£'000	£'000
Opening balance	6,706	6,133
Total losses or gains:		
- fair value movement in other comprehensive income	(1,407)	573
- disposals	(5,279)	-
Closing balance	20	6,706

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 profit and loss represents the interest cost and expected return on assets as measured through the actuarial valuation for the year and administration expenses.

An actuarial valuation was normally 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 ended 31 March 2016 to further reduce risks in the scheme. The company has finalised the buy out of the pension scheme in the year since the scheme's liabilities have been settled with the insurance companies. A loss on settlement of £0.1 million (2017: £nil) has been recognised in the year.

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:

			2018	2017
Discount rate (pre and post retirement)			2.60%	2.50%
RPI price inflation			3.30%	3.40%
CPI price inflation			2.30%	2.40%
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)			3.25%	3.25%
Rate of increase for pensions in deferment			2.30%	2.40%
Life expectancy at age 60:				
Current pensioners	-	Men	28.2	28.2
	-	Women	30.9	30.9
Future pensioners now aged 40	-	Men	29.7	29.7
	-	Women	32.6	32.6

As the scheme has no liabilities at 31 March 2018 the assumptions are only used in assessing the settlement during the year.

The surplus in the scheme at each assessment date was:

	2018 £'000	2017 £'000
Value of insured annuities	-	61,924
Fair value of other scheme assets	11	79
Total value of scheme assets	11	62,003
Present value of funded obligations (including insured annuities)	-	(61,924)
Surplus in the scheme	11	79
Adjustment for IAS 19 asset ceiling	(11)	(79)
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.

18. Pension scheme (continued)

Defined benefit scheme (continued)

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

	2018 £'000	2017 £'000
Cash	11	79
Insurance annuities	-	61,924
Total	11	62,003

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

	2018 £'000	2017 £'000
Losses on settlement	69	-
Administration expenses	39	43
Net interest income on the net defined benefit liability/asset	(2)	(36)
Interest cost on adjustment for the IAS 19 asset ceiling	2	37
Total expense	108	44

Actual return on scheme assets:

	2018 £'000	2017 £'000
Actual gains on scheme assets	535	12,013

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	61,924	50,044
Interest cost on funded obligations	1,259	1,683
Actuarial (gains)/losses	(725)	11,289
Disbursement	(1,090)	(1,092)
Liabilities extinguished on settlements	(61,368)	-
Closing defined benefit obligation	-	61,924

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18. Pension scheme (continued)

Defined benefit scheme (continued)

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

	2018 £'000	2017 £'000
Opening fair value of Scheme assets	62,003	51,125
Interest income on assets	1,261	1,719
Sponsor contributions	39	-
Actuarial (losses)/gains	(726)	10,294
Disbursements	(1,090)	(1,092)
Administration expenses	(39)	(43)
Assets distributed on settlements	(61,437)	-
Closing fair value of scheme assets	11	62,003

Analysis of recognised gain in other comprehensive income:

	2018 £'000	2017 £'000
Actual return less expected return on pension scheme assets	(726)	10,294
Experience gains arising on the scheme liabilities	725	-
Actuarial losses arising from change in financial assumptions	-	(11,289)
Impact of change in irrecoverable surplus	70	1,039
	69	44
Deferred tax	-	-
Actuarial gain recognised in other comprehensive income	69	44

The scheme closed to future accrual of final salary benefits on 28 February 2015. At 31 March 2017 the scheme held buy-in policy assets with three insurance companies to match its liabilities. Over the course of the year the scheme has settled its liabilities with the insurance companies, who are now wholly responsible for meeting all benefits payable. At 31 March 2018 the scheme has no liabilities remaining. At 31 March 2018 the scheme held no invested assets. The only asset related to a small trustee bank account balance.

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 £1.0 million (2017: £1.0 million). No amounts were accrued or prepaid as at 31 March 2018.

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. The registered office of the company is Mid City Place, 71 High Holborn, London, WC1V 6BA, United Kingdom.

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Turnover	-	-	227	159
Purchases	-	-	-	-
Interest income	-	-	-	-
Trade and other receivables	-	-	66	42
Payables	29,491	10,756	-	-

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.

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 cash flow 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:

	2018 **£'000**	**2017** **£'000**
Dividend for the year ended 31 March 2018 of 13.92365p per share (for year ended 31 March 2017: 13.17772p per share)	16,800	15,900
	16,800	15,900