

Marubeni

Marubeni Europe plc

Report and Financial Statements

31 March 2017

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CORPORATE INFORMATION

DIRECTORS

N Iwashita
T Hirano
J Kakizoe
H Miyazawa
T Tanaka
H Urata

SECRETARY

M Hammill

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

REGISTERED OFFICE

95 Gresham Street,
London,
EC2V 7AB

STRATEGIC REPORT (CONTINUED)

The directors present their strategic report for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year continued to be international trading in a broad range of chemical, forest and agricultural products, consumer goods and other commodities, as well as activities in the power, plant, energy, transportation and industrial machinery sectors. The Company also holds share participations in a number of group companies operating in diverse business fields, or engaged in a variety of projects. The principal activities and operations of the Company are expected to continue as described above.

BUSINESS REVIEW

Marubeni Europe plc ("the Company"), a wholly-owned subsidiary of Marubeni Corporation, is headquartered in London, England and operates also through European branches in France, Germany, Italy and Spain.

The Company's profit for the year, after taxation, is €13,940,000.

The directors are pleased to report continuing profitable operations for the year ended 31 March 2017, extending the run of consistent net profits achieved over each of the past six years. Operating profit of €17,555,000 was €9,282,000 higher than the operating profit of the comparative period. The above figure for operating profit includes dividends received from the Company's equity holdings in investee companies, which are included within interest receivable and similar income in the income statement.

Key performance indicators

The Company's key financial and other performance indicators during the year the directors have identified the following:

	2017 €'000	2016 €'000	Change %
Turnover	535,627	480,566	11.5%
Gross profit	53,627	41,796	28.3 %
Operating profit	17,555	8,273	112.2 %
Net interest earned	6,391	4,854	32.0 %
Profit for the year	13,940	6,879	102.6%
Shareholder's equity	224,500	222,402	0.9%
Average number of employees (including secondees)	210	197	6.6 %

The Company considers gross profit to be reflective of its core trading performance and this has increased by €11,931,000 to €53,627,000. The increase is mainly in relation to the provision of additional services to Marubeni Corporation and fellow group entities. From a financing activities perspective, increase in net interest earned by €1,537,000 is mainly due to improvement in the dividend income received from the Company's investees.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business, in common with other general trading companies, is closely linked to its ultimate parent company and the wider Marubeni Corporation group with respect to trading transactions, ability to obtain funding and the reduction of credit risk. The Company continues to enjoy steady growth and has reported profitable operations in each of the past six years, and accordingly the directors believe that it remains well positioned to continue to generate future trading profits.

STRATEGIC REPORT (CONTINUED)

The directors recognise that the Company faces a wide range of financial and market risks in conducting its worldwide business activities. The principal risks and uncertainties are recognised as being financial, exchange, credit, liquidity and cash-flow risks. The directors consider the management of risk to be an important part of their function, and have put in place various strategies for the Company and group undertakings, with the aim of limiting exposures to each of the above risks. These strategies to reduce the principal risks and uncertainties include the use of hedging, insurance, diversification of trading activities, and the use of financial instruments to fix price or forecast foreign exchange requirements as they arise. The Company also takes steps to ensure its ongoing liquidity by negotiating adequate stand-by credit facilities with banks and financial institutions. These arrangements are more fully described in note 1 of the financial statements. The directors have also implemented a comprehensive set of policies and guidance for business conduct, corporate governance and internal control. Given the on-going uncertainty in financial markets, the directors believe that a strong system of internal controls, combined with a focus on compliance and risk management, will contribute to the long-term survival and prosperity of the Company through periods of economic uncertainty. The directors intend to continue to promote core trading operations whilst also seeking new opportunities for investment and diversification within risk parameters acceptable to the Company.

Signed on behalf of the board

T Tanaka
Director
28 June 2017

DIRECTORS' REPORT

Registered No. 01885084

The directors present their report for the year ended 31 March 2017.

DIRECTORS OF THE COMPANY

The following served as directors of the Company during the year and up to the date of signing these financial statements:

N Iwashita
H Urata
J Kakizoe
H Miyazawa
A Takahashi (appointed 01/04/16, resigned 01/04/17)
T Tanaka (appointed 01/04/16)
T Hirano (appointed 01/04/17)
H Hanada (resigned 01/04/16)

N. Iwashita is the Managing Director and Chief Executive Officer, with responsibility for the Company's regional operations. He is supported by T Tanaka, Director and Chief Financial & Administrative Officer, and four other Directors, T Hirano, J Kakizoe, H Miyazawa and H Urata.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 March 2017 after taxation, amounted to €13,940,000 (2016 €6,879,000). The directors do not recommend the payment of a dividend (2016 - €nil).

FUTURE DEVELOPMENTS

Management's primary focus remains on the long-term prosperity of the Company and wider group, their employees, and Marubeni's trading partners, so the main performance indicator over time is shown by the growth in net assets. For the year ended 31 March 2017 this growth amounted to €2,098,000 representing an increase of 1% in the net worth of the Company for the year. The directors have consistently demonstrated their commitment to the long-term growth of the Company by reinvesting the annual retained profits in the Company, rather than declaring dividends to the Company's parent. In line with the group's new medium-term management plan "Global Challenge 2018", the Company intends to continue operating and seeking growth in its established areas of business, while also consolidating recent equity acquisitions to contribute to increased profitability in the future. Group management has also expressed an intention to maintain a strong balance sheet by improving the quality of assets retained in the business, and by ensuring the generation of positive free cash flows from its trading and investing operations.

GOING CONCERN

The Company's business includes long-term relationships with many customers and suppliers across different geographic areas and industries. Having reviewed the Company's operations, its financial position, liquid resources and borrowing facilities, together with the continuing profitable performance of its parent company and the financial strength of its own balance sheet, the directors believe that the Company has adequate resources to continue as a going concern for the foreseeable future, despite some continuing uncertainties in the economic environment. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. In addition, note 1 to the financial statements includes the Company's policies and processes for managing its liquidity, credit and other financial risks, which the directors believe contribute to the Company's ability to continue as a going concern.

DIRECTORS' REPORT (CONTINUED)

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

It is the Company's policy to seek opportunities to inform and involve its staff in all matters relating to its operations, encouraged standards of conduct, and strategic goals. During the year the Company's parent continued its commitment to disseminate information throughout the worldwide group by means of frequent publication of emails, press releases, and opportunities for cultural and social involvement. Messages from the group's Chief Executive are distributed to all staff, together with an open channel for reply, commentary or suggestions. Employees may participate directly in the success of the business through the Company's incentive-based performance evaluation system.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has arranged directors' and officers' liability insurance for all of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. There is no qualifying third party indemnity provision in force either during the year or as at the date of approving the directors' report.

CHARITABLE CONTRIBUTIONS

Charitable contributions to various organisations totalling €14,316 were made during the year (2016 - €33,627).

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

AUDITORS

Ernst & Young LLP have indicated their willingness to be reappointed for another term and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the board

M Hammill
Secretary
28 June 2017

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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). 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 the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 a going concern bases, unless they consider that to be inappropriate.

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

INDEPENDENT AUDITOR'S REPORT to the members of Marubeni Europe plc

We have audited the financial statements of Marubeni Europe plc for the year ended 31 March 2017 which comprise the income statement, statement of comprehensive income, the statement of changes in equity, the balance sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Eamonn McGrath (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, (Statutory Auditor)
London

28 June 2017

Marubeni Europe plc

INCOME STATEMENT for the year ended 31 March 2017

		<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>Notes</i>	<i>€000</i>	<i>€000</i>
Turnover	2	535,627	480,566
Cost of sales		(482,000)	(438,770)
Gross profit		<u>53,627</u>	<u>41,796</u>
Administrative expenses		(42,900)	(38,858)
Other operating income		1,354	1,243
Other operating expense		(917)	(437)
Impairment of investments		-	(325)
Interest receivable and similar income	7	7,690	6,518
Interest payable and similar cost	8	(1,299)	(1,664)
Operating profit	3	<u>17,555</u>	<u>8,273</u>
Profit/ (Loss) on disposal of property, plant and equipment		11	(2)
Loss on disposal of fixed asset investments		(182)	(73)
Profit on ordinary activities before taxation		<u>17,384</u>	<u>8,198</u>
Income taxes	9	(3,444)	(1,319)
Profit for the year after taxation		<u><u>13,940</u></u>	<u><u>6,879</u></u>

Revenue and operating profit is derived entirely from continuing operations.

All profit is attributable to the owners of the Company, as there is no non-controlling interest.

Marubeni Europe plc

STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 March 2017

		<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>Notes</i>	<i>€000</i>	<i>€000</i>
Profit for the year		13,940	6,879
Other comprehensive income			
Net loss on available-for-sale financial assets	12	(9,259)	(1,387)
Net movement on cash flow hedges		950	(3,061)
Tax on net movement on cash flow hedges	9	(157)	794
Profit/(Loss) on defined benefit pension plans	24	(4,056)	189
Tax on defined benefit pension plans	9	680	1,526
Other comprehensive loss for the year		(11,842)	(1,939)
Total comprehensive income for the year		2,098	4,940

Total comprehensive income for the year is attributable to the owners of the Company, as there is no non-controlling interest.

Marubeni Europe plc

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	<i>Share capital €000</i>	<i>Share premium €000</i>	<i>Available for-sale reserve €000</i>	<i>Cash flow hedge reserve €000</i>	<i>Retained earnings €000</i>	<i>Other reserve €000</i>	<i>Total €000</i>
At 1 April 2015	85,243	53,804	23,679	2,001	52,642	93	217,462
Profit for the year	-	-	-	-	6,879	-	6,879
Other comprehensive income	-	-	(1,387)	(2,267)	1,715	-	(1,939)
At 31 March 2016	85,243	53,804	22,292	(266)	61,236	93	222,402
At 1 April 2016	85,243	53,804	22,292	(266)	61,236	93	222,402
Profit for the year	-	-	-	-	13,940	-	13,940
Other comprehensive income	-	-	(9,259)	793	(3,376)	-	(11,842)
At 31 March 2017	85,243	53,804	13,033	527	71,800	93	224,500

In the opinion of the Directors, the other reserve is non-distributable.

Marubeni Europe plc

BALANCE SHEET

as at 31 March 2017

		<i>31 March</i>	<i>31 March</i>
		<i>2017</i>	<i>2016</i>
	<i>Notes</i>	<i>€000</i>	<i>€000</i>
Fixed Assets			
Intangible fixed assets	11	1,317	53
Tangible fixed assets	10	3,732	2,626
Investments	12	115,006	137,771
Deferred tax assets	9	2,851	2,460
		<u>122,906</u>	<u>142,910</u>
Current assets			
Stocks	14	46,745	46,084
Loans receivable - due within one year	15	3,082	26,032
- due after one year		10,134	9,257
Trade debtors		96,505	83,515
Amounts owed by associates		1,823	2,193
Amounts owed by parent company		12,281	29,346
Other debtors – due within one year	16	41,900	12,251
Prepayments and accrued income		1,194	1,313
Investments current - due within one year	13	2,231	424
Cash at bank and in hand		28,020	16,114
		<u>243,915</u>	<u>226,529</u>
Creditors: amounts falling due within one year			
Bank loans	19	1,241	1,413
Trade creditors	18	44,957	47,091
Amounts owed to associates		-	166
Amounts owed to parent company		58,367	51,393
Income tax payable	9	2,366	1,544
Other creditors including			
tax and social security	17	6,259	20,016
Financial instruments	19	697	1,714
Accruals and deferred income		8,421	6,716
		<u>122,308</u>	<u>130,053</u>
Net current assets		121,607	96,476

Marubeni Europe plc

BALANCE SHEET (CONTINUED)

as at 31 March 2017

Creditors: amounts falling due after more than one year

		<i>31 March</i>	<i>31 March</i>
		<i>2017</i>	<i>2016</i>
	Notes	€000	€000
Bank loans	19	234	1,198
		<u>234</u>	<u>1,198</u>
Provisions for liabilities	22	869	795
Pension liabilities	24	18,910	14,991
		<u>19,779</u>	<u>15,786</u>
Net assets		<u>224,500</u>	<u>222,402</u>

		<i>31 March</i>	<i>31 March</i>
		<i>2017</i>	<i>2016</i>
	Notes	€000	€000
Capital and reserves			
Equity			
Issued capital	20	85,243	85,243
Share premium		53,804	53,804
Available for sale reserve		13,033	22,292
Cash flow hedge reserve		527	(266)
Other capital reserves		93	93
Retained earnings		71,800	61,236
		<u>224,500</u>	<u>222,402</u>
Total Equity		<u>224,500</u>	<u>222,402</u>

These financial statements were approved by the board of directors on 28 June 2017 and were signed on its behalf by:

T Tanaka
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES

Corporate information

The financial statements of the Company for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 28 June 2017.

The Company is a public limited company incorporated and domiciled in England with branches in four European countries. The registered office is located at 95 Gresham Street, London EC2V 7AB.

The principal activities of the Company are described in the Strategic Report. Information on its ultimate parent is presented in note 26.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company's financial statements are presented in Euros and all values are rounded to the nearest thousand (€000) except when otherwise indicated. The financial statements have also been prepared in accordance with the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Marubeni Corporation in which the entity is consolidated;
- b) the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- c) the requirements of IFRS 7 Financial Instruments: Disclosures;
- d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- f) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A, 40B, 40C and 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- g) the requirements of IAS 7 Statement of Cash Flows;
- h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- i) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- k) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Separate financial statements

The Company has taken advantage of the exemption clauses within the Companies Act 2006 s401 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group. The ultimate parent company of Marubeni Europe plc is Marubeni Corporation, a company incorporated in Japan, which prepares consolidated accounts in accordance with IFRS.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017. The financial statements have been prepared on a going concern basis, as set out in the directors' report on page 5.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

a) *Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

b) *Pension and other post-employment benefits*

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rates are based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 24.

c) *Fair value of unquoted investments*

The unquoted equity investments have been fair valued based on the net asset value of the underlying investment where there is no externally observable market data available. The fair value of the unquoted equity instruments at 31 March 2017 was €115,006,000 (31 March 2016 - €123,504,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Foreign currency translation

The Company's financial statements are presented in Euros, which is also the Company's functional currency. The Euro represents the currency of the primary economic environment in which the Company operates. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Intangible assets

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Tangible Fixed Assets - Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

	<i>Depreciation rate (%) or period</i>	<i>Method</i>
Leasehold land and buildings	over the lease term, up to a maximum of 40 years	Straight line, zero residual value
Motor vehicles	over 4 to 6 years	Straight line, zero residual value
Fixtures and fittings	over 5 to 10 years	Straight line, zero residual value
Computer equipment	over 2 to 9 years	Straight line, zero residual value

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Assets in disposal groups classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition, and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

Leases:

Company as a lessee

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term. Where the Company transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in other operating income or other operating expense in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in other operating expenses.

Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Available-for-sale financial assets (continued)

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

De-recognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation. The Company used interest rate swaps during the year that were used as a hedge for the exposure of changes in the fair value of several fixed rate loans receivable although none were outstanding at the end of the year.

The Company's financial instruments, other than short term debtors and creditors and derivatives, comprise fixed asset investments, bank loans, other loans to and from related and unrelated parties, notes, cash, time deposits and fixed asset investments (excluding investments in associates). The main purpose of these financial instruments is to raise and manage finance for the Company's trading operations. The Company also makes trade investments in other group companies at the request of Marubeni Corporation.

The Company also enters into derivative transactions (principally interest rate swaps, currency swaps, forward currency exchange contracts and commodity futures contracts). The purpose of these transactions is to manage the interest rate, currency and commodity price risks arising from the Company's operations and its sources of finance.

The Company participates in a cash pooling scheme along with selected European based fellow subsidiaries of Marubeni Corporation in order to optimise net interest earned on cash reserves. It is the Company's policy not to engage in trading in financial instruments. Derivative financial instruments are solely used for hedging purposes. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk, credit risk and commodity market price risk. The board considers these risks, and agrees policies for managing each of them, in order to ensure the long-term stability of the Company's operations.

Interest Rate Risk

The Company borrows in various currencies, normally in order to meet specific lending or investment opportunities, at predominantly floating rates of interest, except where fixed rate assets are to be funded. Where necessary the Company then uses interest rate swaps to generate the desired interest profile and to manage the group's exposure to interest rate fluctuations. The Company's policy continues to be to maintain a broadly matched profile between fixed and floating interest rate exposures.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, commercial paper and group funding, at the same time seeking to obtain funding at favourable borrowing rates. Details of the Company's long-term debt are summarised in notes 17 and 19.

Foreign Currency Risk

As a result of the significant international transactions in US dollars, Japanese yen and other foreign currencies, and the fact that the parent's functional currency is the Euro, the Company's balance sheet can be significantly affected by movements in exchange rates. However, the Company takes steps to reduce the potential for such effects by managing its currency exposures through the use of spot and forward currency exchange contracts, by maintaining asset and liability exposures in matched currencies and by the use of currency swap contracts where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables - purchase cost on a first-in, first-out basis

Cost of stock includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of materials. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand.

Income taxes

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

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

Pensions

The Company, in conjunction with other fellow subsidiary undertakings, operates a defined benefit pension scheme in the UK, which requires contributions to be made to a separately administered fund. Any increase in the present value of the liabilities expected to arise from employee service in the period is charged against operating profit and included as part of staff costs. The net interest cost on the scheme assets less liabilities is shown as a net amount of other finance costs included with interest payable and similar costs. Actuarial gains and losses are recognised immediately in other comprehensive income.

Pension scheme assets are measured using market values and liabilities are measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented within provisions for liabilities on the face of the balance sheet. The Company operates unfunded defined benefit pension arrangements in overseas branches which are accounted for in the same way as the UK scheme. In addition to this the Company operates a defined contribution plan in the UK; the Company pays contributions to a privately administered pension insurance plan on a mandatory and contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or an agent. Where the Company is deemed to be acting as principal, the gross sales amount is recorded as revenue. Where the Company is deemed to be acting as an agent the net amount is recorded as revenue.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

Revenue from the provision of services is recognised by reference to the stage of completion.

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

2. TURNOVER

Turnover represents the invoiced amount of goods sold and accruals for services provided which fall within the Company's ordinary activities, all of which are continuing.

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
<i>Turnover comprises:</i>		
Principal sales	504,081	460,757
Other sales and commissions	31,546	19,809
	<u>535,627</u>	<u>480,566</u>

Marubeni Europe plc purchases, distributes and markets a wide variety of chemical, forest and agricultural products, consumer goods and other commodities, as well as activities in the power, plant, energy, transportation and industrial machinery sectors.

The Company operates on a worldwide basis and derives its income from these trading service activities. The directors are of the opinion that its total general trading business constitutes one class of activity. Accordingly its turnover and pre-tax result have not been broken down into classes of activity.

3. OPERATING PROFIT

This is stated after charging:

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Depreciation expense (note 10)	365	537
Net gain on foreign currency exchange differences	(702)	(654)
Operating lease rentals - land and buildings	2,777	2,750
- others	85	88
Cost of stocks recognised as an expense (included in cost of sales) and write-down of stocks to net realisable value	42	43
	<u> </u>	<u> </u>

4. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditor in respect of the audit of the financial statements:

The remuneration of the auditor is analysed as follows:

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Audit of the financial statements	<u>283</u>	<u>319</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

4. AUDITOR'S REMUNERATION (continued)

The Company has taken advantage of the option not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent Marubeni Corporation.

5. DIRECTORS' REMUNERATION

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Aggregate remuneration in respect of qualifying services	2,340	2,023
The amounts in respect of the highest paid director were as follows:		
Aggregate remuneration	885	902
The directors' pension arrangements are disclosed in note 24.		

6. STAFF COSTS

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Wages and salaries	25,008	21,542
Social security costs	2,199	1,948
Other pension costs	988	1,573
	28,195	25,063

Included in other pension costs are €646,000 (2016 - €1,206,000) in respect of the UK funded defined benefit scheme as described in note 24.

The average monthly number of employees during the year was made up as follows:

	<i>Year ended 31.03.2017 No.</i>	<i>Year ended 31.03.2016 No.</i>
Trading	98	92
Administration	62	60
	160	152

In addition, 50 (2016 - 45) personnel employed by Marubeni Corporation were seconded to work for the Company during the year. The salary costs of these personnel, which are included in the above figures, are borne by Marubeni Europe plc.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Loans receivable and other debtors	82	49
Amounts receivable from group undertakings	961	1,623
	<u>1,043</u>	<u>1,672</u>
Income from shares in group undertakings	5,927	4,157
Income from unlisted trade investments	718	362
Bank deposit interest	2	327
	<u>7,690</u>	<u>6,518</u>
	<u><u>7,690</u></u>	<u><u>6,518</u></u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Bank loans and other loans wholly repayable within five years	846	1,180
Amounts payable to group undertakings	171	207
Net interest paid on pension scheme	282	277
	<u>1,299</u>	<u>1,664</u>
	<u><u>1,299</u></u>	<u><u>1,664</u></u>

9. TAXATION

The taxation charge is made up as follows:

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Current tax:		
UK corporation tax	976	296
Tax (over)/under-provided in prior years (UK)	(37)	(35)
	<u>939</u>	<u>261</u>
Overseas tax:		
Overseas corporate taxes	2,254	1,068
Tax (over)/under-provided in prior years (overseas)	239	(22)
	<u>3,432</u>	<u>1,307</u>
Current tax	3,432	1,307
Deferred tax:		
Deferred tax – origination and reversal of timing differences	12	12
	<u>3,444</u>	<u>1,319</u>
	<u><u>3,444</u></u>	<u><u>1,319</u></u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

9. TAXATION (continued)

Tax relating to items charged or credited to other comprehensive income:

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Deferred tax:		
Tax on net movement on cash flow hedges	(157)	794
Tax on defined benefit pension plans	680	1,526
	<u>523</u>	<u>2,320</u>

Factors affecting current tax charge (reconciliation of tax)

The tax assessed on the profit on ordinary activities for the year is higher (2016 - higher) than the standard rate of corporation tax for the region in which the Company operates of 23.78% (2015 – 24.64%). The differences are reconciled below:

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Profit on ordinary activities before tax	17,384	8,198
Profit before tax multiplied by relevant rate (1) of corporation tax to reflect results of European operations (23.78%) (2016 – 24.64%)	<u>4,134</u>	<u>2,020</u>
Non-taxable losses on sale or impairment provisions of investments	28	80
Non-taxable income, disallowed expenditure, and other differences	(932)	(737)
Net effect of tax (over-)/under-provided in prior years	202	(56)
Overseas deferred tax – origination and reversal of timing differences	12	12
Total tax	<u>3,444</u>	<u>1,319</u>

- (1) The relevant tax rate is 23.78% (2016 – 24.64%). This reflects the fact that the Company has branches across Europe - significantly in Germany, Italy, and France, where profits are taxed at rates which are higher than the UK rate of Corporation Tax.

Deferred Tax

Deferred tax assets have been recognised in the Balance Sheets in respect of current timing differences for accounting provisions and on the pension fund liabilities as set out in notes 1 and 24. The year-end provision is as follows:

	<i>31 March 2017 €000</i>	<i>31 March 2016 €000</i>
Deferred tax asset (non-current)		
on timing differences for accounting provisions	(99)	188
on German pension liability	760	676
on UK pension liability	2,190	1,596
	<u>2,851</u>	<u>2,460</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

9. TAXATION (continued)

At the balance sheet date, deferred tax assets relating to carried forward capital losses of €9,800,000 (2016 - €10,600,000) have not been recognised because it is not certain that future capital gains will be available against which the company can utilise these benefits

With effect from 1 April 2013, the directors made an election under s.18A of the Corporation Tax Act 2009 to exempt the Company's overseas permanent establishments from UK taxation. This reduced deferred tax by eliminating certain UK timing differences originating in European branches.

The Finance Act 2016 enacted reductions in the rate of UK Corporation Tax from 20% to 19% with effect from 1 April 2017, and to 17% with effect from 1 April 2020. The recognised UK deferred tax assets have been calculated to reflect the tax consequences of the manner in which they are expected to be recovered and at the applicable rate under current legislation.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

10. TANGIBLE FIXED ASSETS

	<i>Leasehold land and buildings €000</i>	<i>Motor vehicles €000</i>	<i>Fixtures and fittings €000</i>	<i>Computer equipment €000</i>	<i>Total €000</i>
Cost:					
At 1 April 2015	3,271	199	1,140	1,082	5,692
Additions	-	42	62	144	248
Disposals	-	(47)	(12)	(97)	(156)
At 31 March 2016 and 1 April 2016	3,271	194	1,190	1,129	5,784
Additions	990	77	216	195	1,478
Disposals	-	(72)	(67)	(54)	(193)
At 31 March 2017	4,261	199	1,339	1,270	7,069
Depreciation and impairment:					
At 1 April 2015	866	114	960	843	2,783
Depreciation charged in year	300	28	58	130	516
Removed on disposals	-	(45)	(10)	(86)	(141)
At 31 March 2016 and 1 April 2016	1,166	97	1,008	887	3,158
Depreciation charged in year	219	85	26	35	365
Removed on disposals	-	(65)	(67)	(54)	(186)
At 31 March 2017	1,385	117	967	868	3,337
Net book value:					
At 31 March 2017	2,876	82	372	402	3,732
At 31 March 2016	2,105	97	182	242	2,626
At 31 March 2015	2,405	85	180	239	2,909

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

11. INTANGIBLE FIXED ASSETS

	<i>Licensed rights €000</i>	<i>Unpatented technology €000</i>	<i>Computer software €000</i>	<i>Total €000</i>
Cost:				
At 1 April 2015	-	-	125	125
Additions	-	-	48	48
Disposals	-	-	(10)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	-	-	163	163
Additions	820	450	21	1,291
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	820	450	184	1,454
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment:				
At 1 April 2015	-	-	99	99
Provided during the year	-	-	21	21
Removed on disposal	-	-	(10)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	-	-	110	110
Provided during the year	-	-	27	27
Removed on disposal	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	-	-	137	137
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 March 2017	820	450	47	1,317
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	-	-	53	53
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	-	-	26	26
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Intangible fixed assets consist of licensed rights (infinite life intangibles), which are reviewed annually for impairment, unpatented technology (finite life intangibles) that are being amortised over a period of six years and computer software, which is amortised over three to five years on a straight line, zero residual value basis and includes purchased software, including associated installation and modification costs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

12. INVESTMENTS – NON-CURRENT

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Investments in subsidiaries	32,435	32,450
Investments in associates	8,867	6,789
	<hr/>	<hr/>
Investments at cost	41,302	39,239
	<hr/>	<hr/>
Available for sale financial assets - fair value through other comprehensive income		
Unlisted equity shares	73,616	98,443
	<hr/>	<hr/>
Fair value through Profit and Loss unlisted equity investments	88	89
	<hr/>	<hr/>
Total Investments – non-current	115,006	137,771
	<hr/> <hr/>	<hr/> <hr/>
Available for sale financial assets - fair value through other comprehensive income		
		€000
April 2015		89,990
Additions		11,909
Disposals		(1,996)
Permanent impairment (to Profit and Loss)*		(73)
Other comprehensive income - (Net Loss) on valuation of available-for-sale financial assets		(1,387)
		<hr/>
At 31 March 2016 and April 2017		98,443
		<hr/>
Additions		1,684
Disposals		(17,252)
Other comprehensive income - (Net Loss) on valuation of available-for-sale financial assets		(9,259)
		<hr/>
At 31 March 2017		73,616
		<hr/>
*When the fair value of available for sale financial assets is deemed to be a permanent decline in value the unrealised loss is realised and transferred to Profit and Loss.		
Fair value through Profit and Loss unlisted equity investments:		€000
At 1 April 2015		90
Net realised loss to profit and loss		(1)
		<hr/>
At 31 March 2016 and 1 April 2016		89
		<hr/>
Disposals		-
Net realised loss to profit and loss		(1)
		<hr/>
At 31 March 2017		88
		<hr/>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

12. INVESTMENTS – NON-CURRENT (continued)

During the year, the liquidation of the subsidiary undertaking, Hadis Export-Import GmbH was completed resulting in a loss of €14,000, and accounted for the €14,000 reduction to Investments in subsidiaries in the year. The Gaudi Power Holdings LLC investment was also liquidated and closed in the year resulting in a gain of €465,000 and accounted for €13,132,000 of the investment disposals reported in the year. During the prior year the Associate undertaking, I. Marubeni s.r.o. was liquidated resulting in a loss of €1,000.

The Company holds 20% or more of the equity of the following unlisted companies at 31 March 2017:

<i>Name of Company</i>	<i>Country of Incorporation if not United Kingdom</i>	<i>Proportion of voting rights and Holding</i>	<i>shares held</i>	<i>Nature of business</i>	<i>Accounting year end</i>
Subsidiary undertakings:					
Marubeni Specialty Chemicals (Europe) GmbH	Germany	Ordinary shares	100%	In liquidation	31 December
Marubeni Deutschland GmbH	Germany	Ordinary shares	100%	In liquidation	31 December
Associated undertakings:					
Marubeni Pulp and Paper Sales (Europe) GmbH	Germany	Ordinary shares	40%	In liquidation	31 December
EECO Holding	Belgium	Ordinary shares	33%	Cogeneration Plant	31 December
Yokohama Austria GmbH	Austria	Ordinary shares	27%	Tyre distribution	31 December
Marubeni (Hungary) Engineering and Construction Kft	Hungary	Ordinary shares	20%	Engineering and Construction	31 December

13. INVESTMENTS CURRENT

	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>€000</i>	<i>€000</i>
Financial assets – due within one year		
Future commodity derivative contracts	1,563	62
Forward currency hedging contracts	668	362
	<u>2,231</u>	<u>424</u>

The fair value of forward currency exchange contracts were determined using quoted forward exchange rates matching the maturity of the contracts.

The cash flow hedges of the expected future sales and costs in 2017 were assessed as effective and an unrealised gain of €793,000 was included within other comprehensive income, net of tax, and net of the reversal of the unrealised loss of €2,267,000 recognised in the previous year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

14. STOCKS

	<i>31 March</i> 2017 €000	<i>31 March</i> 2016 €000
Goods for resale	23,775	31,455
Merchandise in transit	22,970	14,629
	<u>46,745</u>	<u>46,084</u>

Cost of stocks recognised as an expense (included in cost of sales) through write-down to net realisable value in the year was €42,000 (2016 - €48,000).

15. LOANS RECEIVABLE

	<i>31 March</i> 2017 €000	<i>31 March</i> 2016 €000
Within one year:		
Wholly due within one year from		
- fellow subsidiary undertakings	3,072	24,572
Current portion of long term loans receivable		
- due from fellow subsidiary undertakings	-	1,451
- due from unrelated parties	10	9
	<u>3,082</u>	<u>26,032</u>
After more than one year:		
- due from associate undertakings	9,927	8,219
- due from fellow subsidiary undertakings	-	725
- due from unrelated parties	207	313
	<u>10,134</u>	<u>9,257</u>
	<u>13,216</u>	<u>35,289</u>

Loans receivable due after more than one year represents amounts due from associated undertakings as shareholder loans, mostly bearing interest at rates related to LIBOR and due for repayment over the period up to the year 2027.

€673,000 (2016 - €2,175,000) of loans receivable from group related parties (including fellow subsidiaries) are guaranteed by the Company's parent company, Marubeni Corporation.

16. OTHER DEBTORS

	<i>31 March</i> 2017 €000	<i>31 March</i> 2016 €000
Advances on merchandise	646	205
Amounts due from fellow subsidiary undertakings	38,713	7,621
Other debtors	2,541	4,425
	<u>41,900</u>	<u>12,251</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

17. OTHER CREDITORS: amounts falling due within one year

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Amounts due to fellow subsidiary undertakings	5,513	13,637
Other creditors	746	6,379
	<u>6,259</u>	<u>20,016</u>

18. TRADE CREDITORS

Trade creditors are non-interest bearing and are on average normally settled on 103 day terms.

19. FINANCIAL LIABILITIES

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
<i>Current</i>		
Future commodity derivative contracts	234	525
Forward currency hedging contracts	463	1,189
	<u>697</u>	<u>1,714</u>

Bank Loans

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Bank loans - wholly due within one year	364	467
- current portion of long term loans	877	946
	<u>1,241</u>	<u>1,413</u>

- amounts falling due after more than one year

	<i>€000</i>	<i>€000</i>
Bank loans	234	1,198
	<u>234</u>	<u>1,198</u>

There were no bank loans (2016 - none) extending over more than five years. The Company's obligations in respect of short term and longer term bank loans are all supported by guarantees, letters of awareness or a keep-well agreement from the ultimate parent company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

20. SHARE CAPITAL

	<i>Authorised</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	110,000,000	110,000,000
Ordinary shares of 1 Euro each	102,000,000	102,000,000
	<i>Authorised</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Ordinary shares of £1 each	177,023	177,023
Ordinary shares of 1 Euro each	102,000	102,000
Total authorised share capital	279,023	279,023
	<i>Allotted, called up and fully paid</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>No.</i>	<i>No.</i>
Ordinary shares of £1 each	36,163,314	36,163,314
Ordinary shares of 1 Euro each	27,045,568	27,045,568
	<i>Allotted, called up and fully paid</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Ordinary shares of £1 each	58,197	58,197
Ordinary shares of 1 Euro each	27,046	27,046
Total issued share capital	85,243	85,243

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

20. SHARE CAPITAL (continued)

Ordinary shares of £1 each are translated to Euros at 1.60928, being the exchange rate ruling at the time of converting the functional currency from Sterling to Euros.

On 28 May 2009, the Company issued one Ordinary 1 Euro share to Marubeni Corporation at a premium of €2,123,000, which was credited to the share premium account. The share was issued as consideration for the purchase of 49% of the outstanding shares of Marubeni Specialty Chemicals (Europe) GmbH (“MSCE”) from Marubeni Corporation. As a result of this transaction, MSCE became a wholly-owned subsidiary of Marubeni Europe plc.

On 29 March 2006, the Company issued one Ordinary 1 Euro share to Marubeni Corporation at a premium of €38,490,999, which was credited to the share premium account. The share was issued in exchange for all the shares held by Marubeni Corporation in three subsidiaries - Marubeni Iberia S.A. (“MI”), Marubeni France S.A. (“MF”) and Marubeni Deutschland GmbH (“MD”). Marubeni Europe had previously acquired all of the trading net assets of these subsidiaries upon the establishment of branch offices in 1999. In exchange for their net assets, each subsidiary company had received new shares in Marubeni Europe totalling 4,095,345 of the £1 shares and all 27,045,565 of the €1 shares then in issue. These shares in Marubeni Europe were the only significant assets in each subsidiary. By acquiring 100% of the shares in the three subsidiaries on 29 March 2006 Marubeni Europe gained control of 28,800,603 (42.8%) of its own issued shares, the remainder all being held by Marubeni Corporation. Management intends to liquidate all three subsidiaries and cancel all the shares held by them, leaving Marubeni Corporation as the sole shareholder. The first such liquidation – of MI – was completed on 30 September 2006, when its assets, consisting principally of its 389,114 £1 shares in Marubeni Europe, were transferred back to Marubeni Europe for cancellation, which occurred on 8 March 2007.

The second liquidation – of MF – was completed on 23 March 2007. The 3,706,231 £1 shares it held in Marubeni Europe were also transferred back to Marubeni Europe for cancellation as described below. The liquidation of MD, which holds 24,705,258 €1 shares in Marubeni Europe, commenced in December 2008 but due to statutory notice periods, and conclusion of the entity’s tax obligations, is not yet complete.

The effect of these transactions is that, as at 31 December 2006, Marubeni Europe held 389,114 of its own £1 shares surrendered by MI, and indirectly controlled a further 3,706,231 £1 shares and 24,705,258 €1 shares through its investments in MF and MD respectively.

At an extraordinary general meeting on 8 March 2007, a special resolution of shareholders approved the cancellation of the shares received from MI and, subject to and conditional on its liquidation, MF. On 27 March 2007, MF was duly liquidated, and the shares previously held by MI and MF were subsequently cancelled.

Presentation in the Company balance sheets: In 2006 shares in Marubeni Europe received from MI were not included in the balance sheet as an investment but debited at the book value (cost) of the shares to a specially created capital reserve, a separate component of shareholders’ funds, to reflect the fact that the shares were subsequently cancelled in March 2007.

On cancellation of 4,095,345 shares in Marubeni Europe received from MI and MF (“cancelled shares”) in March 2007, the Company recorded a debit to share capital matched by a credit to a specially created other reserve, a separate component of shareholder’s funds, which does not form part of the distributable reserves of the Company (note 21). A transfer from this reserve to the profit and loss account, within the shareholders’ fund, was made to the extent that net assets received in exchange for the original issue of the cancelled shares represented qualifying consideration as defined in section 3.11 of Technical Release Tech 02/10 issued by the Institute of Chartered Accountants in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

20. SHARE CAPITAL (continued)

In 2006 shares in MF and MD were shown as fixed asset investments at their acquisition cost. Following liquidation of MF, the Company's investment in MF ceased to exist and its book value was recorded as a debit in the profit and loss account section of shareholder's funds, representing a realised loss on liquidation.

The liquidation of MF in March 2007 resulted in a reduction of the capital reserve balance. The remaining balance represents the book value of the Company's investment in MD, which is currently in liquidation.*

*The presentation described above will continue until the liquidation of MD is completed.

21. RESERVES

Analysis by item recognised in other comprehensive income for each component of equity:

	<i>Available Cash flow</i>			
	<i>for-sale</i>	<i>hedge</i>	<i>Retained</i>	<i>Total</i>
	<i>reserve</i>	<i>reserve</i>	<i>earnings</i>	<i>Equity</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<i>Year ended 31 March 2016</i>				
Net (loss)/gain on available for sale financial assets (net of tax)	(1,387)	-	-	(1,387)
Net movement on cash flow hedges (net of tax)	-	(2,267)	-	(2,267)
Actuarial gain on defined benefit pension plans (net of tax)	-	-	1,715	1,715
Other comprehensive (loss)/income for the year	(1,387)	(2,267)	1,715	(1,939)
<i>Year ended 31 March 2017</i>				
Net (loss)/gain on available for sale financial assets (net of tax)	(9,259)	-	-	(9,259)
Net movement on cash flow hedges (net of tax)	-	793	-	793
Actuarial gain on defined benefit pension plans (net of tax)	-	-	(3,376)	(3,376)
Other comprehensive (loss)/income for the year	(9,259)	793	(3,376)	(11,842)

Available for sale reserve

This reserve records fair value changes on available for sale investments.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

22. PROVISIONS

	€000
At 31 March 2016	795
Increase in provision	112
Foreign exchange movement during the year	(38)
	<hr/>
At 31 March 2017	869
	<hr/>
<i>Analysed as</i>	
Non-current	869
	<hr/>

The Company has made dilapidation provisions for future reinstatement works required for the leased offices the Company currently occupies. The provisions are based on past experience and through the advice of specialist surveyors.

23. CONTINGENT LIABILITIES AND COMMITMENTS

At 31 March 2017, the Company had total commitments under non-cancellable operating leases over land and buildings and other assets as set out below:

Land and buildings

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Operating leases which expire		
In less than one year	3,620	2,921
Within two to five years	11,060	9,872
After five years	1,625	3,576
	<hr/>	<hr/>
	16,305	16,369
	<hr/> <hr/>	<hr/> <hr/>

Others

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
<i>Operating leases which expire</i>		
In less than one year	92	107
Within two to five years	42	40
	<hr/>	<hr/>
	134	147
	<hr/> <hr/>	<hr/> <hr/>

The Company entered into a joint guarantee with Marubeni Corporation to guarantee trading and other obligations of fellow subsidiaries and associates. At 31 March 2017, contingent liabilities in respect of these were €80,423,000 (31 March 2016 - €94,347,000).

As at 31 March 2017, the Company is accountable for 72.3% of the net pension liabilities of the UK multi-employer pension scheme, for which it is the principal sponsoring employer. Effectively, the Company also has a contingent liability in respect of this scheme should other participating employers be unable to meet their own obligations.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS

Summary of pension commitments

	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
UK Scheme	12,168	8,865
Overseas branches	6,742	6,126
	<u>18,910</u>	<u>14,991</u>

UK Defined Benefit Pension Scheme

Marubeni Europe plc, in conjunction with other Marubeni group companies in the UK, operates a funded pension plan. The assets of the Fund are held in a separate trustee administered fund. The Fund closed to the accrual of future benefits on 31 March 2017. Benefits for all employees from 1 April 2017 will be accrued in the Company's defined contributions plans.

Under the defined benefit scheme, each member's pension at retirement is related to their pensionable service and final pensionable salary. The weighted average duration of the expected benefit payments is around 24 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the Company, and trustees who ensure the Fund's rules are strictly followed.

An actuarial valuation as at 31 March 2017 was performed at the accounting date by an independent qualified actuary in accordance with IAS 19. The most recent full actuarial valuation was carried out as at 1 April 2013, with an updated valuation for the purposes of IAS19 (Revised) performed on the accounting date, 31 March 2017. As the Company is one of several employers with employees in the scheme, the figures in the following disclosures reflect the Company's share of the scheme liabilities. Marubeni Europe's portion of the total deficit of the scheme at 31 March 2017 was €12,168,000.

The funding target is for the Fund to hold assets equal in value to the accrued benefits. If there is a shortfall against this target, then the Company and trustees will agree on deficit contributions. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make additional contributions to recover future deficits that arise.

The Company's treatment of actuarial gains and losses are to recognise them immediately through other comprehensive income.

Contributions are set based on funding valuations carried out every three years; the valuation as at 31 March 2016 is currently in progress. The contributions expected in 2017/18 are currently being agreed between the Company and Trustees. The Company's current expectation is that the contributions for 2017/18 will be €1,527,000. However, this is subject to an agreement being reached with the Trustees.

In the prior year, the Company held discussions with the Trustees of the Fund in relation to an additional liability in respect of the Fund's benefits being calculated on a different basis than that implied by the Fund's governing documentation. As at 31 March 2016 an additional liability of €375,000 has been recognised in respect of this clarification of the scheme's benefits, being the best actuarially-determined estimate of the adjustments required. This amount was treated as a past service cost, and accordingly was charged to the 2015/16 income statement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (continued)

Movement in the net defined benefit obligation (UK scheme)

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Opening net liabilities	(8,865)	(8,926)
Expenses charged to profit and loss	(183)	(644)
Amount recognised outside of profit and loss	(3,712)	8
Employer contributions	592	697
	<u>(12,168)</u>	<u>(8,865)</u>
Closing net liabilities	<u>(12,168)</u>	<u>(8,865)</u>

Reconciliation of the present value of the defined benefit obligation

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Present value of defined benefit obligation at beginning of year	31,785	33,475
Service cost (employer cost)	646	831
Interest cost	1,049	1,083
Members' contributions	138	163
Actuarial (gain)/loss on scheme liabilities due to:		
Changes in financial assumptions	8,518	(1,481)
Changes in demographic assumptions	318	-
Experience adjustments on benefit obligations	(1,031)	861
Foreign currency exchange rate changes	(2,542)	(3,028)
Benefits paid	(448)	(494)
Past service cost	-	375
	<u>38,433</u>	<u>31,785</u>
Present value of defined benefit obligation at end of year	<u>38,433</u>	<u>31,785</u>

Reconciliation of fair value of scheme assets

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Fair value of scheme assets at start of year	22,920	24,549
Interest on scheme assets	767	806
Actuarial (loss)/gain on scheme assets	4,093	(612)
Contributions by the Company	592	697
Contributions by the members	138	163
Benefits paid	(448)	(494)
Foreign currency exchange rate changes	(1,797)	(2,189)
	<u>26,265</u>	<u>22,920</u>
Fair value of scheme assets at end of year	<u>26,265</u>	<u>22,920</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (continued)

Amounts to be recognised in the balance sheet

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Present value of funded obligation	(38,433)	(31,785)
Fair value of scheme assets	26,265	22,920
Net liability in balance sheet	<u>(12,168)</u>	<u>(8,865)</u>

Amounts to be recognised in the income statement

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Current service cost	646	831
Net interest on net defined benefit liability	282	277
Past service cost	-	375
Net foreign currency exchange movements	(745)	(839)
Total expense	<u>183</u>	<u>644</u>

Total amount recognised in Other Comprehensive Income (OCI)

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Net actuarial gain/(loss)		
Changes in financial assumptions	(8,518)	1,481
Changes in demographic assumptions	(318)	-
Experience adjustments on benefit obligations	1,031	(861)
Actual return on scheme assets less interest on scheme assets	4,093	(612)
Actuarial (loss)/gain recognised in OCI	<u>(3,712)</u>	<u>8</u>
Recognition of deferred tax asset	594	1,596
Total amounts recognised in OCI	<u>(3,118)</u>	<u>1,604</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (continued)

Scheme assets:

	<i>Fair value at 31/03 2017 €000</i>	<i>% of assets</i>	<i>Fair value at 31/03 2016 €000</i>	<i>% of assets</i>
Equities	15,898	60.5%	13,199	57.6%
Bonds	4,341	16.5%	4,043	17.6%
Gilts	5,693	21.7%	5,464	23.8%
Other	333	1.3%	214	0.9%
Total scheme assets	<u>26,265</u>	<u>100%</u>	<u>22,920</u>	<u>100%</u>

Actual return on scheme assets

	<i>Year ended 31.03.2017 €000</i>	<i>Year ended 31.03.2016 €000</i>
Actual return on scheme assets	<u>4,860</u>	<u>194</u>

Principal actuarial assumptions at the balance sheet date

	<i>31 March 2017</i>	<i>31 March 2016</i>
Discount rate	2.5%	3.5%
Rate of increase in salaries	N/A	3.0%
Retail Price Index (RPI) inflation	3.2%	3.0%
Consumer Price Index (CPI) inflation	2.2%	2.0%
Pension increases linked to RPI price inflation subject to a maximum of 5% pa:	3.1%	2.0%
Pension increases linked to CPI price inflation subject to a maximum of 2.5% pa:	1.8%	1.7%
Post-retirement mortality:		
Life expectancy of male aged 65 in year of accounting date	23.2	23.3
Life expectancy of male aged 65 in year of accounting date + 20 years	25.3	25.5
Life expectancy of female aged 65 in year of accounting date	25.3	25.5
Life expectancy of female aged 65 in year of accounting date + 20 years	27.6	27.5

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (continued)

Estimated contributions

The employer's best estimate of contributions to be paid to the scheme by the Company next year is €811,000.

Sensitivity of obligations to alternative assumptions:

	<i>at 31/03/2017</i> €000	<i>at 31/03/2017</i> €000
<i>Discount rate</i>	<i>+0.5% pa</i>	<i>-0.5%pa</i>
Effect on defined benefit obligation of a 0.5% change	(3,513)	3,800
<i>Price inflation</i>	<i>+0.5% pa</i>	<i>-0.5%pa</i>
Effect on defined benefit obligation of a 0.5% change	2,729	(2,666)
<i>Life expectancy</i>	<i>-1 year</i>	<i>+1 year</i>
Effect on defined benefit obligation of a 1 year change	(1,307)	1,093

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Fund.

UK Defined Contribution scheme

Following the closure of the UK defined benefit scheme to new entrants on the 1 April 2014, the Company provides a defined contribution (DC) scheme for its eligible employees joining after that date. The amount recognised as an expense for the DC scheme was €46,000 (2016 - €32,000).

Directors' pension arrangements

The directors are members of an overseas pension scheme in Japan and are not members of the UK scheme. No contributions to the scheme in Japan are paid by Marubeni Europe plc, and no benefits are remitted to the UK. The overseas scheme is funded by the parent company, Marubeni Corporation.

Overseas branches' unfunded defined benefit pension schemes

The Company operates unfunded defined benefit pension arrangements for its overseas branches, in accordance with local legal requirements. The total cost to Marubeni Europe plc of these schemes for the year ended 31 March 2017 was €396,000 (31 March 2016 - €346,000). The accrued provisions for retirement benefits under these schemes as at 31 March 2017 were €6,742,000 (31 March 2016 - €6,126,000). An actuarial loss of €272,000 (net of tax of €187,000) was recognised in the Statement of Other Comprehensive Income in the current year (2016 gain - €181,000).

The most significant of such overseas pension schemes is operated in Germany for staff employed locally by the German branch. The directors obtained an actuarial valuation as at 31 March 2017 using the following assumptions: Discount rate of 1.6% (2016 – 2.1%) and increase in salaries of 3.0% (2016 – 3.0%). As the German scheme is unfunded, there are no assets held in trust to meet future benefit obligations. The movements in the scheme's liabilities during the year were as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (CONTINUED)

Movement in the net defined benefit obligation (German scheme)

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Opening net liabilities	(5,336)	(5,238)
Expenses charged to profit and loss	(352)	(319)
Amount recognised outside of profit and loss	(272)	221
Benefits paid in the year	88	-
Closing net liabilities	<u>(5,872)</u>	<u>(5,336)</u>

Reconciliation of the change in present value of the defined benefit obligation

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Present value of defined benefit obligation at beginning of year	5,336	5,238
Service cost (employer cost)	242	256
Interest cost	110	63
Actuarial loss / (gain) on scheme liabilities due to:		
Changes in financial assumptions	298	(271)
Experience adjustments on benefit obligations	(26)	50
Benefits paid	(88)	-
Present value of defined benefit obligation at end of year	<u>5,872</u>	<u>5,336</u>

Amounts to be recognised in the balance sheet

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Present value of unfunded obligation	(5,872)	(5,336)
Net liability in balance sheet	<u>(5,872)</u>	<u>(5,336)</u>

Amounts to be recognised in the income statement

	<i>Year ended 31.03.2017</i>	<i>Year ended 31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Current service cost	242	256
Net interest on net defined benefit liability	110	63
Total expense	<u>352</u>	<u>319</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

24. PENSION COMMITMENTS (CONTINUED)

Total amount recognised in Other Comprehensive Income (OCI) – (German scheme)

	<i>Year ended</i>	<i>Year ended</i>
	<i>31.03.2017</i>	<i>31.03.2016</i>
	<i>€000</i>	<i>€000</i>
Net actuarial loss/(gain)		
Changes in financial assumptions	298	(271)
Changes in demographic assumptions	-	-
Experience adjustments on benefit obligations	(26)	50
	<u>272</u>	<u>(221)</u>
Actuarial loss/(gain) recognised in OCI	<u>272</u>	<u>(221)</u>

Principal actuarial assumptions at the balance sheet date

		<i>31 March</i>	<i>31 March</i>
		<i>2017</i>	<i>2016</i>
Discount rate		1.6%	2.1%
Rate of increase in salaries		3.0%	3.0%
Rate of inflation		N/A	N/A
Rate of increase in pensions		0.0%	0.0%
Increase of social security contribution ceiling		0.0%	0.0%
Mortality and disability tables		Heubeck Richttafeln	Heubeck Richttafeln
		2005G	2005G
Retirement ages	Men	RVAGAnpG	RVAGAnpG
	Women	RVAGAnpG	RVAGAnpG
Number of scheme participants			
Active		43	44
Vested terminations		5	4
Retirees/Beneficiaries		<u>0</u>	<u>0</u>
Total		<u>48</u>	<u>48</u>
Rates used to determine amounts to be recognised in profit and loss for the year			
Discount rate		2.1%	1.2%
Rate of increase in salaries		3.0%	2.5%
Rate of increase in pensions		0.0%	0.0%

Sensitivity of obligations to alternative assumptions:

	<i>at 31/03/2017</i>	<i>at 31/03/2017</i>
	<i>€000</i>	<i>€000</i>
<i>Discount rate</i>		
Effect on defined benefit obligation of a 0.5% change	+0.5% pa (299)	-0.5%pa 320
<i>Salary increases</i>		
Effect on defined benefit obligation of a 0.5% change	+0.5% pa 298	-0.5%pa (282)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

25. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding are as follows:

	<i>Sales to related parties €000</i>	<i>Purchases from related parties €000</i>	<i>Amounts owed from related parties €000</i>	<i>Amounts owed to related parties €000</i>
Transactions with subsidiary undertakings				
Year ended 31 March 2017	102	582	40	-
Year ended 31 March 2016	279	2,727	229	2
Transactions with affiliated companies				
Year ended 31 March 2017	24,879	-	13,389	-
Year ended 31 March 2016	26,941	-	24,223	-

Amounts owed to/from related parties are trade related and arise as part of the normal operations of the Company. Details of the level of ownership, which Marubeni Corporation has in the above-mentioned entities, are as follows:

	<i>Ownership %</i>
<i>Subsidiary undertakings</i>	
Marubeni Cement & Construction Materials Co., Ltd	90.00
Welmar Europe B.V.	85.00
Marubeni Solutions Inc.	80.00
<i>Affiliated companies</i>	
GFS Renewable Energy Limited	50.00
AGS MCKUK Holdings Limited	50.00
EECO Holding	33.33
Yokohama Austria	27.00
Yokohama Iberia S.A.	49.00
Yokohama Reifen GmbH	25.00

Directors' loans

A facility is made available for the Directors of the Company to borrow a maximum of £20,000, repayable on an instalment basis at a LIBOR+ based interest rate. During the year, one director made use of this facility. Mr H Urata had a maximum outstanding balance of £10,308 during the year and made repayments of £10,308 including interest at a rate of 3%, with £nil outstanding at the end of the year.

26. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company and controlling party is Marubeni Corporation, which is incorporated in Japan. Copies of Marubeni Corporation's financial statements, which represent the only group in which this company's financial statements are included, can be obtained from Marubeni Corporation's head office at: Tokyo Nihombashi Tower, 7-1, Nihombashi 2-chome, Chuo-ku, Tokyo, 103-6060, Japan.