Company Registration No. 02214224

Mitsubishi Corporation International (Europe) Plc

Annual Report and Financial Statements

For the year ended 31 March 2020

Mitsubishi Corporation International (Europe) Plc

Annual report and financial statements 2020

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Mitsubishi Corporation International (Europe) Plc

Annual report and financial statements 2020

Officers and professional advisers

Directors

Y Katayama
T Ota
K Fukuhara
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 2020 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

The company's key performance indicators include revenue and profit after tax.

Revenue for the year ended 31 March 2020 amounted to £3,307 million (2019: £2,727 million) and the gross profit percentage was 1.29% (2019: 1.01%). The increase in revenue was mainly due to an expansion of the crude oil trading business as well as an increase in metal transactions. Revenue was partly reduced by the transfer of the seafood business to Princes Limited during the year, referred to below. Profit after taxation for the year ended 31 March 2020 amounted to £16.9 million (2019: £18.5 million), including dividend income of £6.0million (2019: £37.1 million) from the company's European subsidiaries. Although both revenue and gross profit have increased, the decrease in profit after tax was mainly due to higher interest expenses of £19.5 million (2019: £14 million) from the trading operations and a reduction in dividend income.

Other operating income for the current year amounted to £16.4 million which is £7.0 million lower than the previous year. Service and management fee income decreased by £4.6 million to £11.1 million for the year. The decrease in service and management fee income is due to the re-organisation of 4 corporate departments to form the 'Corporate Management Support Office' (EMEA) which is a branch office of Mitsubishi Corporation in Tokyo. On the other hand the company has recognised foreign exchange gains of £5.1 million (2019: gains of £5.6 million) and mark to market losses on forward contracts of £0.6 million (2019: gains of £1.8 million). The total dividend income received during the year including dividends from European subsidiaries and from other investments amounted to £6.0 million (2019: £37.4 million). The decrease was mainly due to lower dividend income from Mitsubishi International G.m.b.H compared with the previous year when a special dividend was received.

The inventory holding level has increased by approximately £154 million to £290 million as at 31 March 2020 compared to the prior year (2019: increase of £2.5 million to £136 million). The increase in inventories is mainly due to an increase in aluminium inventory levels. The proportion of current liabilities to current assets is 79.8% which is lower than the previous year (2019: 90.5%).

During the year the company has made two changes in its trading business as part of the group global strategic business plan.

In July 2019 the company has transferred the seafood business within its Living Essentials Division to the international food and drinks group, Princes Limited, a wholly owned subsidiary of the parent company Mitsubishi Corporation based in Liverpool. The company did not recognise any gain in this transfer.

In December 2019 the company ceased crude oil trading after considering the risks and rewards of the trading model. Though the company revenue reduced substantially in the last quarter of the financial year, cost of sales and interest expenses also reduced proportionately, so overall there was very little impact to the company's net profit.

Taking into account the challenging market conditions for commodities the company has continued to perform reasonably well during the year ended 31 March 2020. 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.

Principal risks and uncertainties and financial risk management objectives and policies

Due to 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 14 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.

Further details of commodity price risks are discussed in note 17 Derivative and financial instruments.

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.

Covid-19
The coronavirus outbreak (COVID-19) has created significant disruption to global economies and markets. The directors of MCIE recognise that the pandemic presents risks to the company's employees, customers and suppliers. The directors have put in place policies and procedures to control and mitigate those risks so that the company is able to continue to service its customers and wider stakeholders while prioritising the health and wellbeing of the company's employees. The directors have undertaken a review of company's budget plan and cash and borrowing forecasts to assess the financial and business related effects of COVID-19. Although revenue and gross profit are expected to be reduced compared with the original budget plan this is expected to be largely offset by lower administrative and interest expenses with little overall impact to net profit. Borrowings are expected to be relatively stable during the next 12 months. Further details are discussed in note 1 to the financial statements under the heading "Going concern".

Brexit
The UK formally left the European Union (EU) on 31 January 2020 and ceased to be an EU member state on that date. The departure is subject to a transition period lasting until the end of 2020 and the UK's future relationship with the EU is subject to ongoing negotiations.

The company's trading divisions have assessed the implications of the UK's withdrawal from the EU on their business. The withdrawal is expected to have a limited impact on the company overall. The Metals division has significant volumes of aluminium and copper imported into the EU but low volumes of cross border movements between the UK and EU. Fiscal arrangements have been amended in EU countries where necessary to ensure that the company can benefit from the same or similar import regulations to those currently available to EU businesses.

As the Brexit transition progresses the company will continue to monitor new developments and any further implications that may affect the company's business.

Section 172 statement and stakeholder engagement

The board of directors (the "Board") are fully aware of their duty under Section 172 of the Companies Act 2006 to act in good faith to promote the success of the Company for the benefit of its shareholder but having regard amongst other matters to the following:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with clients, investors, regulators and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Company is a subsidiary of Mitsubishi Corporation ("MC"), the immediate and ultimate parent company. Ownership is detailed in note 19.

The Company's strategy is aligned to Regional and Corporate strategies of MC and the day-to-day execution is monitored and tracked by the Board, Executive Committee and senior management team. The Board believes governance of the Company is best achieved by delegation of its authority to the Executive Committee, subject to defined limits and monitoring by the Board.

The Company comprises a number of business divisions and corporate departments, all of which have extensive engagement with their own unique stakeholders as well as other businesses within the Mitsubishi Corporation Group. The governance framework delegates authority for local decision-making at business division and department level (up to defined levels of cost). This allows the individual divisions and departments to enter into open and transparent dialogue with key stakeholders to develop a clear understanding of their needs which are taken into account in our decision-making. As part of that decision making process, the individual business divisions and corporate departments together with the Executive Committee are able to consider the potential impact of decisions on relevant stakeholders with the Executive Committee taking into consideration a longer-term view and holding themselves to the highest standards of conduct in line with the Company's Corporate Code of Conduct.

Reports are regularly made by the Executive Committee to the Board about strategy, performance and key decisions taken, which provides the Board with assurance that proper consideration is given to stakeholder interests in decision making by the Executive Committee and allows the Board to develop a clear understanding of stakeholder needs, assess their perspectives and monitor their impact on the Company's strategic ambition and culture.

During the year the Board has considered its duties under section 172 and how it fulfils its obligations thereof in respect to the following key stakeholder groups:

Shareholder

As a wholly owned subsidiary of Mitsubishi Corporation, we rely on the support of our shareholder and its opinions are important to us. We have an open dialogue with our shareholder through one-to-one meetings and group meetings which routinely involve our Seconded Directors, and the interests of our shareholder are regularly heard in the boardroom. Discussions with our shareholder cover a wide range of topics including financial performance, strategy, vision, governance and ethical practices.

We work directly with our shareholder and fellow Mitsubishi Corporation group companies to maximise opportunities presented by them. Following the implementation by Mitsubishi Corporation of an internal reorganisation of business groups in order to enhance business creation capabilities the directors made changes to the structure and composition of the Company's business divisions. The Company also supported Mitsubishi Corporation to establish in London from 1 April 2019 the Corporate Management Support Office (EMEA) to provide services to group companies in Europe, Africa, Middle East and Central Asia. The Company provides services, facilities and staff to the Corporate Management Support Office (EMEA) and has reorganised several of the Company's corporate departments to improve efficiency and share resources with the Corporate Management Support Office (EMEA).

Employees

The Company is aware that our people are our most important asset and are essential for the success of the company. By managing talent, strengthening employee engagement and enabling employees to build their skills and capabilities, the Company promotes a high performance culture. The Company is committed to providing a working environment in which all employees are treated fairly. The Company focuses on respect, the highest standards of professional behaviour and rejects all forms of discrimination. The Company promotes effective employee communications and undertakes employee engagement surveys to get feedback on matters of importance to employees. The Company has engaged with employees during the year with the following initiatives.

- Working in partnership with our employees – the Company held regular employee feedback surveys, where employees are encouraged to give feedback on how well the Company performs in a number of areas. Listening to employees is an important part of how we can maintain employee engagement and tailor our future plans. Employees can also provide feedback through the employee consultation forum that communicates with senior management several times a year.
- Training & Development –the Company reviewed the training needs of employees and updated its development programmes to cater for standard training requirements and professional qualifications. The Company takes employee engagement seriously and supports overseas career development opportunities to support employee development which also includes mentoring opportunities.
- Employee driven social educational activities to promote and support team working happen through organised events on a regular basis.
- From the week commencing 16 March 2020 The Board made the decision to require that the Company's employees work from home in order to reduce their risk of exposure to the coronavirus (COVID-19) pandemic. Most staff have company laptop PCs and they were able to access the company's IT systems from their home.
- The Company creates easy access to all employee communications via the internal intranet, employee presentations and e-mail updates. This has been used heavily with the proactive approach the Board has taken through the COVID-19 pandemic, with daily news updates, health and safety advice and an employee survey to gather insight into employees situations and concerns. This will be taken into account when the Board considers the next phase.

Suppliers, Customers and Business Contacts

The Company is a subsidiary of Mitsubishi Corporation, a general trading company headquartered in Japan. Trading companies operate by facilitating trade between suppliers and customers utilising their worldwide network of subsidiaries. The Company trades in a variety of commodities and works with investment companies across a range of business sectors. The Company recognises the importance of building strong relationships with its suppliers, customers and business contacts to develop mutually beneficial and lasting partnerships. The Board, through the Executive Committee, ensures it has visibility over these key relationships and takes these into account when making decisions. During the year the Board decided to transfer the Company's seafood business operated by its Living Essentials Division to Princes Limited, a fellow subsidiary company of Mitsubishi Corporation. The Board considered that it would be beneficial to the growth of the seafood business, taking advantage of the Princes brand, it's portfolio of customers and its specialities in the development of new products.

The company is committed to maintaining a reputation of high standards of business conduct, respecting human rights and strives to ensure that our business activities do not cause or contribute to adverse human rights impacts, including modern slavery. We share our commitments with key third-party partners to ensure that the goods and services we benefit from do not cause or contribute to modern slavery. During the year The Board updated the Slavery and Human Trafficking Statement setting out the steps the Company has taken to mitigate the risks of modern slavery in our operations and supply chains. A company-wide Modern Slavery Risk Assessment was carried out two years ago where value chains were mapped out across all business groups to identify potentially vulnerable workforces and high risk areas. We developed our own modern slavery guidance toolkit to ensure that potential third-party partners are assessed against a range of criteria related to labour rights as part of our due diligence process for new business relationships. During the year we trained our Business Groups on how to use the toolkit. We also continued to provide modern slavery and human rights training to various employee groups at the board, management and operational levels to refresh and further refine their knowledge. In addition the Company aimed to raise general awareness across the company by inviting external speakers to present at “lunch and learn” sessions for all employees to attend. Further details are contained in the Slavery and Human Trafficking Statement on the Company’s website. The Company promotes a responsible payment culture and publishes its payment practices report in due time.

Community and the environment

The Company is aligned to MC’s Three Corporate Principles – Corporate Responsibility to Society; Integrity and Fairness; and Global Understanding through Business. These principles are at the heart of the company and they have served as MC’s core philosophy since its inception. Building upon the foundation of these three principles, “Standards of Conduct” establish the group's expectations with regard to how business should be conducted, together with the “Code of Conduct” which provides guidance to all officers and employees within the group to comply with all applicable laws, rules and regulations, international standards, and to act in a socially responsible manner by complying with the highest ethical standards in the conduct of their business.

MC recognizes that an enterprise with global reach cannot continue to exist without consideration for its environmental and social performance. Therefore, MC strives to preserve the global environment and pursues sustainable development through all aspects of its business activities, by maintaining communication with various stakeholders, and taking the initiative in creating a sustainable society.

The Company also conducts its business in accordance with this philosophy and strives to generate societal and environmental value by addressing key sustainability issues through its wide-ranging business activities. The Company seeks to make a positive impact to the communities and environment it operates in. The Company also endeavours to grow together with local and international communities in order to make lasting contributions to building truly prosperous, sustainable societies around the world. With this in mind, the Company is engaged in a wide range of philanthropic and community support initiatives in fields such as education, culture and the arts, environmental conservation and public welfare. The Company also proactively support the involvement of our employees in numerous volunteer programmes and initiatives.

The Company has supported a number of charities in the year including The British Museum, the Earthwatch Fellowship Programme, the University of Cambridge – Faculty of East Asian Studies, the UK-Japan Music Society and the Mitsubishi Corporation Fund for Europe and Africa (“MCFEA”) (Further details are shown in note 5). MCFEA is a charitable foundation established in 1992 by MC and the Company. MCFEA has been engaging with a range of partner organisations throughout Europe and Africa to support projects that align with its central aims: the promotion of environmental conservation; the support of environmentally focused education and research: and the alleviation of poverty. Further details are contained in the MCFEA section on the Company’s website.

Tax authorities and Regulators

The Company aims to establish and maintain transparent, collaborative and professional relationships with tax authorities and regulators. The Company expects the highest standards of integrity from our officers and employees and seeks to comply with relevant tax legislation and regulations in the countries we operate. Further details are contained in the Tax Strategy for Mitsubishi Corporation Group’s UK Companies on the Company’s website.

The Company has a number of policies in place which are under regular review and consideration and are approved by the Board. These include legal and compliance-related policies on: Anti-Money Laundering, Cartel Prevention, Improper Payments, Legal Risk Management, Data Protection and Hotline Rules. In addition to publishing these policies for employees, the Company holds annual e-learning sessions for the code of conduct and seminars where required for staff which include training on the policies.

The Company is also accredited as an Authorised Economic Operator (AEO), an internationally recognised quality mark that states our role in the international customs supply chain is compliant and secure. The accreditation verifies that the Company’s internal customs controls and procedures are efficient and compliant to the authorities recommended standards. Other benefits include access to simplified customs procedures and financial guarantee

Strategic report (continued)

allowances. The Company has a customs and supply chain policy and customs handbook that cover the required controls that meet AEO standards, in addition provides ad-hoc training to the relevant administrators that handle customs related functions.

Streamlined energy and Carbon Report (SECR)

Organisational Structure

Mitsubishi Corporation International (Europe) Plc is classified as a large unquoted company due to its turnover and balance sheet.

Reporting Period

The Company is reporting for the fiscal year 2020. This is the first year that this reporting is required.

Measurement Methodology

The energy and carbon footprint covers Scope 1, 2 and 3 emissions from 01 April - 31 March for the reporting year

The footprint is calculated in accordance with Greenhouse Gas (GHG) Protocol. Outputs are in KWh and CO2e using the most up to date conversion factors from the UK Government GHG Conversion Factors for Company Reporting.

Energy Performance Results

Energy Use (kWh)	**2020**
Company Vehicle Transport Energy	30,385
Transport Energy Company Purchased Fuel	901
Electricity	765,596
Total	**796,882**

Carbon Performance Results

Carbon Dioxide Equivalent Emissions (t CO_2e)	**2020**
Scope 1 emissions from the combustion of fuel for transport purposes	7.21
Scope 2 emissions from purchased electricity	195.69
Scope 3 emissions from business travel in rental or employee-owned vehicles	0.32
Total	**203.22**

Intensity Ratio

	2020
Reporting Boundary kg CO_2e/m^2	**62.42**

Mitsubishi Corporation International (Europe) Plc

Strategic report (continued)

<u>Energy Efficiency Action</u>

The Company has undertaken projects to change lighting to LED, and reduced the size of its main site server room by reducing the energy demand on cooling requirements and small power to server cabinets.

Future developments

As mentioned in the business review, the company has transferred its seafood business and ceased the crude oil business during the year, the directors do not anticipate further significant changes in the business in the near future. Though the current economic environment does present a challenge to the company, the directors are confident in maintaining its performance as a group.

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

Y Katayama
Managing Director
4 September 2020

Mitsubishi Corporation International (Europe) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

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:

Y Katayama (appointed 1 April 2020)
I Kano (resigned 31 March 2020)
T Ota (appointed 24 July 2019)
H Niwa (resigned 24 July 2019)
K Fukuhara
G Williams (resigned 2 August 2019)
M Pratt
A Fraser
J Rogers

There is no qualifying indemnities in place in respect of the Directors.

Dividends

The directors have recommended and paid a dividend of £6.0 million during the year (2019: £48.2 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 and financial risk management objectives and policies section of the Strategic Report and form part of this report by cross-reference.

Section 172 (1) Companies Act 2006 Statement

The Section 172 (1) Companies Act 2006 Statement is discussed in the strategic report under the heading "Section 172 statement and stakeholder engagement".

Future developments

Future developments are discussed in the strategic report under the heading "Future developments".

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The coronavirus outbreak (COVID-19) has created significant disruption to global economies and the pandemic presents risks to the company's employees, customers and suppliers. The directors have put in place policies and procedures to control and mitigate those risks so that the company is able to continue its operations while prioritising the health and wellbeing of the company's employees. The directors have undertaken a review of company's budget plan and cash and borrowing forecasts to assess the financial and business related effects of COVID-19.

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.

Mitsubishi Corporation International (Europe) Plc

Directors' report (Continued)

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

Y Katayama
Managing Director
4 September 2020

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 FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards 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 of Mitsubishi Corporation International (Europe) Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or

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

We have nothing to report in respect of these matters.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
4th September 2020

Mitsubishi Corporation International (Europe) Plc

Income statement and Statement of Comprehensive income
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Revenue	1, 2	3,307,245	2,726,774
Cost of sales		(3,264,515)	(2,699,126)
Gross profit		42,730	27,648
Other operating income	4	16,362	23,693
Administrative expenses		(25,838)	(32,507)
Other operating expenses		(708)	(4)
Operating profit		32,546	18,830
Dividend income from shares in group undertakings	6	6,039	37,156
Dividend income from other investments	6	-	216
Impairment of fixed asset investment	12	-	(24,303)
Interest income	7	689	1,540
Interest expense	8	(19,532)	(14,065)
Profit before taxation		19,742	19,374
Tax	9	(2,763)	(917)
Profit for the financial year attributable to owners of the Company	5	16,979	18,457
Total comprehensive income for the year attributable to the owners of the Company		16,979	18,457

Mitsubishi Corporation International (Europe) Plc

Balance sheet
As at 31 March 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	10	144	165
Property, plant and equipment	11	4,078	344
Investments	12	62,829	62,829
Derivative assets	17	308	104
Deferred tax assets	9	2,313	347
Other non-current asset	14	9,378	-
		79,050	63,789
Current assets			
Inventories	13	289,928	136,311
Trade and other receivables	14	210,777	971,086
Derivative assets	17	66,253	13,559
Cash and cash equivalents		365	65
		567,323	1,121,021
Current liabilities			
Bank loans and overdrafts	15	(548)	(154)
Trade and other payables	15	(438,584)	(1,005,292)
Derivative liabilities	17	(13,708)	(4,370)
Deferred income	15	(41)	(4,882)
		(452,881)	(1,014,698)
Net current assets		114,442	106,323
Total assets less current liabilities		193,492	170,112
Non-current liabilities			
Derivative liabilities	17	(181)	(57)
Deferred income and contract liabilities	15	-	(1,697)
Lease liabilities and other creditors	15	(21,479)	-
		(21,660)	(1,754)
Net assets		171,832	168,358
Equity			
Share capital	16	120,658	120,658
Share premium	16	33,665	33,665
Revaluation reserve	16	3	3
Profit and loss account	16	17,506	14,032
Equity attributable to owners of the company		171,832	168,358

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 4 September 2020.

Signed on behalf of the Board of Directors

Y Katayama
Managing Director

Mitsubishi Corporation International (Europe) Plc

Statement of changes in equity
For the year ended 31 March 2020

	Notes	Called up share capital £'000	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2018		120,658	-	3	48,270	168,931
Profit for the year		-	-	-	18,457	18,457
Capital contribution from merger of MEH	16	-	33,665	-	(4,487)	29,178
IFRS 9 opening adjustment	1	-	-	-	(8)	(8)
Total comprehensive (expense)/income for the year		**-**	**33,665**	**-**	**13,962**	**47,627**
Dividends payable	21	-	-	-	(48,200)	(48,200)
Balance at 31 March 2019		**120,658**	**33,665**	**3**	**14,032**	**168,358**
Effect of change in accounting policy for initial application of IFRS 16	1	-	-	-	(7,505)	(7,505)
Balance at 1 April 2019		120,658	33,665	3	6,527	160,853
Profit for the year		-	-	-	16,979	16,979
Total comprehensive income for the year		**120,658**	**33,665**	**3**	**23,506**	**177,832**
Dividends payable	21	-	-	-	(6,000)	(6,000)
Balance at 31 March 2020		**120,658**	**33,665**	**3**	**17,506**	**171,832**

Notes to the financial statements
For the year ended 31 March 2020

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). Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and inventories that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Adoption of new and revised standards

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 1(b). The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 April 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

Lease incentives (e.g. rent-free periods and landlord contribution) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within the administrative expenses line item.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to all the office leases
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company does not have any lease contract which has an options to extend or terminate the lease.
- There company does not have any former finance leases.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 April 2019.

(c) Impact on lessor accounting

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The company subleases the head lease to several group companies and classified the subleases as a finance leases. The company recognise lease receivable upon transition to IFRS16. The subleases has the same terms as the head leases.

(d) Financial impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 April 2019 is 2.18%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Notes to the financial statements (continued)
For the year ended 31 March 2020

Impact on retained earnings as at 1 April 2019

	£'000
Operating lease commitments at 31 March 2019	30,932
Effect of discounting the above amounts	(2,706)
Lease liabilities recognised at 1 April 2019	28,226

The Company has recognised £4,026,057 of right-of-use assets, £12,517,831 of lease receivable and £28,226,101 of lease liabilities upon transition to IFRS 16. The difference of £11,682,213 is recognised in retained earnings. The company also reclassified £1,957,728 from deferred income to retained earnings in relation to rent free period and landlord contribution. The impact to retained earnings was £7,504,865 net of deferred tax.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. The amendments applied include IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

b) Significant accounting policies

The significant accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except for the adoption of IFRS16 as explained above.

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, certain disclosure in respect of revenue from contracts with customers, lease accounting, 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

As discussed in the Review of the business and key performance indicators in the Strategic Report, the company has continued to perform reasonably well given the difficult market conditions for commodities during the year ended 31 March 2020. The company has a strong balance sheet with positive net current assets as at 31 March 2020 of £114.4 million (2019: £106.3 million) and shareholders' equity of £171.8 million (2019: £168.4 million). The company has financing sources both from the group as well as third party banks. The total borrowings of the company as at 31 March 2020 of £384.7 million (2019: £794.0 million), details explained below and in note 15, are short-term facilities.

These are matched to a large extent against the aggregate of cash and cash equivalents of £0.36 million (2019: £0.07 million), trade receivables of £160.2 million (2019: £925.0 million) (see note 14), amounts receivable from other group companies of £37.1 million (2019: £36.7 million) (see note 14) which are on terms similar to the borrowings and inventories of £290 million (2019: £136 million) (see note 13), 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 coronavirus outbreak (COVID-19) has created significant disruption to global economies and the pandemic presents risks to the company's employees, customers and suppliers. The directors have put in place policies and procedures to control and mitigate those risks so that the company is able to continue its operations while prioritising the health and wellbeing of the company's employees. The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks. The company has reviewed its budget plan for the next 12 months to update it for any material financial and business related effects of COVID-19. Although revenue and gross profit are both expected to be reduced compared with the original budget plan this reduction is expected to be largely offset by lower administrative expenses and interest expenses due to the reduced activity, with little overall impact to net profit.

The impact of COVID-19 has also been considered by the company in its review of cash balances and borrowings for the next 12 months. Cash and cash equivalents were £0.36 million as at 31 March 2020. Short-term bank borrowings were £0.5 million and intercompany creditors, mainly borrowings from a group financing company, Mitsubishi Corporation Finance Plc, were £384.7 million. Total borrowings are expected to be relatively stable but reducing slightly during the next 12 months.

The company has current and uncommitted bank borrowings and facilities including the facility from Mitsubishi Corporation Finance Plc of £2,862.9 million as at 31 March 2020. The facility from Mitsubishi Corporation Finance Plc is for a one year term renewing automatically on each anniversary. The facility will expire and be due for renewal during the next 12 months. The directors have gained assurances that the facility will be provided if needed, for at least 12 months from the date of signing the financial statements. The bank facilities will also expire and be due for renewal during the next 12 months. The directors have a reasonable expectation that adequate borrowing facilities will continue to be available to the company.

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 on a straight line basis. Office equipment has an estimated useful life of four years and IT equipment has an estimated useful life of three years. Vehicles and furniture, fixtures & fittings have an estimated useful life of four years.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

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.

Revenue recognition

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue is recognised at the point where control of the goods has transferred, being when the goods have been shipped to the specific location instructed by the customers. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of loss in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For those transactions where the company is to provide the specified goods or services itself, revenue is recognised as principal. Where the company is to arrange for another party to provide those goods and services and the company acts as either agent or broker then only the commission receivable is recorded as revenue.

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 over time where the customer receives and consumes the benefits provided by the entity.

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

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 April 2019

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise of the fixed lease payments, less any lease incentives receivable.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a significant change in the lease term.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

The Company as lessor

The Company enters into sublease agreements as a lessor with respect to its office head leases.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Policies applicable prior to 1 April 2019.

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.

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

The company did not have any finance leases prior to a 1 April 2019.

Pension costs

The company had completed the buyout of the defined benefit pension scheme in March 2018. At 31 March 2019 the scheme has no liabilities remaining nor invested assets.

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

Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are not discounted.

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.

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.

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

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

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

1. General information and accounting policies (continued)

b) Significant accounting policies (continued)

Financial instruments (continued)

The company has assessed the lifetime expected credit losses for its trade receivables as required and permitted under IFRS 9, and identified no material impact to the trade receivables amount due to the robust and comprehensive credit risk management procedure as describe in note 14.

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.

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.

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

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 IFRS 9 Financial Instruments 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.

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 to 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.

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.

Purchase and sale back transactions

During the year the company entered into a number of purchase and re-sale oil transactions undertaken with the same counterparty with a total sales value of £1,171 million. Management has accounted for these transactions as gross trading transactions. Management considered the requirements of IFRS 15 *Revenue from contracts with customers* paragraph 38 and the more specific guidance for this type of transaction in paragraph B66. Management concluded that the company was not limited in its ability to direct the use of, and obtain substantially all of the economic benefits, of the oil cargos which were to be sold back to the supplier under the terms of the contracts. In reaching this conclusion, management's judgement was that the company had a contractual right to substitute the oil cargos with different oil cargos of the same grade. Management considered the availability of substitute oil cargos of the same grade and were satisfied that the market was sufficiently liquid for substitution to be possible in practice.

Principal versus agent considerations

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

Management is required to exercise judgement in order to determine to what extent, the Company nature of its promise is a performance obligation to provide the specified goods or services itself (the Company acting as a principal) or to arrange for the other party to provide those goods and services (the Company acting as an agent). Management judgement is also required to determine the specified good or service is a distinct good or service to be provided to the customer. If a contract with a customer includes more than one specified good or service, the Company could be a principal for some specified goods or services and an agent for others.

To determine the nature of promise, management considers the detailed guidance set out in IFRS 15 *Revenue from contracts with customer*, identify the specified goods and services to be provided to customer and assess whether it controls each specified good or service before that good or service is transferred to the customer.

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 IFRS 9 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 13 and 17 to the financial statements.

2. Revenue

	2020 £'000	2019 £'000
Principal	3,300,331	2,721,017
Agency	6,497	5,566
Brokerage	417	191
	3,307,245	2,726,774

Revenue 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.

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

	2020 £'000	2019 £'000
From customers located within:		
United Kingdom	2,372,265	1,779,366
Europe other than United Kingdom	667,241	622,244
Others	267,739	325,164
	3,307,245	2,726,774

3. Information regarding directors and employees

	2020 £'000	2019 £'000
Directors' emoluments:		
Emoluments	1,264	1,866
Company contributions to money purchase pension scheme	26	36
Compensation for loss of office	32	-
	1,322	1,902

	No.	No.
Number of directors who are members of a money purchase pension scheme	1	2

	£'000	£'000
Remuneration of the highest paid director	808	771

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Notes to the financial statements (continued)
For the year ended 31 March 2020

3. Information regarding directors and employees (continued)

	2020	2019
	No.	No.
Monthly average number of employees (including directors)		
Trading	57	70
Administration	54	86
	111	156
	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	7,788	9,154
Social security costs	978	1,091
Pension costs	769	979
Cost in respect of parent company's employees on secondment	4,206	6,288
	13,741	17,512

4. Other operating income

	2020	2019
	£'000	£'000
Service and management fee income	11,108	15,674
Net foreign exchange gains	5,134	5,601
Other income	120	2,418
	16,362	23,693

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

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For the year ended 31 March 2020

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting) the following amounts:

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	246	746
Amortisation of intangible assets	154	160
Net rentals payable under operating leases - property	-	2,314
Depreciation of right-of-use assets	537	-
Staff costs including directors (see note 3)	15,063	19,414
Net foreign exchange (gains)	(5,134)	(5,601)
Mark to market losses/(gains) on foreign contracts	637	(1,809)
Gain on disposal of property, plant and equipment	-	(1)
Impairment loss recognised on trade receivables	67	-
Reversal of impairment loss recognised on trade receivables	-	(383)
Charitable donations	267	140
Auditor's remuneration		
– Fees payable to the company's auditor for the audit of the company's annual financial statements	253	205
– Fee payable to the company's auditor for audit-related assurance services (J-Sox audit)	134	213
– Fees payable to the company's auditor and their associates for non-audit services to the company	118	208

6. Dividend income from group undertakings and other investments

	2020 £'000	2019 £'000
Mitsubishi International G.M.B.H	3,957	34,298
Mitsubishi Italia S.P.A.	65	2,521
Others	2,017	553
	6,039	37,372

7. Interest income

	2020 £'000	2019 £'000
Interest receivable from group undertakings	419	800
Bank and other interest receivable	270	740
	689	1,540

8. Interest expense

	2020 £'000	2019 £'000
Interest on bank loans and overdrafts	1,075	1,040
Interest payable to group undertakings	18,115	13,025
Interest on lease liabilities	342	-
	19,532	14,065

9. Tax

(i) The tax charge comprises:

	2020 £'000	2019 £'000
Corporation tax:	2,664	1,371
United Kingdom corporation tax		
Adjustment in respect of prior years	(154)	(575)
Total current tax	2,510	796
Deferred tax:		
Origination and reversal of temporary differences	253	121
Total deferred tax	253	121
Total tax on profit	2,763	917

9. Tax (continued)

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

	2020 £'000	2019 £'000
Profit before tax	19,742	19,374
Tax at 19 % (2019: 19%) thereon:	(3,751)	(3,681)
Effects of:		
Expenses not deductible for tax purposes	(66)	(76)
Fixed asset temporary differences	(22)	(112)
Other temporary differences	(239)	35
Utilisation of capital items	14	(152)
United Kingdom dividend income	1,147	7,101
Other expense/income not chargeable for tax purposes	-	(4,607)
Prior year adjustments	154	575
Total tax charge for the year	(2,763)	(917)

(iii) 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	IFRS 16 opening adjustment £'000	Total £'000
At 31 March 2019	200	148	(1)	-	347
Charge to profit or loss	13	29	-	(295)	(253)
Recognised directly to equity	-	-	-	2,219	2,219
At 31 March 2020	213	177	(1)	1,924	2,313

The company has no unused trading or capital losses (2019: nil) as at balance sheet date.

9. Tax (continued)

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:

	2020 £'000	2019 £'000
Deferred tax liabilities	(1)	(1)
Deferred tax assets	2,314	348
	2,313	347

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015.Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

Deferred tax is calculated at the tax rates that have been substantively enacted at the balance sheet date and which are expected to apply when the temporary differences reverse. The Finance Bill 2019-21 (Finance Act 2020 after Royal Assent received) sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020 originally set out in the Finance Act 2019, which received Royal Assent in February 2019.

The closing deferred tax assets and liabilities at 31 March 2020 have been calculated at 19% specified blended rate reflecting the tax rate at which the deferred tax assets and liabilities is expected to be utilised in future periods.

10. Intangible assets

	Software £'000
Cost	
At 1 April 2019	2,544
Additions	133
Disposal	(18)
At 31 March 2020	2,659
Accumulated amortisation	
At 1 April 2019	2,379
Charge for the year	154
Disposal	(18)
At 31 March 2020	2,515
Net book value	
At 31 March 2020	144
At 31 March 2019	165

All amortisation is charged within the administrative expenses in the Income Statement.

11. Property, plant and equipment

	Vehicles	Furniture, fixtures and fittings	Office and IT equipment	Construction in progress	Right of use assets buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2019	27	4,052	1,176	-	40,281	45,536
Additions	-	130	15	346	-	491
Disposals	-	(14)	(5)	-	-	(19)
At 31 March 2020	27	4,168	1,186	346	40,281	46,008
Accumulated depreciation						
At 1 April 2019	27	3,916	968	-	36,255	41,166
Charge for the year	-	117	129	-	537	783
Disposals	-	(14)	(5)	-	-	(19)
At 31 March 2020	27	4,019	1,092	-	36,792	41,930
Net book value						
At 31 March 2020	-	149	94	346	3,489	4,078
At 31 March 2019	-	136	208	-	-	344

Right-of-use assets

The Company has 3 office leases included in buildings. Two leases have lease term of 25 years and one has lease term of 12 years. All leases are non-cancellable and will expire in September 2026 with no option to purchase at the end of the lease term.

All depreciation is charged within the administrative expenses in the Income Statement

Amounts recognised in profit and loss	**2020**
	£'000
Depreciation expense on right-of-use assets	537
Interest expense on lease liabilities	342
Expense relating to short-term leases	294
Income from sub-leasing right-of-use assets	1,826

The total cash outflow for leases amount to £4.4 million each year.

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Notes to the financial statements (continued)
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12. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Other investments £'000	Total £'000
Cost				
At 1 April 2019	87,100	94	12	87,206
Additions	-	-	-	-
At 31 March 2020	87,100	94	12	87,206
Provision				
At 1 April 2019	24,303	74	-	24,377
Additions	-	-	-	-
At 31 March 2020	24,303	74	-	24,377
Net book value				
At 31 March 2020	62,797	20	12	62,829
At 31 March 2019	62,797	20	12	62,829

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	Class of shareholding	Shareholding %	£'000
Mitsubishi International G.m.b.H	Kennedydamm 19, 40476 Duesseldorf, Federal Republic of Germany	Ordinary shares	100	35,422
Mitsubishi France S.A.	3 Avenue Hoche 75008 Paris, France	Ordinary shares	100	15,072
Mitsubishi Italia S.p.A	Largo Toscanini, 1 20122 Milano, Italy	Ordinary shares	100	1,055
Mitsubishi Nederland B.V.	500 Beethovenstraat, 3rd floor, Beethovanstraat 514, 1082 PR, Amsterdam, The Netherlands	Ordinary shares	100	7,292
Mitsubishi Espana S.A.	Orense, 58 1-Planta 28020 Madrid, Spain	Ordinary shares	100	3,866
Mitsubishi Hellas A.E.E.	68 Vassilisis Sofias Avenue & 2 Aiginitou Street, GR 115 28 Athens, Greece	Ordinary shares	100	90
Total				**62,797**

Notes to the financial statements (continued)
For the year ended 31 March 2020

12. Investments (continued)

The company has reviewed the carrying value of the subsidiaries. Last year the company had recognised an impairment loss of £0.4 million and £23.9 million for Mitsubishi Italia S.p.A and Mitsubishi International G.m.b.H respectively. In the opinion of the directors, no further impairment to the carrying value of the subsidiaries is required in the current year.

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	20,181	Special Member	Development of wind power projects
			20,181		

Green Power Development Fund Cooperatief U.A. is the only investment 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.

In December 2019, Green Power Development Fund Cooperatief U.A. has passed the resolution of liquidation. The carrying value of this investment reflected the expected final payment upon completion of the liquidation.

Other investments

The other investments represent a debenture in Wentworth Golf Club.

13. Inventories

	2020 £'000	2019 £'000
Aluminium inventories held at fair value less costs to sell	204,798	129,183
Other inventories held at the lower of cost and net realisable value	85,130	7,128
Finished goods and goods for resale	289,928	136,311

Notes to the financial statements (continued)
For the year ended 31 March 2020

14. Trade and other receivables

	2020 £'000	2019 £'000
Amounts due within one year:		
Trade receivables	161,319	925,807
Less: allowance for doubtful receivables	(1,079)	(1,002)
	160,240	924,805
Amounts owed by parent company and fellow subsidiary undertakings	35,566	36,713
Sublease receivable from group undertakings	1,559	-
Loans to third parties	4,352	4,650
Corporation tax receivable	3,584	2,133
Prepayments	5,476	2,785
	210,777	971,086
Amounts due after more than one year:		
Sublease receivable from group undertakings	9,211	-
Other debtors	167	-
	9,378	-
Total trade and other receivables	220,155	971,086

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 the currency and term 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.

14. 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 2020 the company has credit exposure of £32 million (31 March 2019: £31 million) covered by parent and third party guarantees in relation to its trade receivables. Credit exposure to any low rated single non-related counterparty or any group of counterparties having similar characteristics is not considered to be significant. The company defines counterparties as having similar characteristics if they are part of the same corporate group.

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

Included in the company's trade receivables balance are debtors with a carrying amount of £0.4 million (31 March 2019: £nil) 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. Provisions are made based on the expected credit loss model requires under IFRS 9, reflecting the expected credit losses.

Movement in the allowance for doubtful receivables

	2020 £'000	**2019 £'000**
Balance at the beginning of the year	1,002	1,563
Exchange difference	10	12
Provision charged during the year	82	8
Provision reversed during the year	(15)	(391)
Provision written off during the year	-	(190)
Balance as at end of the year	1,079	1,002

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Notes to the financial statements (continued)
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15. Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Lease liabilities	3,583	-
Trade payables	42,694	202,759
Amounts owed to parent company and fellow subsidiary undertakings	384,688	793,841
Corporation tax	-	-
VAT payable	228	1,398
Other taxation and social security	283	347
Accruals	7,108	6,947
	438,584	1,005,292
Deferred income		
Amounts falling due within one year	41	4,882
Amounts falling due after more than one year	-	1,697
	41	6,579
Amount falling due after more than one year		
Lease liabilities	21,137	-
Other creditors	342	-
	21,479	-

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.

Analysis of lease liabilities

	2020 £'000
Amount due for settlement:	
Between one and five years	19,120
After five years	2,017
	21,137
On demand or within one year	3,583
	24,720

	2020 £'000	2019 £'000
Bank loans and overdrafts (unsecured)		
The borrowings are repayable as follows:		
On demand or within one year	548	154

Analysis of borrowings by currency

	EUR £'000	US$ £'000	GBP £'000	JPY £'000
31 March 2020				
Bank loans	548	-	-	-
31 March 2019				
Bank loans	106	42	6	-

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.

Notes to the financial statements (continued)
For the year ended 31 March 2020

16. Share capital, revaluation reserve, share premium and profit and loss account

	2020 £'000	2019 £'000
Authorised, issued and fully paid:		
120,658,154 (2019: 120,658,154) ordinary shares of £1 each	120,658	120,658

	2020 £'000	2019 £'000
Revaluation reserve	3	3

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

	2020 £'000	2019 £'000
Share premium	33,665	33,665

Share premium arose as a result of the merger with MC Europe Holding NV, the company's immediate parent company in last year.

Profit and loss account

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

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.

17. Derivatives and financial instruments (continued)

Financial risk management objectives

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

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

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

The company is exposed to certain risks and applies the appropriate hedge to match that risk. Where trading exposes the company to foreign exchange risk, forward exchange contracts are entered into to hedge the risk. If the company is exposed to credit risk it will, where appropriate, take out credit insurance to help manage that risk. Where it trades in commodities physically that are also traded on terminal markets it will use futures contracts to hedge any price exposure that it may have. A summary of the financial instruments of the company, by category, including the estimate of fair value is as follows:

At 31 March 2020

	Loans and receivables £'000	Available-for-sale £'000	Amortised cost £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets						
Non-derivative assets	211,095	-	-	-	211,095	211,095
Derivative assets	-	-	-	66,561	66,561	66,561
Available-for-sale investments	-	32	-	-	32	32
Cash and cash equivalents	365	-	-	-	365	365
Sub-total	211,460	32	-	66,561	278,053	278,053
Financial liabilities						
Non-derivative liabilities	-	-	(78,,525)	-	(78,525)	(78,525)
Derivative liabilities	-	-	-	(13,889)	(13,889)	(13,889)
Sub-total	-	-	(78,525)	(13,889)	(92,414)	(92,414)
Bank overdrafts and other loans						
Current	-	-	(374,467)	-	(374,467)	(374,467)
Total	211,460	32	(452,992)	52,672	(188,828)	(188,828)

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Notes to the financial statements (continued)
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17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

At 31 March 2019

	Loans and receivables £'000	Available-for-sale £'000	Amortised cost £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets						
Non-derivative assets	966,168	-	-	-	966,168	966,168
Derivative assets	-	-	-	13,663	13,663	13,663
Available-for-sale investments	-	32	-	-	32	32
Cash and cash equivalents	65	-	-	-	65	65
Sub-total	966,233	32	-	13,663	979,928	979,928
Financial liabilities						
Non-derivative liabilities	-	-	(210,469)	-	(210,469)	(210,469)
Derivative liabilities	-	-	-	(4,427)	(4,427)	(4,427)
Sub-total	-	-	(210,469)	(4,427)	(214,896)	(214,896)
Bank overdrafts and other loans						
Current	-	-	(786,285)	-	(786,285)	(786,285)
Total	966,233	32	(996,754)	9,236	(21,253)	(21,253)

Please refer to note 12 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:

	2020 £'000	2019 £'000
Assets:		
Current derivative assets		
- Currency derivatives	3,306	2,561
- Aluminium commodity contracts	62,947	10,998
	66,253	13,559
Non-current derivative assets		
- Currency derivatives	42	36
- Aluminium commodity contracts	266	68
	308	104
Liabilities:		
Current derivative liabilities		
- Currency derivatives	3,521	841
- Aluminium commodity contracts	10,187	3,529
	13,708	4,370
Non-current derivative liabilities		
- Currency derivatives	1	-
- Aluminium commodity contracts	180	57
	181	57

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 IFRS 9 Financial Instruments 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.

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Notes to the financial statements (continued)
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17. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

As at 31 March 2020, there was no 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	
	2020 $'000	2019 $'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash flow hedges						
Less than three months	-	160	-	122	-	-
	-	160	-	122	-	-

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.

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 2020	86,786	363,539
31 March 2019	178,489	297,496

17. Derivatives and financial instruments (continued)

(i) Commodity price risk exposure (continued)

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in December 2021. 'Long' refers to the buying position of aluminium future contracts whereas 'Short' refers to the selling position of aluminium future contracts.

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

Aluminium: US$1,502 – US$1,652 per metric ton (2019: US$1,900 – US$2,040 per metric ton).

(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:

	2020 Impact on profit and loss	
	Lowest case (loss) £'000	**Highest case (profit) £ '000**
Aluminium futures	658	5,622
Total	658	5,622

	2019 Impact on profit and loss	
	Lowest case (loss) £'000	**Highest case (profit) £ '000**
Aluminium futures	939	2,917
Total	939	2,917

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.

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17. Derivatives and financial instruments (continued)

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:

	2020 **£'000**	**2019** **£'000**
US Dollar	24,628	19,678
Euro	6,653	38,388
Japanese Yen	(5)	94
	31,276	58,160

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**	
	2020 **£'000**	**2019** **£'000**	**2020** **£'000**	**2019** **£'000**
US Dollar	369,983	969,232	116,204	930,247
Euro	49,345	18,393	77,356	16,484
Japanese Yen	158	1,672	158	987
	419,486	989,297	193,718	947,718

(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.

17. Derivatives and financial instruments (continued)

(ii) Foreign currency sensitivity analysis (continued)

Sensitivity analysis (loss)/profit impact:

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(28,198)	2,736	(4,332)	2,186
Euro	2,801	739	(191)	4,265
Japanese Yen	-	(1)	(76)	10
Total impact (loss)/profit	(25,397)	3,474	(4,599)	6,461

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.

(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 2020	118,357	158,881	34,809	-
31 March 2019	97,686	140,868	22,933	684

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 February 2022.

At 31 March 2020 the fair value of the company's currency derivatives is estimated to be a net liability of £ 0.2 million (2019: net asset of £1.8 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 £0.2 million (2019: £1.8 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 (2019: £nil) as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2020 for the key currencies held as derivatives.

US Dollars – Euro	(2020: 1.0972 - 1.1192)	(2019: 1.1229 – 1.1824)
US Dollars – Sterling	(2020: 1.2401 – 1,2412)	(2019: 1.3031 – 1.3059)

17. Derivatives and financial instruments (continued)

(iii) Foreign currency contracts (continued)

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 2020 was a loss of £3,512,571 (2019: gain of £12,649,084).

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.

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 2020	**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	365	-	-	-	-	365
Loans to third parties	4,352	-	-	-	-	4,352
Amounts owed by parent company and fellow subsidiary undertakings	26,714	-	-	-	19,622	46,336
Amount owed by associates	-	-	-	-	167	167
Liabilities:						
Bank loans and overdrafts	548	-	-	-	-	548
Amounts owed to parent company and fellow subsidiary undertakings	373,919	-	-	-	10,770	384,689

As at 31 March 2019	**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	65	-	-	-	-	65
Loans to third parties	4,650	-	-	-	-	4,650
Amounts owed by parent company and fellow subsidiary undertakings	22,604	-	-	-	14,109	36,713
Amount owed by associates	-	-	-	-	-	-
Liabilities:						
Bank loans and overdrafts	154	-	-	-	-	154
Amounts owed to parent company and fellow subsidiary undertakings	786,131	-	-	-	7,710	793,841

Contracted interest rates on cash at bank and deposit range from -0.50% to nil%.

17. Derivatives and financial instruments (continued)

Interest rate risk (continued)

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

Contracted interest rates on bank loans and amounts owed to fellow subsidiary undertakings range from Libor -0.25% 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 2020.

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:

2020	**Within one year £’000**	**Between one and two years £’000**	**Between two and five years £’000**	**Total £’000**
Bank loans and overdrafts	(548)	-	-	(548)
Other loans	(373,919)	-	-	(373,919)
Related interest	(1,097)	-	-	(1,097)
Non-derivative liabilities	(57,046)	(4,003)	(17,476)	(78,525)
Derivative liabilities	(13,708)	(181)	-	(13,889)
Total	(446,318)	(4,184)	(17,476)	(467,978)

2019	**Within one year £’000**	**Between one and two years £’000**	**Between two and five years £’000**	**Total £’000**
Bank loans and overdrafts	(154)	-	-	(154)
Other loans	(786,131)	-	-	(786,131)
Related interest	(2,150)			(2,150)
Non-derivative liabilities	(210,469)	-	-	(210,469)
Derivative liabilities	(4,370)	(57)	-	(4,427)
Total	(1,003,274)	(57)	-	(1,003,331)

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).

	2020			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	66,561	-	66,561
Available-for-sale financial assets				
Unquoted equities	-	-	32	32
Total	-	66,561	32	66,593
Financial liabilities at FVTPL				
Derivative financial liabilities	-	13,889	-	13,889
Total	-	13,889	-	13,889

	2019			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	13,663	-	13,663
Available-for-sale financial assets				
Unquoted equities	-	-	32	32
Total	-	13,663	32	13,695
Financial liabilities at FVTPL				
Derivative financial liabilities	-	4,427	-	4,427
Total	-	4,427	-	4,427

17. Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities	
	2020	**2019**
	£'000	**£'000**
Opening balance	32	20
Total losses or gains:		
- fair value movement in other comprehensive income	-	-
- addition	-	12
- disposals	-	-
Closing balance	32	32

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 12).

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 company finalised the buyout of the pension scheme in the year ended 31 March 2018.

At 31 March 2019 the scheme has no liabilities remaining and holds no invested assets.

Defined contribution scheme

The company now operates a defined contribution scheme for all which began on 1 April 2003. The charge for the year (being the contributions made by the company) was £0.8 million (2019: £1.0 million). No amounts were accrued or prepaid as at 31 March 2020.

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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.

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).

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 FRS 101 for transactions with other wholly owned group companies.

	Mozal		**Other related parties**	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	124	125	167	167
Sublease income	-	-	194	194
Trade and other receivables	-	-	52	50
Payables	16,074	16,549	-	-

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.

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 15 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.

Notes to the financial statements (continued)
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21. Capital risk management and dividends (continued)

Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 £'000	2019 £'000
Dividend for the year ended 31 March 2020 of 4.97273p per share (for year ended 31 March 2019: 39.94762p per share)	6,000	48,200
	6,000	48,200

22. Event after the balance sheet date

There are no events after the balance sheet date at the date of signing the financial statements.