

Marubeni

Marubeni Europe plc

Report and Financial Statements

31 March 2020

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CORPORATE INFORMATION

DIRECTORS

N Yabe
T Hirano
S Kamizono
T Motoyama

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

The directors present their strategic report for the year ended 31 March 2020.

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 and Italy.

The Company's profit for the year, after taxation, is €20,781,000 (2019: €49,014,000) was achieved despite the onset of the global pandemic COVID-19. While COVID-19 did not affect the financial performance for the year ended 31 March 2020 it has presented a challenging environment which has required the Company to work closely with both customers and suppliers to ensure that where possible service levels and payment practices continue as normally as possible. In addition to this since the start of the pandemic the Company has been supporting its employees to ensure they can continue to work safely either on site or remotely, with those whose roles permit them to working from home.

Key performance indicators

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

| | 2020 €'000 | 2019 €'000 | Change % |
|---|---------------|---------------|-------------|
| Turnover | 346,197 | 528,440 | (34.5%) |
| Gross profit | 57,538 | 53,276 | 8.0% |
| Operating profit | 22,906 | 49,629 | (53.8%) |
| Net interest earned | 9,975 | 43,537 | (77.1%) |
| Profit for the year | 20,781 | 49,014 | (57.6%) |
| Shareholder's equity | 147,386 | 177,671 | (17.1%) |
| Average number of employees (including secondees) | 220 | 226 | (2.7%) |

The reduction to Turnover of €182,243k (34.5%) was largely due to the Companies withdrawal from one business sector (Tyre purchase and import into Europe) which were low margin, high volume products. The increase in Gross profit from €53,276,000 to €57,538,000 was due to a result of sales of higher margin products and an increase in income from commissions and service fees earned. There was a significant decrease in Operating profit of €49,629,000 to €22,906,000 which is mainly due to dividend income from the Company's investees and in particular income from shares in group undertakings which decreased €33,387,000 to €10,503,000. While there was a reduction in Shareholder's equity of €30,285,000, this was after the declaration of an interim dividend of €15,653,000 in the year as well as a reduction to the value of investments held of €14,946,000 due to a decline in underlying performance of these assets.

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 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.

Covid-19

While the Company has not seen a significant reduction in demand due to Covid-19 post year end due to existing contracts and deliveries continuing, there is expected to be a reduction in certain product lines due to reduced output by our suppliers and demand by our customers. Whilst there have been some limited payment term extension requests from customers, the company has not experienced any exceptional payment delays as compared to its usual business practice and with the majority of third party receivables being covered by credit insurance, the risk from credit default is further reduced.

The Directors monitor the effects of Covid-19 on the market to be able to respond effectively to the potential risks as a result of interruptions in production by its suppliers and reduced demand from its customers as well as the health and wellbeing of the company's personnel.

Brexit Impact

Following the UK's decision in June 2016 to leave the European Union, the Company began to assess how alternative future arrangements between UK and EU might impact its ability to continue to trade in its current organisation structure. In preparation for the increased uncertainty prior to 31st December 2020 deadline, the company has plans in place to reorganise and transfer its mainland European Operations and business to its 100% subsidiary Marubeni International (Europe) GmbH on the 31st December 2020 to ensure supply of goods to customers would continue uninterrupted even in case of no-deal Brexit.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The directors of Marubeni Europe plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be the most likely to promote success of the company, for the benefit of its members as a whole (having regarded the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 March 2020 through the company's culture, governance framework and delegated authorities. In their decision-making process, the directors take into consideration the likely long-term consequences for the company and the impact on the relevant stakeholders including the company's ultimate controlling shareholder Marubeni Corporation.

As part of the Marubeni Group the officers and employees shall comply with laws, regulations and internal rules in accordance with the spirit grounded in the Corporations Company Creed of "Fairness, Innovation and Harmony," and to give corporate social responsibility considerations high priority as they participate in corporate activities. We take a diligent approach to corporate social responsibility activities, aiming for sound management that co-exists in harmony with both society and the environment. Our goals are to ensure that the Marubeni Group is recognised by society as a good corporate citizen, and to realise sustainable growth. The Marubeni Management Philosophy - Fairness, Innovation and Harmony in practice means **Fairness:** Act with fairness and integrity at all times, **Innovation:** Pursue creativity with enterprise and initiative **Harmony;** Give and earn respect of other through cooperation.

Marubeni Corporate principles

Marubeni, as a business enterprise, will actively pursue its business interest through the exercise of fair and lawful competition. As a company Marubeni will also continue to play its part in the growth of the global economy, while always striving to enrich the society within which it operates. In order to achieve these goals, we follow six basic principles of business.

- **Conduct Fair and Open Business Activities**
Comply with laws and promote fair transactions and take a firm stand against antisocial activities and forces.
- **Develop a Globally Connected Company**
Respect the culture of all countries and regions and contribute to the prosperity of local economies through business activities
- **Create New Value Through Business Vision**
In addition to responding to changes in markets and industries, create changes ourselves and offer new products and services to markets and customers. Always take on new challenges without being constrained by existing practices of frameworks.
- **Respect and Encourage Individuality and Originality**
Foster a free and vibrant corporate culture that respects the individuality of each person and allows them to fully demonstrate their originality. Act proactively, under self-management, to achieve goals.
- **Promote Good Corporate Governance**
Proactively disclose information to stakeholders and society.
- **Safeguard Ecological and Cultural Diversity**
Recognize the responsibility as a corporate citizen in international society and engage positively in social contribution activities. Pay attention to environmental problems to pass on a sound global environment to the future generations.

The Marubeni Group conducts business with the support of various stakeholders throughout the world. The Corporation recognizes the importance of diligently listening to the opinions of stakeholders, and working together to move forward, based on an understanding of stakeholder interests and concerns, as well as the impact of the Corporation's activities on society and the environment. The key stakeholders are:

- **Customers and business partners**

Marubeni Group aims to become a company that can be trusted and relied upon by its customers and business partners, and shall endeavour to offer products and services with high satisfaction, promote fair transactions and enhance service functions. The Corporation will develop and offer socially useful products and services, reflecting the requirements of its customers and business partners, by giving full consideration to safety and striving at all times to improve their satisfaction and win their trust through sincere measures.

- **Shareholders and Investors**

Marubeni Group shall work to ensure management transparency, enhance disclosure systems and strengthen group governance. Marubeni Group is dedicated to meeting shareholders' expectations. The Corporation strives thus to enhance our corporate value by responding to changes in the business environment and maintaining stable profitability. In addition, Marubeni Group works to boost corporate value from social and environmental perspectives, and also disclose pertinent information in a fair and timely manner.

- **Local Community**

Marubeni Group aims to become a valued member of the local communities where it does business, and to contribute to the creation of robust local districts through improvement of living standards, creation of job opportunities for the local community, including youths, and offering employment with diversity and inclusion, being aware of gender and disabilities.

Overseas, Marubeni Group respects local laws, cultures and customs, and strives to operate its businesses in a way that contributes to local development. Furthermore, the Corporation is firmly opposed to antisocial forces and groups that threaten the order and safety of society.

- **Employees**

Marubeni Group shall respect the individual values and life goals of each and every employee and strive to improve the work environment and offer appropriate treatments. The Corporation also works hard to eliminate all forms of discrimination and foster an atmosphere that is pleasant for all.

Marubeni's greatest value comes from the brand equity, therefore we recognise the importance of a positive reputation all the directors decisions taken by the company's directors strive to maintain it, to ensure business continuity by attracting the best people and maintaining customer loyalty and working in partnership with our suppliers to create long-term trading relationships.

Signed on behalf of the board

S Kamizono
Director
18 December 2020

DIRECTORS' REPORT

Registered No. 01885084

The directors present their report for the year ended 31 March 2020.

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 Yabe (appointed 01/04/20)
T Hirano
S Kamizono
T Motoyama
T Terada (resigned 23/10/20)
M Ishizuki (resigned 01/04/20)

N. Yabe is the Managing Director and Chief Executive Officer, with responsibility for the Company's regional operations. He is supported by S Kamizono, Director and Chief Financial & Administrative Officer, and two other Directors, T Hirano and T Motoyama.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 March 2020 after taxation, amounted to €20,781,000 (2019 €49,014,000). During the year, the directors decided to pay interim dividends totalling €15,652,000 (2019 €117,724,000).

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 and returns to the shareholders. For the year ended 31 March 2020 dividends to shareholders amount to €15,653,000 compared to €117,724,000 for the year ended 31 March 2019. 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 2021", 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 directors have a written letter confirming that Marubeni Corporation, the Company's ultimate parent undertaking, will provide funding to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. The directors have, therefore, concluded that the Company has the ability to continue as a going concern for a period of 12 months from the date of approval of these financial statements.

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.

DIRECTORS' REPORT (CONTINUED)

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 €12,228 were made during the year (2019 - €12,221).

STREAMLINED ENERGY AND CARBON REPORTING

During the year, the company used 316,225 kwh of energy in its UK offices, with emissions from purchased electricity of 81 Tco2e at an intensity ratio 1 tco2E/m2 of 0.024. The company had a policy of contracting its energy/electricity supply from a 100% renewable supplier during the reporting period.

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 a general meeting of the Company.

By order of the board

S Kamizono
Director
18 December 2020

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

Opinion

We have audited the financial statements of Marubeni Europe plc for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 27 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – effects of Covid-19

We draw attention to Notes 2 and 27 of the financial statements, which describe the economic and social consequences the Company is facing as a result of Covid-19, which could potentially impact the volume of the Company's activities, supply and distribution channels as well as the personnel available for work. Our opinion is not modified in respect of this matter

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARUBENI EUROPE PLC (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARUBENI EUROPE PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

Marubeni Europe plc

INCOME STATEMENT for the year ended 31 March 2020

| | | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------|--------------------------------------|--------------------------------------|
| | <i>Notes</i> | <i>€000</i> | <i>€000</i> |
| Turnover | 2 | 346,197 | 528,440 |
| Cost of sales | | (288,659) | (475,164) |
| Gross profit | | 57,538 | 53,276 |
| Administrative expenses | | (45,681) | (47,338) |
| Other operating income | | 1,401 | 391 |
| Other operating expense | | (327) | (237) |
| Interest receivable and similar income | 7 | 11,508 | 45,145 |
| Interest payable and similar cost | 8 | (1,533) | (1,608) |
| Operating profit | 3 | 22,906 | 49,629 |
| (Loss) on disposal of property, plant and equipment | | (44) | (11) |
| (Loss) on disposal of fixed asset investments | | - | (29) |
| Profit on ordinary activities before taxation | | 22,862 | 49,589 |
| Income taxes | 9 | (2,081) | (575) |
| Profit for the year after taxation | | 20,781 | 49,014 |

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.

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2020

| | | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------|--------------------------------------|--------------------------------------|
| | <i>Notes</i> | <i>€000</i> | <i>€000</i> |
| Profit for the year | | 20,781 | 49,014 |
| Other comprehensive income | | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | | |
| Net movement on cash flow hedges | | (1,200) | 927 |
| Tax on net movement on cash flow hedges | 9 | 307 | (233) |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods | | (893) | 694 |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Loss on defined benefit pension plans | 24 | (16,316) | (776) |
| Tax on defined benefit pension plans | 9 | (322) | 106 |
| Net unrealised (loss)/gain on financial assets at FVOCI | 12 | (19,574) | 2,385 |
| Realised gain on financial assets at FVOCI | | 1,692 | 2,794 |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | | (34,520) | 4,509 |
| Total other comprehensive (loss)/income for the year | | (35,413) | 5,203 |
| Total comprehensive (loss)/income for the year | | (14,632) | 54,217 |

Total comprehensive (loss)/ 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 2020

| | <i>Share capital €000</i> | <i>Share premium €000</i> | <i>Fair Value reserve of financial assets at FVOCI €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 2018 | 85,243 | 53,804 | 14,671 | (43) | 87,410 | 93 | 241,178 |
| Profit for the year | - | - | - | - | 49,014 | - | 49,014 |
| Dividends declared | | | | | (117,724) | - | (117,724) |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods | - | - | - | 694 | - | - | 694 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods | - | - | 2,385 | - | 2,124 | - | 4,509 |
| At 31 March 2019 | 85,243 | 53,804 | 17,056 | 651 | 20,824 | 93 | 177,671 |
| At 1 April 2019 | 85,243 | 53,804 | 17,056 | 651 | 20,824 | 93 | 177,671 |
| Profit for the year | - | - | - | - | 20,781 | - | 20,781 |
| Dividends declared | | | | | (15,653) | - | (15,653) |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods | - | - | - | (893) | - | - | (893) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods | - | - | (19,574) | - | (14,946) | - | (34,520) |
| At 31 March 2020 | 85,243 | 53,804 | (2,518) | (242) | 11,006 | 93 | 147,386 |

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

Marubeni Europe plc

BALANCE SHEET

as at 31 March 2020

| | | 31 March 2020 | 31 March 2019 |
|---|-------|------------------|------------------|
| | Notes | €000 | €000 |
| Fixed Assets | | | |
| Intangible fixed assets | 11 | 1,294 | 1,137 |
| Tangible fixed assets | 10 | 8,128 | 3,698 |
| Investments | 12 | 83,977 | 105,216 |
| Deferred tax assets | 9 | 2,623 | 2,709 |
| | | <u>96,022</u> | <u>112,760</u> |
| Current assets | | | |
| Stocks | 14 | 21,466 | 40,631 |
| Loans receivable - due within one year | 15 | 7 | 8 |
| - due after one year | 15 | 4,556 | 6,677 |
| Trade debtors | | 81,074 | 74,473 |
| Amounts owed by associates | | 112 | 1,801 |
| Amounts owed by parent company | | 12,949 | 18,101 |
| Other debtors – due within one year | 16 | 50,786 | 53,454 |
| – due after one year | 16 | - | 1,762 |
| Prepayments and accrued income | | 925 | 1,550 |
| Investments current - due within one year | 13 | 981 | 1,230 |
| Cash at bank and in hand | | 3,051 | 61,230 |
| | | <u>175,907</u> | <u>260,917</u> |
| Creditors: amounts falling due within one year | | | |
| Bank loans | 19 | 18,040 | 6,530 |
| Trade creditors | 18 | 33,506 | 35,107 |
| Amounts owed to parent company | | 32,415 | 75,467 |
| Income tax payable | | 1,110 | 914 |
| Other creditors including tax and social security | 17 | 7,559 | 48,554 |
| Financial instruments | 19 | 910 | 16 |
| Accruals and deferred income | | 5,565 | 9,214 |
| | | <u>99,105</u> | <u>175,802</u> |
| Net current assets | | 76,802 | 85,115 |

Marubeni Europe plc

BALANCE SHEET (CONTINUED) as at 31 March 2020

Creditors: amounts falling due after more than one year

| | | <i>31 March</i> | <i>31 March</i> |
|----------------------------|-------|-----------------------|-----------------------|
| | | <i>2020</i> | <i>2019</i> |
| | Notes | €000 | €000 |
| Provisions for liabilities | 22 | 1,062 | 1,096 |
| Pension liabilities | 24 | 17,970 | 19,108 |
| Lease liabilities | | 6,406 | - |
| | | <u>25,438</u> | <u>20,204</u> |
| Net assets | | <u>147,386</u> | <u>177,671</u> |

Capital and reserves Equity

| | | | |
|---|----|-----------------------|-----------------------|
| Issued capital | 20 | 85,243 | 85,243 |
| Share premium | | 53,804 | 53,804 |
| Fair value reserve of financial assets at FVOCI | | (2,518) | 17,056 |
| Cash flow hedge reserve | | (242) | 651 |
| Other capital reserves | | 93 | 93 |
| Retained earnings | | 11,006 | 20,824 |
| Total Equity | | <u>147,386</u> | <u>177,671</u> |

These financial statements were approved by the board of directors on 18 December 2020 and were signed on its behalf by:

S Kamizono
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES

Corporate information

The financial statements of the Company for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 18 December 2020.

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 equity investment 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.
- l) the requirements of paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- m) IAS 8 IFRSs issued but not effective, on the requirement of the IFRS 9 standard due to its immaterial impact on the company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (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 2020. The financial statements have been prepared on a going concern basis, as set out in the directors' report on page 7.

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 2020 was €83,977,000 (31 March 2019 - €105,216,000). Further details are given in note 12.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

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 2020

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:

The Companies engage in the business of leasing non-current assets as lessors and lease non-current assets as lessees under leases. To determine whether a contract is, or contains, a lease, the Companies assess, at inception date of the contract, whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Accounting as lessee

At the commencement date of the lease, the Companies recognise a right-of-use asset that represents the Companies' right to use an underlying asset and a lease liability that represents the obligation to pay lease payments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

Accounting as lessee (continued)

The right-of-use asset is measured at cost, which is comprised of: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease; any initial direct costs; and an estimate of costs to be incurred in restoring the underlying asset to the condition required by the lease. The Companies depreciate the right-of-use asset over the lease term in principle. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Companies are reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Companies are reasonably certain not to exercise that option. The Companies measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Companies use their incremental borrowing rate. Interest on the lease liability is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Right-of-use assets are mainly included in "Property, plant and equipment" and lease liabilities are included in "Other current financial liabilities" and "Other non-current financial liabilities" in the Consolidated Statement of Financial Position. The Companies recognise the lease payments associated with leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value ("leases of low value assets") as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the Companies' benefit.

Accounting as lessor

For finance leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset, at the commencement date of the lease, the Companies derecognise the underlying asset subject to the lease, and recognise an asset held under a finance lease in the Consolidated Statement of Financial Position. Such assets are presented as lease receivables at an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease in principle. For operating leases, the Companies present underlying assets subject to operating leases in the Consolidated Statement of Financial Position according to the nature of the underlying asset and the depreciation policy for such underlying assets is consistent with the Companies' normal depreciation policy for similar assets. The Companies recognise the lease income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Companies add initial direct costs incurred in obtaining a lease contract to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. 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, unquoted financial instruments, and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

Subsequent measurement

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

Financial assets at amortised cost

A debt instrument financial asset is measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal

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 other operating expenses in the income statement.

Financial assets at fair value through profit or loss

The Companies classify the following financial assets as financial assets measured at fair value through profit or loss: (a) equity financial assets not designated financial assets measured at fair value through other comprehensive income as at initial recognition and (b) debt instrument financial assets that do not meet the conditions for classification as financial assets at amortised cost.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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.

Financial assets at fair value through other comprehensive income

The Companies make an irrevocable election at initial recognition to (or not to) designate equity financial assets that are not held for trading as financial assets at fair value through other comprehensive income.

After initial recognition, financial assets at fair value through other comprehensive income are measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, dividend income arising from financial assets at fair value through other comprehensive income is recognised as part in finance revenue in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost unless they are financial liabilities at fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value at initial recognition and financial liabilities classified as financial liabilities at amortised cost are measured at fair value less transaction costs at initial recognition.

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

Financial liabilities at amortised cost

Financial liabilities not classified as financial liabilities at fair value through profit or loss are measured at amortised cost. After initial recognition, financial liabilities at amortised cost are measured at amortised cost using the EIR method. The EIR amortisation is recognised in finance cost in income statement. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

Dividend distribution to members

The Company recognises a liability to make cash distributions to members when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the UK company act, a distribution is authorised when it is approved by the members. A corresponding amount is recognised directly in equity.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

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.

Newly Applied Standards and Interpretations

From the year ended March 31, 2020, the Companies have applied the following standards and interpretations. IFRS 16 Leases - Changes in lease accounting

The primary impact of the application of IFRS 16 Leases in the Consolidated Financial Statements is, in principle, for all leases in which the Companies are lessees, right-of-use assets representing the right to use the underlying assets, and lease liabilities representing the obligation for the related lease payments, are recognised in the Consolidated Statement of Financial Position. In addition, depreciation and amortisation of such right-of-use assets, and finance charges for such lease liabilities are recognised in the Consolidated Statement of Comprehensive Income. Due to the application of this standard, Property, plant and equipment, increased by €8,329,000 and Other financial liabilities (non-current)" increased by €6,406,000, respectively, at the date of initial application, but there was no material impact on the Consolidated Statement of Comprehensive Income.

A lessee measures the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

In applying IFRS 16 *Leases* from the beginning of the year ended March 31, 2020, the Companies applied the following practical expedients:

- Operating leases with the remaining lease term of 12 months or less are accounted for as short-term leases.
- Initial direct costs are excluded in measuring the right-of-use assets.
- Hindsight is applied in determining the lease term for a contract containing an extension or termination option.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

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 31.03.2020 €000</i> | <i>Year ended 31.03.2019 €000</i> |
|-----------------------------|---|---|
| <i>Turnover comprises:</i> | | |
| Principal sales | 308,850 | 492,708 |
| Other sales and commissions | 37,347 | 35,732 |
| | <u>346,197</u> | <u>528,440</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 31.03.2020 €000</i> | <i>Year ended 31.03.2019 €000</i> |
|---|---|---|
| Depreciation expense (note 10) | 3,976 | 866 |
| Net gain or (loss) on foreign currency exchange differences | 907 | (10) |
| Operating lease rentals - land and buildings | - | 3,699 |
| - others | 64 | 79 |
| Cost of stocks recognised as an expense (included in cost of sales) | 274,606 | 468,566 |
| Write-down of stocks to net realisable value | 135 | 133 |
| | <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 31.03.2020 €000</i> | <i>Year ended 31.03.2019 €000</i> |
|-----------------------------------|---|---|
| Audit of the financial statements | <u>301</u> | <u>279</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

5. DIRECTORS' REMUNERATION

| | <i>Year ended 31.03.2020 €000</i> | <i>Year ended 31.03.2019 €000</i> |
|--|---|---|
| Aggregate remuneration in respect of qualifying services | 2,282 | 2,119 |
| The amounts in respect of the highest paid director were as follows: | | |
| Aggregate remuneration | 1,066 | 947 |

The directors' pension arrangements are disclosed in note 24. The highest paid director has not exercised any share options and did not receive or is due to receive any shares under a long term incentive scheme in respect of qualifying services.

6. STAFF COSTS

| | <i>Year ended 31.03.2020 €000</i> | <i>Year ended 31.03.2019 €000</i> |
|-----------------------|---|---|
| Wages and salaries | 25,354 | 25,234 |
| Social security costs | 2,376 | 2,520 |
| Other pension costs | 721 | 953 |
| | 28,451 | 28,707 |

Included in other pension costs are €Nil (2019 - €Nil) 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 31.03.2020 No.</i> | <i>Year ended 31.03.2019 No.</i> |
|----------------|--|--|
| Trading | 109 | 113 |
| Administration | 63 | 61 |
| | 172 | 174 |

In addition, 48 (2019 - 52) 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 2020

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Loans receivable and other debtors | 3 | 208 |
| Amounts receivable from group undertakings | 727 | 718 |
| | <u>730</u> | <u>926</u> |
| Income from shares in group undertakings* | 10,503 | 43,890 |
| Income from unlisted trade investments | 273 | 328 |
| Bank deposit interest | 2 | 1 |
| | <u>11,508</u> | <u>45,145</u> |

* Income from shares in group undertakings included dividends of €5,027,000 (2019 €40,949,000) from Marubeni International (Europe) GmbH a 100% subsidiary of Marubeni Europe plc, further details of the ownership structure of Marubeni International (Europe) GmbH is detailed in Note 20.

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Bank loans and other loans wholly repayable within five years | 991 | 801 |
| Amounts payable to group undertakings | 486 | 530 |
| Net interest paid on pension scheme | 56 | 277 |
| | <u>1,533</u> | <u>1,608</u> |

9. TAXATION

The taxation charge is made up as follows:

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Current tax: | | |
| UK corporation tax | 653 | 228 |
| Tax (over) provided in prior years (UK) | (26) | (678) |
| | <u>627</u> | <u>(450)</u> |
| Overseas tax: | | |
| Overseas corporate taxes | 1,505 | 1,138 |
| Tax (over) provided in prior years (overseas) | (122) | (225) |
| | <u>2,010</u> | <u>463</u> |
| Deferred tax: | | |
| Deferred tax – origination and reversal of timing differences | 71 | 112 |
| | <u>2,081</u> | <u>575</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

9. TAXATION (continued)

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

| | Year ended 31.03.2020 €000 | Year ended 31.03.2019 €000 |
|---|-------------------------------------|-------------------------------------|
| Deferred tax: | | |
| Tax on net movement on cash flow hedges | (307) | 233 |
| Tax on defined benefit pension plans | 322 | (106) |
| | <u>15</u> | <u>127</u> |

Factors affecting current tax charge (reconciliation of tax)

The tax assessed on the profit on ordinary activities for the year is lower (2019 -lower) than the standard rate of corporation tax for the region in which the Company operates of 19.00% (2019 – 19.0%). The differences are reconciled below:

| | Year ended 31.03.2020 €000 | Year ended 31.03.2019 €000 |
|--|-------------------------------------|-------------------------------------|
| Profit on ordinary activities before tax | 22,862 | 49,589 |
| Profit before tax multiplied by relevant rate of corporation tax to reflect results of European operations (19.00%) (2019 – 19.00%) | <u>4,344</u> | <u>9,422</u> |
| Non-deductible losses on sale or impairment provisions of investments | - | 346 |
| Non-taxable income, disallowed expenditure, and other differences | (2,727) | (8,817) |
| Net effect of tax (over) provided in prior years | (149) | (903) |
| Overseas deferred tax – origination and reversal of timing differences | 71 | 112 |
| Difference in overseas tax rates | <u>542</u> | <u>415</u> |
| Total tax | <u>2,081</u> | <u>575</u> |

Deferred Tax

Deferred tax assets have been recognised in the Balance Sheet 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:

| | 31 March 2020 €000 | 31 March 2019 €000 |
|---|--------------------------|--------------------------|
| Deferred tax asset (non-current) | | |
| on timing differences for accounting provisions | 142 | (111) |
| on German pension liability | 930 | 914 |
| on UK pension liability | <u>1,551</u> | <u>1,906</u> |
| | <u>2,623</u> | <u>2,709</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

9. TAXATION (continued)

At the balance sheet date, deferred tax assets relating to carried forward capital losses of €9,455,000 (2019 - €9,709,000) 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 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 and have been calculated at 19%.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

10. TANGIBLE FIXED ASSETS

| | <i>Right of use Asset land and buildings €000</i> | <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 2018 | - | 4,922 | 199 | 1,470 | 1,411 | 8,002 |
| Additions | - | 269 | - | 223 | 265 | 757 |
| Disposals | - | - | - | (186) | (429) | (615) |
| At 31 March 2019 and 1 April 2019 | - | 5,191 | 199 | 1,507 | 1,247 | 8,144 |
| Initial Recognition IFRS 16 | 8,329 | - | - | - | - | 8,329 |
| Additions | - | - | - | 26 | 169 | 195 |
| Disposals | (65) | (17) | - | (29) | (81) | (192) |
| At 31 March 2020 | 8,264 | 5,174 | 199 | 1,504 | 1,335 | 16,476 |
| Depreciation and impairment: | | | | | | |
| At 1 April 2018 | - | 2,023 | 150 | 1,081 | 919 | 4,173 |
| Depreciation charged in year | - | 540 | 27 | 104 | 195 | 866 |
| Removed on disposals | - | - | - | (181) | (412) | (593) |
| At 31 March 2019 and 1 April 2019 | - | 2,563 | 177 | 1,004 | 702 | 4,446 |
| Depreciation charged in year | 2,656 | 1,019 | - | 60 | 241 | 3,976 |
| Removed on disposals | - | (3) | - | (18) | (53) | (74) |
| At 31 March 2020 | 2,656 | 3,579 | 177 | 1,046 | 890 | 8,348 |
| Net book value: | | | | | | |
| At 31 March 2020 | 5,608 | 1,595 | 22 | 458 | 445 | 8,128 |
| At 31 March 2019 | - | 2,628 | 22 | 503 | 545 | 3,698 |
| At 31 March 2018 | - | 2,899 | 49 | 389 | 492 | 3,829 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

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 2018 | 820 | 450 | 123 | 1,393 |
| Additions | - | - | 8 | 8 |
| Disposals | - | - | (19) | (19) |
| At 31 March 2019 and 1 April 2019 | 820 | 450 | 112 | 1,382 |
| Additions | - | 250 | 5 | 255 |
| Disposals | - | - | - | - |
| At 31 March 2020 | 820 | 700 | 117 | 1,637 |
| Depreciation and impairment: | | | | |
| At 1 April 2018 | - | 76 | 73 | 149 |
| Provided during the year | - | 75 | 21 | 96 |
| Removed on disposal | - | - | - | - |
| At 31 March 2019 and 1 April 2019 | - | 151 | 94 | 245 |
| Provided during the year | - | 82 | 16 | 98 |
| Removed on disposal | - | - | - | - |
| At 31 March 2020 | - | 233 | 110 | 343 |
| Net book value: | | | | |
| At 31 March 2020 | 820 | 467 | 7 | 1,294 |
| At 31 March 2019 | 820 | 299 | 18 | 1,137 |
| At 31 March 2018 | 820 | 374 | 50 | 1,244 |

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.

Marubeni Europe plc does not have any intangible assets whose title is restricted and the carrying amounts pledged as security for liabilities.

Amortisation of intangible assets is recognised in the Administrative Expenses line of the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

12. INVESTMENTS – NON-CURRENT

| | <i>31 March 2020 €000</i> | <i>31 March 2019 €000</i> |
|--|-----------------------------------|-----------------------------------|
| Investments in subsidiaries | 31,245 | 31,245 |
| Investments in associates | 10,135 | 10,803 |
| Investments at cost | 41,380 | 42,048 |
| Fair value through other comprehensive income unlisted equity investments | 42,515 | 63,085 |
| Fair value through Profit and Loss unlisted equity investments | 82 | 83 |
| Total Investments – non-current | 83,977 | 105,216 |
| Fair value through other comprehensive income unlisted equity investments | | €000 |
| At 1 April 2018 | | 60,031 |
| Additions | | 2,313 |
| Disposals | | (1,644) |
| Other comprehensive income - Net Gain on valuation of fair value through other comprehensive income unlisted equity investments | | 2,385 |
| At 31 March 2019 | | 63,085 |
| At 31 March 2019 and 1 April 2019 | | 63,085 |
| Disposals | | (996) |
| Other comprehensive income - Net loss on valuation of fair value through other comprehensive income unlisted equity investments | | (19,574) |
| At 31 March 2020 | | 42,515 |
| Fair value through Profit and Loss unlisted equity investments: | | €000 |
| At 1 April 2018 | | 83 |
| At 31 March 2019 and 1 April 2019 | | 83 |
| Net realised loss to profit and loss | | (1) |
| At 31 March 2020 | | 82 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

12. INVESTMENTS – NON-CURRENT (continued)

During the year the investments in Yokohama Reifen GmbH and Globe-Trotter Suitcase Co LTD were sold and there was a capital return distribution from Marpit Investment Limited London which combined resulting in gains of €1,692,000 which are reported as realised gain on financial assets through FVOCI.

During the prior year the investment in GFS Renewable Energy Limited was sold resulting in a gain of €2,794,000 which is reported as realised gain on financial assets through FVOCI. In addition to this, the liquidation of Marubeni Pulp and Paper Sales Europe GmbH was completed and resulted in a gain of €2,000. There was an impairment loss incurred on Marubeni Specialty Chemicals (Europe) GmbH for €30,000.

The Company holds 20% or more of the equity of the following unlisted companies at 31 March 2020:

| <i>Name of Company</i> | <i>Country of Incorporation if not United Kingdom</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Nature of business</i> | <i>Accounting year end</i> |
|---|---|-----------------|--|-------------------------------|--------------------------------|
| Subsidiary undertakings: | | | | | |
| Marubeni International (Europe) GmbH ¹ | Germany | Ordinary shares | 100% | General Trading | 31 December |
| Associated undertakings: | | | | | |
| EECO Holding ² Cogeneration | Belgium | Ordinary shares | 33% | Cogeneration Plant | 31 December |
| Rosignano spa ³ Marubeni (Hungary) Engineering and Construction Kft ⁴ | Italy | Ordinary shares | 50% | Cogeneration Plant | 31 December |
| Marnix Europe ⁵ | Hungary | Ordinary shares | 20% | Engineering and Construction | 31 December |
| | | Ordinary shares | 20% | Insurance Broker | 31 March |

13. INVESTMENTS CURRENT

| | <i>31 March 2020 €000</i> | <i>31 March 2019 €000</i> |
|---|-----------------------------------|-----------------------------------|
| Financial assets – due within one year: | | |
| Future commodity derivative contracts | - | 133 |
| Forward currency hedging contracts | 981 | 1,097 |
| | <u>981</u> | <u>1,230</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 2020 were assessed as effective and an unrealised loss of €893,000 was included within other comprehensive income, net of tax, and net of the reversal of the unrealised gain of €694,000 recognised in the previous year.

1 Registered office address is Benrather Strasse 18-20, 40213 Dusseldorf, Germany P.O. Box 10 36 64

2 Registered office address is Rue de Ransbeek 310, 1120 Bruxelles, 1120 Belgium

3 Registered office address is Viale Lombardia 20, Bollate, IT-MI 20021, Italy

4 Registered office address is 4th Floor Milleneum Center, Pesti Barnabas u. 4, 1052 Budapest, Hungary

5 Registered office address is 95 Gresham St, London EC2R 7HE, United Kingdom

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

14. STOCKS

| | <i>31 March 2020 €000</i> | <i>31 March 2019 €000</i> |
|------------------------|-----------------------------------|-----------------------------------|
| Goods for resale | 9,423 | 22,493 |
| Merchandise in transit | 12,043 | 18,138 |
| | <u>21,466</u> | <u>40,631</u> |

Cost of stocks recognised as an expense (included in cost of sales) through write-down to net realisable value in the year was €135,000 (2019 - €133,000).

15. LOANS RECEIVABLE

| | <i>31 March 2020 €000</i> | <i>31 March 2019 €000</i> |
|--|-----------------------------------|-----------------------------------|
| Current portion of long term loans receivable all due from unrelated parties | 7 | 8 |
| | <u>7</u> | <u>8</u> |
| After more than one year: | | |
| - due from associate undertakings | 4,385 | 6,568 |
| - due from unrelated parties | 171 | 109 |
| | <u>4,556</u> | <u>6,677</u> |
| | <u>4,563</u> | <u>6,685</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.

16. OTHER DEBTORS

| | <i>31 March 2020 €000</i> | <i>31 March 2019 €000</i> |
|--|-----------------------------------|-----------------------------------|
| <i>Due within one year</i> | | |
| Advances on merchandise | 913 | 637 |
| Amounts due from fellow subsidiary undertakings | 33,213 | 4,481 |
| Amounts due from subsidiary undertakings | 46 | 41,081 |
| Amounts due from unrelated parties | 16,614 | 7,255 |
| | <u>50,786</u> | <u>53,454</u> |
| <i>Due after one year</i> | | |
| Long term receivables due from unrelated parties | - | 1,762 |
| | <u>50,786</u> | <u>55,216</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

17. OTHER CREDITORS: amounts falling due within one year

| | <i>31 March</i> | <i>31 March</i> |
|---|-----------------|-----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>€000</i> | <i>€000</i> |
| Amounts due to fellow subsidiary undertakings | 279 | 635 |
| Amounts due from subsidiary undertakings | - | 41,903 |
| Other taxes and social security costs | 5,938 | 1,809 |
| Other creditors | 1,342 | 4,207 |
| | <u>7,559</u> | <u>48,554</u> |

18. TRADE CREDITORS

Trade creditors are non-interest bearing and are on average normally settled on 164 day terms.

19. FINANCIAL LIABILITIES

| | <i>31 March</i> | <i>31 March</i> |
|---------------------------------------|-----------------|-----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>€000</i> | <i>€000</i> |
| <i>Current</i> | | |
| Future commodity derivative contracts | 39 | - |
| Forward currency hedging contracts | 871 | 16 |
| | <u>910</u> | <u>16</u> |

| <i>Borrowings</i> | <i>31 March</i> | <i>31 March</i> |
|-----------------------------|-----------------|-----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>€000</i> | <i>€000</i> |
| Short-term bank loans | 211 | 393 |
| Short-term group borrowings | 17,829 | 6,137 |
| | <u>18,040</u> | <u>6,530</u> |

Short-term bank loans and group borrowings

There were no bank loans or group borrowings (2019 - 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.

Borrowing facilities

The Company has of short-term borrowing and credit facilities of €147,000,000 with banks. The amount drawn down under these facilities as at 31 March 2020 was €211,000 and included in the above schedule.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

20. SHARE CAPITAL

| | <i>Authorised</i> | |
|--------------------------------|-------------------|-----------------|
| | <i>31 March</i> | <i>31 March</i> |
| | <i>2020</i> | <i>2019</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>2020</i> | <i>2019</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>31 March</i> | <i>31 March</i> |
| | <i>2020</i> | <i>2019</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>31 March</i> | <i>31 March</i> |
| | <i>2020</i> | <i>2019</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 2020

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 2020

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. In November 2018 MD was taken out of liquidation and its name changed to Marubeni International (Europe) GmbH, this entity has not started trading.

During the year, the directors decided to pay interim dividends totalling €15,653,000.

21. RESERVES

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

| | <i>Fair value reserve of financial assets at FVOCI €000</i> | <i>Cash flow hedge reserve €000</i> | <i>Retained earnings €000</i> | <i>Total Equity €000</i> |
|--|---|---|---------------------------------------|----------------------------------|
| <i>Year ended 31 March 2019</i> | | | | |
| Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods: | | | | |
| Net movement on cash flow hedges (net of tax) | - | 694 | - | 694 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | | |
| Actuarial gain on defined benefit pension plans (net of tax) | - | - | (670) | (670) |
| Net unrealised gain on financial assets at FVOCI (net of tax) | 2,385 | - | - | 2,385 |
| Realised gain on financial assets at FVOCI (net of tax) | - | - | 2,794 | 2,794 |
| Other comprehensive (loss)/income for the year | 2,385 | 694 | 2,124 | 5,203 |
| <i>Year ended 31 March 2020</i> | | | | |
| Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods: | | | | |
| Net movement on cash flow hedges (net of tax) | - | (893) | - | (893) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | | |
| Actuarial (loss) on defined benefit pension plans (net of tax) | - | - | (16,638) | (16,638) |
| Net unrealised (loss) on financial assets at FVOCI (net of tax) | (19,574) | - | - | (19,574) |
| Realised gain on financial assets at FVOCI (net of tax) | - | - | 1,692 | 1,692 |
| Other comprehensive (loss)/income for the year | (19,574) | (893) | (14,946) | (35,413) |

Fair value reserve of financial assets at FVOCI

This reserve records fair value changes on fair value through other comprehensive income unlisted equity 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 2020

22. PROVISIONS

| | |
|---|-------------|
| | €000 |
| At 31 March 2019 | 1,096 |
| Increase in provision | - |
| Foreign exchange movement during the year | (34) |
| | <hr/> 1,062 |
| At 31 March 2020 | <hr/> 1,062 |
| <i>Analysed as</i> | |
| Non-current | <hr/> 1,062 |

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

The Company entered into a joint guarantee with Marubeni Corporation to guarantee trading and other obligations of fellow subsidiaries and associates. At 31 March 2020, contingent liabilities in respect of these were €23,028,000 (31 March 2019 - €48,469,000).

As at 31 March 2020, the Company is accountable for 73.2% 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 2020

24. PENSION COMMITMENTS

Summary of pension commitments

| | <i>31 March</i> | <i>31 March</i> |
|-------------------|-----------------|-----------------|
| | <i>2020</i> | <i>2019</i> |
| | <i>€000</i> | <i>€000</i> |
| UK Scheme | 9,599 | 11,210 |
| Overseas branches | 8,371 | 7,898 |
| | <u>17,970</u> | <u>19,108</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 have been 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 20 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 2020 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 2019. 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 2020 was €9,599,000.

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; with the contributions agreed with the Pension Trustees for the next year being €1,182,000.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (continued)

Movement in the net defined benefit obligation (UK scheme)

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Opening net liabilities | (11,210) | (11,759) |
| Profit/(expense) charged to profit and loss | 216 | (464) |
| Amount recognised outside of profit and loss | (15,819) | (111) |
| Employer contributions | 17,214 | 1,124 |
| Closing net liabilities* | (9,599) | (11,210) |

*Movement in net liabilities for the current year includes the impact of asset ceiling shown on page 44.

Reconciliation of the present value of the defined benefit obligation

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Present value of defined benefit obligation at beginning of year | 37,346 | 36,796 |
| Interest cost | 856 | 893 |
| Actuarial (gain)/loss on scheme liabilities due to: | | |
| Changes in financial assumptions | (4,327) | 1,068 |
| Changes in demographic assumptions | (541) | (386) |
| Experience adjustments on benefit obligations | (1,386) | (79) |
| Foreign currency exchange rate changes | (871) | 639 |
| Benefits paid | (2,394) | (1,585) |
| Present value of defined benefit obligation at end of year | 28,683 | 37,346 |

Reconciliation of fair value of scheme assets

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Fair value of scheme assets at start of year | 29,631 | 26,494 |
| Interest on scheme assets | 879 | 652 |
| Actuarial gain on scheme assets | (3,857) | 2,419 |
| Contributions by the Company | 17,214 | 1,124 |
| Benefits paid | (2,394) | (1,585) |
| Foreign currency exchange rate changes | (941) | 527 |
| Fair value of scheme assets at end of year | 40,532 | 29,631 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (continued)

Amounts to be recognised in the balance sheet

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|------------------------------------|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Present value of funded obligation | (28,683) | (37,346) |
| Fair value of scheme assets | 40,532 | 29,631 |
| Impact of asset ceiling | (21,448) | (3,495) |
| Net liability in balance sheet | <u>(9,599)</u> | <u>(11,210)</u> |

Amounts to be recognised in the income statement

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Net interest on net defined benefit liability | 60 | 277 |
| Net foreign currency exchange movements | (276) | 187 |
| Total (profit)/expense | <u>(216)</u> | <u>464</u> |

Total amount recognised in Other Comprehensive Income (OCI)

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Net actuarial loss | | |
| Changes in financial assumptions | 4,327 | (1,068) |
| Changes in demographic assumptions | 541 | 386 |
| Experience adjustments on benefit obligations | 1,386 | 79 |
| Actual return on scheme assets less interest on scheme assets | (3,857) | 2,419 |
| Impact of asset ceiling | (18,216) | (1,927) |
| Actuarial loss recognised in OCI | <u>(15,819)</u> | <u>(111)</u> |
| Recognition of deferred tax asset | (355) | (87) |
| Total amounts recognised in OCI | <u>(16,174)</u> | <u>(198)</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (continued)

Movement in the impact of the asset ceiling

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Effect of asset ceiling at the start of the period | (3,495) | (1,457) |
| Interest on the asset limit | (83) | (36) |
| Net foreign currency exchange movements | 346 | (75) |
| Change in the asset limit other than interest and exchange | (18,216) | (1,927) |
| Effect of asset ceiling at the end of the period | (21,448) | (3,495) |

Scheme assets:

| | <i>Fair value at 31/03 2020 €000</i> | <i>% of assets</i> | <i>Fair value at 31/03 2019 €000</i> | <i>% of assets</i> |
|------------------------------|--|------------------------|--|------------------------|
| Equities | 5,019 | 12.0% | 11,304 | 38.0% |
| Liability driven Investments | 16,989 | 42.0% | 12,478 | 42.0% |
| Absolute return funds | 7,377 | 18.0% | 5,323 | 18.0% |
| Cash | 11,147 | 28.0% | 526 | 2.0% |
| Total scheme assets | 40,532 | 100% | 29,631 | 100% |

Actual return on scheme assets

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--------------------------------|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Actual return on scheme assets | (2,978) | 3,071 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (continued)

Principal actuarial assumptions at the balance sheet date

| | 31 March 2020 | 31 March 2019 |
|--|------------------|------------------|
| Discount rate | 2.6% | 2.4% |
| Rate of increase in salaries | N/A | N/A |
| Retail Price Index (RPI) inflation | 2.6% | 3.3% |
| Consumer Price Index (CPI) inflation | 1.6% | 2.3% |
| Pension increases linked to RPI price inflation subject to a maximum of 5% pa: | 2.6% | 3.1% |
| Pension increases linked to CPI price inflation subject to a maximum of 2.5% pa: | 1.4% | 1.8% |
| Post-retirement mortality: | | |
| Life expectancy of male aged 65 in year of accounting date | 22.1 | 22.6 |
| Life expectancy of male aged 65 in year of accounting date + 20 years | 23.4 | 24.0 |
| Life expectancy of female aged 65 in year of accounting date | 24.5 | 24.6 |
| Life expectancy of female aged 65 in year of accounting date + 20 years | 25.9 | 26.1 |

Sensitivity of obligations to alternative assumptions:

| | at 31/03/2020 €000 | at 31/03/2020 €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 | (2,590) | 2,978 |
| <i>Price inflation</i> | <i>+0.5% pa</i> | <i>-0.5% pa</i> |
| Effect on defined benefit obligation of a 0.5% change | 2,160 | (1,902) |
| <i>Life expectancy</i> | <i>-1 year</i> | <i>+1 year</i> |
| Effect on defined benefit obligation of a 1 year change | (1,053) | 1,057 |

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 €355,000 (2019 - €381,000).

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (CONTINUED)

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 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 2020 using the following assumptions: Discount rate of 1.1% (2019 – 1.3%) and increase in salaries of 3.5% (2019 – 3.5%). 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:

Movement in the net defined benefit obligation (German scheme)

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Opening net liabilities | (7,037) | (6,069) |
| Expenses charged to profit and loss | (379) | (347) |
| Amount recognised outside of profit and loss | (107) | (621) |
| Benefits paid in the year | 180 | - |
| Closing net liabilities | (7,343) | (7,037) |

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

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Present value of defined benefit obligation at beginning of year | 7,037 | 6,069 |
| Service cost (employer cost) | 288 | 256 |
| Interest cost | 91 | 91 |
| Actuarial loss / (gain) on scheme liabilities due to: | | |
| Changes in financial assumptions | 127 | 423 |
| Experience adjustments on benefit obligations | (20) | 184 |
| Gain due to Demographic assumptions change | - | 14 |
| Benefits paid | (180) | - |
| Present value of defined benefit obligation at end of year | 7,343 | 7,037 |

Amounts to be recognised in the balance sheet

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|--------------------------------------|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Present value of unfunded obligation | (7,343) | (7,037) |
| Net liability in balance sheet | (7,343) | (7,037) |

As the German scheme is unfunded, there are no assets held in trust to meet future benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (CONTINUED)

Amounts to be recognised in the income statement

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Current service cost | 288 | 256 |
| Net interest on net defined benefit liability | 91 | 91 |
| Total expense | <u>379</u> | <u>347</u> |

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

| | <i>Year ended 31.03.2020</i> | <i>Year ended 31.03.2019</i> |
|---|--------------------------------------|--------------------------------------|
| | <i>€000</i> | <i>€000</i> |
| Net actuarial gain (loss) | | |
| Changes in financial assumptions | (127) | (423) |
| Changes in demographic assumptions | - | (14) |
| Experience adjustments on benefit obligations | 20 | (184) |
| Actuarial loss gain (loss) recognised in OCI | <u>(107)</u> | <u>(621)</u> |
| Recognition of deferred tax asset | 33 | 193 |
| Total actuarial gain (loss) recognised in OCI | <u>(74)</u> | <u>(428)</u> |

Principal actuarial assumptions at the balance sheet date

| | | <i>31 March 2020</i> | <i>31 March 2019</i> |
|--|--------------|---------------------------------|---------------------------------|
| Discount rate | | 1.1% | 1.3% |
| Rate of increase in salaries | | 3.5% | 3.5% |
| 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 2018G | Heubeck Richttafeln 2005G |
| Retirement ages | Men Women | RVAGAnpG RVAGAnpG | RVAGAnpG RVAGAnpG |
| Number of scheme participants | | | |
| Active | | 40 | 40 |
| Vested terminations | | 6 | 7 |
| Retirees/Beneficiaries | | 0 | 0 |
| Total | | <u>46</u> | <u>47</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

24. PENSION COMMITMENTS (CONTINUED)

Rates used to determine amounts to be recognised in profit and loss for the year

| | | |
|------------------------------|------|------|
| Discount rate | 1.3% | 1.5% |
| Rate of increase in salaries | 3.5% | 3.0% |
| Rate of increase in pensions | 0.0% | 0.0% |

Sensitivity of obligations to alternative assumptions:

| | <i>at 31/03/2020</i> | <i>at 31/03/2019</i> |
|---|----------------------|----------------------|
| | <i>€000</i> | <i>€000</i> |
| <i>Discount rate</i> | <i>+0.5% pa</i> | <i>-0.5% pa</i> |
| Effect on defined benefit obligation of a 0.5% change | (312) | (319) |
| <i>Salary increases</i> | <i>+0.5% pa</i> | <i>-0.5% pa</i> |
| Effect on defined benefit obligation of a 0.5% change | 332 | 341 |

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 2020 was €378,000 (31 March 2019 - €471,000). The accrued provisions for retirement benefits under these schemes as at 31 March 2019 were €8,371,000 (31 March 2019 - €7,898,000). An actuarial loss of €234,000 (net of tax of €200,000) was recognised in the Statement of Other Comprehensive Income in the current year (2019 loss - €665,000).

25. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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</i> | <i>Purchases</i> | <i>Amounts</i> | <i>Amounts</i> |
|--|-----------------|------------------|------------------|----------------|
| | <i>related</i> | <i>from</i> | <i>owed from</i> | <i>owed to</i> |
| | <i>parties</i> | <i>related</i> | <i>related</i> | <i>related</i> |
| | <i>parties</i> | <i>parties</i> | <i>parties</i> | <i>parties</i> |
| | <i>€000</i> | <i>€000</i> | <i>€000</i> | <i>€000</i> |
| Transactions with affiliated companies | | | | |
| Year ended 31 March 2020 | 1,933 | - | 72 | - |
| Year ended 31 March 2019 | 27,286 | - | 14,376 | - |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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>Affiliated companies</i> | |
| EECO Holding | 33.33 |
| Yokohama Austria | 27.00 |
| Yokohama Iberia S.A. | 49.00 |
| Yokohama Reifen GmbH | 25.00 |

Directors' loans

No Directors' loans were made in the year.

26. ULTIMATE PARENT COMPANY

The 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, Nihonbashi 2-chome, Chuo-ku, Tokyo, 103-6060, Japan.

27. SUBSEQUENT EVENT

As a result of the COVID-19 global pandemic declared in March 2020 and significantly affecting the countries where the company's customers and supply chain is based, the directors have conducted an assessment on the potential human, operational and financial risks to the business.

Whilst the company has not yet experienced significant financial impact from the pandemic there have been some reductions of demand from certain customers and products but there has not been a material impact to sales, the detailed consequences on a short and mid-term are difficult to predict. The main risks for Marubeni Europe plc relate to:

- decrease in customer's demand due to reduced activity and demand
- disruption on the supply side due to restricted output and delays and interruptions in the supply chain
- delay in payment from the customers experiencing financial difficulties as a result of the general economic downturn
- impact on the company's personnel (including top management) available for work as a result of health and wellbeing conditions caused by Covid-19.

Should these risks crystallise in 2020, some of the company's critical accounting estimates might need to be revised (e.g. deferred tax assets, accounts receivable recoverability). The current impact of these matters as well as the directors' considerations on the company's ability to continue as a going concern are presented on page 7 of these financial statements.

Following the UK's decision to leave the European Union, the Company began to assess how alternative future arrangements between UK and EU might impact its ability to continue to trade in its current organisation structure. In preparation for the increased uncertainty prior to 31st December 2020 deadline, the company has plans in place to reorganise and transfer its mainland European Operations and business to its 100% subsidiary Marubeni International (Europe) GmbH on the 31st December 2020 to ensure supply of goods to customers would continue uninterrupted even in case of no-deal Brexit.