Mitsubishi Corporation Finance PLC

Annual Report for the year ended 31 March 2023

Company Registration Number: 1865061

Contents

Mitsubishi Corporation Finance PLC

Strategic report for the year ended 31 March 2023

The Directors of Mitsubishi Corporation Finance PLC ("MCF" or the "Company") present their strategic report for the year ended 31 March 2023 in accordance with section 414C of the Companies Act 2006.

This strategic report has been prepared solely to provide information to shareholders to assess how the Directors have performed their duty to promote the success of the Company.

The strategic report contains forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Strategy, objectives and business model

The Company's business model is to provide treasury services to the Mitsubishi Corporation Group ("MC Group") in the Europe, Middle East and Africa ("EMEA") region. It achieves this by raising finance in the capital markets and managing liquidity to ensure that it can meet the funding requirements of the MC Group companies at all times.

MCF's business is designed to operate within a sustainable low risk strategy that provides the Company with the ability to adapt to changing market conditions by managing risk and focusing on the core business funding requirements of MC Group companies, mostly in the EMEA region but also to Chilean subsidiaries of a European based MC Group company.

To meet this objective the Company maintains a comprehensive business contact network in London and the European markets, through active participation in a variety of financial transactions.

Business environment, principal risks and uncertainties

Post pandemic inflationary pressures have resulted in a considerable policy shift by the world's central banks as they attempt to reign in the increases in consumer prices that have prevailed across the global economy. The rebound of economic activity from the pandemic slump is considered a core driver of these price increases, they have been further accelerated by the unprecedented rise in energy costs that arose as a result of the Russian invasion of Ukraine. In addition to these inflationary pressures, the war in Ukraine introduced an increase in the legal and compliance risk for the Company as it sought to navigate its way through a more complex legal and compliance environment vis-à-vis the resulting economic sanctions imposed by the United Kingdom (UK), European Union (EU) and United States of America (US) and reciprocal sanctions imposed by the Russian government.

Russian/Ukrainian Conflict

The Company has loan agreements in place with Russian resident entities engaged in the automotive sector. It must be emphasised that these Russian based entities are wholly owned subsidiaries of MC Tokyo and have not been designated as sanctioned entities by the UK, EU or US. Furthermore, the Company has received assurances that the Russian entities are not engaged in any activities that contravene applicable sanctions legislation The Company continues to monitor the sanctions regime and has engaged external lawyers to closely monitor the legislative changes to ensure that the Company remain compliant at all times. As at the reporting date, a total of $352.9m (2021: $325m) of loans were outstanding. All the amounts outstanding are subject to irrevocable Letters of Guarantee from MC Tokyo. It should be noted that no additional lending has been made to Russian entities during the reporting period, the increase in receivables from Russia being partly due to an increase in accrued interest receivable but mainly as a result of the appreciation of RUB/USD exchange rates between the two reporting dates. This increase in the USD equivalent value of receivables has been hedged using intercompany FX derivatives; Fluctuations in the RUB/USD exchange rate have a negligible effect on the Company's overall financial performance.

Sanctions Compliance

The international community responded to Russia's invasion of Ukraine by imposing far reaching restrictions on selected people and entities ability to do business with the wider global community. In addition, restrictions were placed on the types of industry that could be financed within Russia and the occupied regions of Ukraine. The Company is fully committed to ensuring that its business is fully compliant with all such sanctions and has obtained legal assurances, both externally and internally that the positions it has in Russia is fully compliant with all relevant sanctions law. It continues to monitor the sanctions landscape and remains committed to be fully compliant with all such restrictions.

In response to international sanctions, the Central Bank of Russia (CBR) imposed restrictions on Russian based entities ability to service debt obligations to residents of so called "unfriendly countries", the UK being one such country. As a result, the Russian debtors have been unable to fully service their obligations, in regard to both principal and interest, to the Company.

Increased Credit Risk

The inability to service debt when it falls is often seen as an indication of a decrease in the financial health of entity and may be considered by some as a default event. With respect to its Russian portfolio, the Company has been in very close discussion with the management of the Russian entities and with their sole shareholder, MC Tokyo to ascertain whether the non payment of their obligations is solely a response to the CBR restrictions or are also a result of the underlying financial performance of the entities. The Company is satisfied that the non-payment is solely a result of the CBR restrictions and instead of declaring a default event. has issued waiver letters to the borrowers, allowing the borrowers to extend the maturity date of any payments. The waived payments remain fully covered by the Letter of Guarantee issued by MC Tokyo and the Company retains the right to invoke the terms of the Guarantee if it wishes to do so.

Ruble Liquidity Risk

The Company hedges its exposure to Russian Rubles using cross currency swaps with European based banking counterparties. The cross-currency swaps paying a Rubles at a fixed rate of interest in return for USD at a floating rate of interest. Prior to the invasion, the Ruble denominated leg of the cross-currency swap was funded by the receipt of the debt obligations from Russia. As this has not been possible throughout the reporting period the Company has worked closely with its external counterparties to agree to terms for each swap contract that would allow the Ruble denominated leg to be settled without any physical payment of Rubles. These swaps have been settled via a net US Dollar payment throughout the reporting period.

Market Risk

As noted above, the Company has hedged its Ruble exposure using derivatives with external counterparties. The reduction in liquidity in the Ruble market has meant that it is now unable to hedge the related foreign exchange risk on the waived repayments with derivatives with external counterparties. As a low-risk treasury centre of the MC Group, the Company has a very low appetite for bearing such market risk. To mitigate this risk, the Company has entered into derivative agreements with MC Tokyo that hedges the US Dollar value of the waived Ruble payments.

Borrowing Requirements from Group Counterparties

A number of the Company's counterparties participate in commodity related business. Whilst commodity prices have been increasing from their pandemic era levels, the conflict in Ukraine put additional upward pressure on prices. The upward trajectory of prices did result in a significant increase in the working capital requirements of the Company'scommodity exposed counterparties. The Company was successfully able to meet these requirements and will endeavour to continue to do so when needed.

IBOR Reform

The Company has traditionally used Inter-bank Offer Rate (IBOR) as the benchmark rate for its interest rate related transactions. From 31st December 2021 LIBOR rates for all tenors in Sterling and Japanese Yen ceased to be available. The current reporting period was the first full year in which the Company had utilised the SONIA rate as a replacement for Sterling LIBOR and TONIA rate for any Japanese Yen related transactions. Although USD Libor continues to be available, the Company chose to early adopt USD SOFR as the alternative rate for any new USD denominated transactions. There are a small number of legacy transactions with external parties in place that still reference USD LIBOR, as we approach 30th June 2023, the date at which USD LIBOR will cease to be available the Company is in dialogue with our counterparties to ensure a smooth transition to the new, most appropriate alternative reference rate.

Details of financial instruments referencing USD LIBOR as at the reporting date are shown below:

	$m	New Reference Rate
Non-derivative financial assets		
Investment securities: non performing		
Orient Point	0.9	Synthetic rate to be set by trustee
Davis Square	0.3	awaiting confirmation from trustee
Total	1.2	
Non-derivative financial liabilites	30	SOFR
Total	30	
Derivatives		
Derivatives used in fair value hedges	297.8	SOFR

Interest rates

The tightening of monetary policy that began in the last financial period gathered considerable pace during the current reporting period. Inflationary pressures that followed the pandemic period were accelerated by significant increases in wholesale prices of energy, which many argued were a result of Russia's invasion of Ukraine. In order to bring inflation back down to targeted levels, interest hikes were prevalent across the main currencies in which the Company does business.

The Federal Reserve Bank (FED) started its hiking cycle in March 2022 when it increased its official borrowing rate to 0.50%. Recognising that price rises were more persistent than had been expected further hikes were announced at consecutive FED meetings. The official US inflation rate continued to increase through the reporting period and peaked in June 2022 at 9.1% but has now started to decline. At the reporting date, the FED official borrowing rates had increased to 5%; and was increased by a further 0.25% to 5.25% in May 2023.

The Bank of England base rate followed a similar path. Despite aggressive tightening of its monetary policy, the UK economy experienced significant upward price pressure with annual Consumer Price Index (CPI) proving very difficult to reign in. CPI rose throughout the year, reaching 11.1% in October 2022. As at the reporting date, CPI had began to decline, but still stood at 10.1% March 2023. In response, the Bank of England increased its official benchmark rate numerous times during the year, and stood at 4.25% on the reporting date.

The European Union was not immune to these price pressures. Starting the year at 7.8%, the inflation rate peaked in October 2022 at 11.5%. To bring the rate down to its target level, the European Central Bank raised its deposit rate from -0.50% to 0.00% in July 2022. Further increases were subsequently announced and by the end of the year the rate had increased to 3%. Price increases across the EU have now begun to subside and inflation rate stood at 7.8% at the end of the reporting period.

Although inflation has begun to decrease, the Company remains cautious in regard to the future path of interest rates and will maintain its low-risk appetite towards interest rate risk and continues to manage its exposures in a way that ensures its financial performance is not materially affected by any future interest rate policy decisions.

The Company's business model is such that these increases in funding costs are offset by an increase in the interest charged on the loans it advances. However, the Company also benefits from a significant amount of retained earnings, which being free from funding costs allow the Company to see an overall benefit to its operating result.

The Board are accountable for risk and responsible for oversight of the risk management process. The Board has considered the key risks facing the Company and the exposure to each of those risks and considers them to be appropriately managed. The nature of these risks and how they are managed are disclosed in note 21 of the financial statements.

Operational risk

The company maintains strong operational controls under the Japanese Sarbanes-Oxley (J-Sox) framework. These controls include the maintenance of strict segregation of duties, review procedures and the maintenance of records to evidence such controls. The effectiveness of the Company's J-Sox is audited both internally and externally on an annual basis.

Cyber-crime and fraud detection

The Company has robust policies in place to detect and protect the Company's data and assets from cyber-crime. The Company continually monitors its systems environment to ensure it is free of malicious content. In addition to the first line of control prevention measures, the Company lso ensures segregation of duties are maintained and provides regular employee training to ensure that any threats are minimised. There were no such incidents in the reporting period.

Future Developments

In the last reporting period, the MC Group published its 2024 Midterm Corporate Strategy, 'Creating MC Shared Value'. Building on the 2021 strategy to identify and nurture the business that will become the core of MC Groups future, it has identified integrated energy transformation and digital transformation as the focus for creating the new future of the MC Group. Furthermore, as an organisation that highly values the contribution it makes to the wider society, it has set out its 'Road Map to a Carbon Neutral Society and has set out its goal of achieving net zero greenhouse gas emissions by 2050. Business activity in the EMEA region is expected to play an important role in delivering these aims and the Company will work closely with its partners in region, as well as the MC Group's management to ensure it remains well placed to service new demands and take advantage of the opportunities as they arise.

Business Performance

The Directors monitor the progress and performance of the Company with reference to several key performance indicators ("KPIs") relating to net interest income, profit before tax, administrative expenses and the investment portfolio.

The Company operates a business model that applies a spread above the relevant benchmark rates for inter-group lending and a spread below relevant benchmark rates for inter-company deposits. This business model tends to result in the overall profitability of its business to remain relatively constant, regardless of the interest rate environment. However, in addition to its external funding sources, the Company benefits from the availability of its own capital reserves of $430.4m (2022: $439.2m) which are not subject to funding costs. This, along with the tenor mismatch, is the main cause of the $9.1m year on year increase of net interest to $19.9m (2022: $10.8m).

The results of the Company are linked to the financing requirements of the MC Group companies. At the reporting date, the Company had a diverse geographical spread of assets. United Kingdom ("UK") and European Union ("EU") domiciled loans made up 33% and 37% respectively of the Company's loans. Loans to MC Group companies in Chile make up 20% of the remainder and loans to non-sanctioned Russian based entities made up 10%.

Costs remain under control. Total operating costs were $5.4m (2022: $5.5m). A decrease in headcount in the second half of the year resulted in overall staff costs being lower than the previous year. However, as staff levels have now returned to normal, there is an expectation that as the prevailing inflationary pressures may see an increase during the next reporting period. Expenditure in other areas remains largely consistent with the prior year.

Business activity throughout the reporting period was reasonable. Reduced working capital requirements from its borrowers meant that the Company had issued loans totalling $3,342.7m at the reporting date, a $241.1m decrease from last year (2022: $3,583.8).

The Company continued to benefit from its strong financial position by utilising a variety of funding sources. issuance of short-term commercial paper stood at $1,518.1m at the year-end (2022: $1,607.3m); during the year, the Company repaid its external bank loan of $100m, therefore at the reporting date, the Company's external bank loans were nil (2021: $100m). A total of $53.3m of EMTNs matured during the reporting period and no new EMTNs were issued, resulting in year-end obligations on the EMTN programme of $30m (2022: $83.3m).

The Company did not add to its liquidity portfolio during the financial year. It continues to hold investments in securities issued by a variety of supra-national financial institutions, including the International Bank of Reconstructions and Development at $92.5m, the Asia Development Bank at $30m and the European Investment Bank at $7.5m. These investments are considered High Quality Liquid Assets, as they can be liquidated very quickly and at very little cost. However, it is the intention of the Company to hold these assets to maturity and are classified as such within the financial statements that follow.

The total value of the investment portfolio is $125.1m (2022: $127.9m).

The net profit for the year ended 31 March 2023 attributable to ordinary shareholders increased to $12.5m (2022: $7.6m).

Overall, the Directors are very satisfied with the performance of the Company and anticipate that the Company will continue to perform well in the foreseeable future.

Section 172 Statement

In the performance of its duties under section 172 of the Companies Act 2006 the Company is committed to making decisions that are to the long-term benefit of its many stakeholders. The Company's planning and decision-making structures ensure that decisions are not made that adversely impact the community in which it operates and the wider society.

As a wholly owned subsidiary of Mitsubishi Corporation, the Company works closely with its shareholder in ensuring compliance of its *Three Corporate Principles:*

- *Corporate Responsibility to Society*
- *Integrity and Fairness*
- *Global Understanding Through Business*

There is an expectation throughout the Mitsubishi Corporation group that all companies, via their board of directors and individual employees act in accordance with these the Three Corporate Principles at all times and further details are laid out in the MC Group Corporate Standards of Conduct:

1. Aim of Corporate Business Activities

Through its business activities, Mitsubishi Corporation will endeavor to increase its value. At the same time, the company will strive to enrich society in all ways, developing and offering its customers the best services and products, with the highest regard for safety.

2. Fairness and Integrity in Corporate Business Activities

Mitsubishi Corporation will continue to develop its business activities in compliance with all relevant laws, international regulations and internal rules. The Company will act responsibly and will respect the highest social standards.

3. Respect for Human Rights and Employees

Mitsubishi Corporation will respect human rights and will not engage in any discrimination. The Company will preserve and improve its corporate strengths through the development of its employees, all the while respecting the character and individuality of each employee.

4. Information Security and Disclosure

While Mitsubishi Corporation will continue to develop, implement and improve the effectiveness of its information security management system, at the same time the Company will disclose information accurately and in a timely fashion, so as to maintain transparency and be correctly understood by both its stakeholders and the general public.

5. Consideration for Environmental Issues

Mitsubishi Corporation understands that an enterprise cannot continue to prosper without consideration for its environmental performance and will strive to protect and improve the global environment and pursue sustainable development through all aspects of its business activities.

6. Contribution to Society

As a responsible member of society, Mitsubishi Corporation will actively carry out philanthropic programs in an effort to promote the enrichment of society. Moreover, the Company will support efforts of its employees to contribute to society.

With reference to the requirements set out within section 172 of the Companies Act 2006, an illustration of how the board of the Company applies these policies is listed below:

(i) Employees interests

The Company recognises the importance of its employees in achieving its business goals. The Company prioritises the health and wellbeing of its human capital and provides several benefits and policies to promote wellbeing. Furthermore, the Company recognises the importance of maintaining the skills, competence, and other development areas to ensure that its employees are able to deliver on the long-term goals of the Company.

(ii) Fostering Business Relationships

The key to Company's success is managing its relationships with its financial counterparties. As already stated, the success of the Company is strongly linked to the success of other MC Group Companies and is actively engaged in ensuring it has a deep and thorough understanding of their requirements. It is recognised that fostering a cooperative approach to our business partners will allow the Company to gain a *"Global Understanding Through Business"*

(iii) Community and Environment

Whilst the Company has a very low impact on the environment, it has active policies and procedures in place to minimise any detrimental impact it might have as it recognises its *"Corporate Responsibility to Society"* as a corner stone of Mitsubishi Corporation's success.

(iv) Business Conduct

"Integrity and Fairness" are paramount in the approach the Company takes to its business. The promotion of doing business in a fair and open manner is regularly communicated across the MC Group Companies and with the Company itself.

Mitsubishi Corporation Finance PLC

Strategic report for the year ended 31 March 2023 (continued)

Going concern

The Directors have reviewed budgets, projected cash flows, profit plans, business plans and other relevant information (e.g., guarantees and support provided by the parent company and existing funding programmes), and, on the basis of this review, have a reasonable expectation that the Company has adequate resources to continue in operational existence. At the reporting date, the Company had a net current liability position of $1,147.6m (2022: $1,046.5m) as it regularly uses its short term, Euro Commercial Paper Programme to finances its day-to-day business activities. In addition to this short-term funding source, the Company is able to source longer term funding, via its EMTN programme when required. The Company is confident that these funding sources remain robust and will be able to continue to access these funding sources for a period of at least 12 months from the approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

This report was approved by the board of Directors on 11 August 2023 and signed on its behalf by:

吉見 明大

A. Yoshimi
Managing Director and CEO
11 August 2023

Mitsubishi Corporation Finance PLC

Directors' report for the year ended 31 March 2023

The Directors present their Annual Report, together with the audited financial statements of Mitsubishi Corporation Finance PLC, for the year ended 31 March 2023.

Directors

The Directors who served during the year and as at the date of this report are as shown below:

M. Okawara	Chairman	(Resigned 16th March 2023)
K. Kawakami	Chairman	(Appointed 16th March 2023)
T. Ota	Managing Director	(Resigned 1st May 2023)
A. Yoshimi	Managing Director	(Appointed 1st May 2023)
Y. Katayama	Director	(Resigned 31st March 2022)
A. Takada	Director	(Appointed 31st March 2022)

Directors’ indemnities

The Company has made no qualifying third-party indemnity provisions for the benefit of its Directors.

Political Contributions

The Company made no political contributions during the year. (2022: $nil)

Registered Office

8th Floor, Mid City Place,
71 High Holborn,
London,
WC1V 6BA

Capital structure

Details of the authorised and issued share capital are shown in note 19. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The Company has an authorised share capital of $100m of which 90% is allotted, called up and fully paid and is held in its entirety by MC.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are governed by the general provisions of the Articles of Association and the prevailing legislation. The Directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company’s share capital.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

The powers of Directors are conferred by the sole shareholder and parent company.

Dividends

The Directors recommend the payment of a dividend of $12.5m for the year (2022: $nil).

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to MC Tokyo, the Company's sole shareholder.

The payment of this dividend will be made from fully distributable reserves and will not have any tax consequences for the Company.

Financial risk management objectives and policies, future developments and going concern statement

Details of the Company's financial risk management objectives and policies, future developments and going concern statement can be found within the strategic report and within note 21 and form part of this report by cross reference.

Corporate Governance

As the Company has only debt securities listed on the Professional Securities Market, it has availed itself of an exemption from the Financial Conduct Authority's requirement to make corporate governance disclosures.

The Corporate Principles of Mitsubishi Corporation Group

As detailed in the Strategic Report, as a member of the Mitsubishi Corporation Group, the Company at all times conducts its business in a manner that corresponds to the Mitsubishi Corporation's Three Corporate Principles

- *Corporate Responsibility to Society*
- *Integrity and Fairness*
- *Global Understanding Through Business*

It works within these guiding principles to ensure that it fosters strong and constructive relationships with its customers, suppliers, and other internal and external stakeholders.

Events after the statement of financial position date

In May 2023, MC Tokyo sold its shareholding in MCE Bank Gmbh to a third party. As part of the sale agreement, all loans that had been made by the Company to MCE Bank Gmbh since 30 June 2022 were repaid. The total consideration received by the Company is shown below:

	EUR (m)	USDEQ (m)
Principal	399.0	426.45
Accrued interest & break costs	2.2	2.37
Total	**401.2**	**428.8**

A total of $450m of loans remain outstanding from MCE Bank Gmbh, all of which are guaranteed by MC Tokyo.

Whilst the repayment constituted a relatively large amount of the loans and receivables that were outstanding at the reporting date, this early repayment is not considered by management to have a material impact on the overall business of the Company and its ability to continue as a going concern is not affected.

Auditor and disclosure of audit information

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

By order of the Board

吉見 明大

A. Yoshimi
Managing Director and CEO
11 August 2023

Mitsubishi Corporation Finance PLC

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

吉見 明大

A. Yoshimi
Managing Director and CEO
11 August 2023

Mitsubishi Corporation Finance PLC

Independent auditor's report to the members of Mitsubishi Corporation Finance PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Mitsubishi Corporation Finance Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

Independent auditor's report (continued)

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Estimation of expected credit losses for non-guaranteed loans Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was \$34.4m which was determined on the basis of 1% of total debt as at 31 March 2023.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes in our approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's going concern assessment, which included specific consideration of the impact of the Russia/Ukraine crisis and changes in economic conditions during the period, in order to understand, evaluate and evidence the key judgements made by management;
- Assessing any changes to the company's funding arrangements;
- Inspecting letters of guarantee provided by the parent company in relation to intercompany loan receivables; and
- Evaluating the appropriateness of disclosures made in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of expected credit losses for non-guaranteed loans

Key audit matter description	As disclosed in the strategic report and Note 3 to the financial statements, the company provides funding to other members of the Mitsubishi Corporation Group ("MC Group") in the Europe, Middle East and Africa region. The company is exposed to credit risk as losses may be suffered should a counterparty fail to meet their financial obligations to the company as and when they fall due. This exposure to credit risk is reduced as a result of credit enhancements in the form of guarantees from the company's parent company in respect of the majority of its counterparties. As disclosed in Note 21 to the financial statements, as at 31 March 2023 loan receivables due from MC Group companies totalled $3,342.7m (2022: $3,583.8m) with an associated expected credit loss ("ECL") balance of $0.1m (2022: $0.2m). Of the gross loan balance as at 31 March 2023, 82% (2022: 90%) is guaranteed by the parent company and 18% (2022: 10%) is not backed by a guarantee. There is a significant level of judgement involved in determining the expected credit loss balance in relation to non-guaranteed loan receivables in accordance with the requirements of IFRS 9. Based on the nature of the loan book, as detailed above, we have identified a key audit matter in relation to the probability of default assumptions applied in the ECL model for non-guaranteed loan exposures given the greater degree of uncertainty and judgement involved in the estimation of ECL's against those balances.

How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls related to expected credit losses, focusing on controls over the determination of probabilities of default. We challenged management's judgements regarding the appropriateness of the probability of default assumptions applied in the model to non-guaranteed loan exposures, through testing a sample of loans for evidence of both historic defaults by counterparties and evidence of post-year end repayments.
Key observations	Based on the work performed we concluded that the expected credit loss balance recorded against non-guaranteed loan receivables is appropriately stated.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	$34.4m (2022: $30.4m)
Basis for determining materiality	1% of total debt (2022: 1% of total debt)
Rationale for the benchmark applied	We determined materiality based on total debt as we consider MCF's debt holders to be primary users of the financial statements given their interest in the financial position and performance of MCF as creditors of the company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment, and
b. the low number of corrected and uncorrected misstatements identified in the previous audit.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of $1.7m (2022: $1.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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 contained within the annual report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;

- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT and financial instrument specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: estimation of expected credit losses for non-guaranteed loans. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of expected credit losses for non-guaranteed loans as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12.Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13.Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14.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.

Isabel Agius (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
11 August 2023

Mitsubishi Corporation Finance PLC

Income statement for the year ended 31 March 2023

	Notes	2023 $m	2022 $m
Interest income	4	**94.4**	11.6
Interest expense	4	**(74.5)**	(0.8)
Net interest income		**19.9**	10.8
Trading expenses	4	**(1.7)**	(0.5)
Other gains and losses	6	**2.5**	4.2
Total operating income		**20.7**	14.5
Administrative expenses		**(5.4)**	(5.5)
Profit before taxation		**15.3**	9.0
Tax	9	**(2.8)**	(1.4)
Profit for the year attributable to equity holders		**12.5**	7.6

The results shown in the income statement are derived wholly from continuing activities.

The accompanying notes 1 to 27 form an integral part of the financial statements.

Mitsubishi Corporation Finance PLC

Statement of comprehensive income for the year ended 31 March 2023

	Notes	2023 $m	2022 $m
Profit for the year		**12.5**	7.6
Items that may be reclassified subsequently to profit or loss:			
Unrealised gains/(losses) on derivative hedges		**(25.7)**	36.5
Tax on fair value movements taken directly to equity	9	**4.4**	(6.9)
Other comprehensive income for the period, net of income tax		**(21.3)**	29.6
Total comprehensive (loss) / income for the period attributable to shareholders		**(8.8)**	37.2

Mitsubishi Corporation Finance PLC

Statement of financial position at 31 March 2023

	Notes	2023 $m	2022 $m
Non-current assets			
Loans and other receivables	10	**1,368.3**	1,253.5
Investments at amortised cost	11	**125.1**	127.9
Property, plant and equipment	12	**0.1**	0.1
Right-of-use assets	18	**1.0**	1.3
Derivative financial instruments	13	**118.7**	143.6
		1,613.2	1,526.4
Current assets			
Cash and bank balances	14	**234.8**	164.8
Loans and other receivables	10	**1,997.6**	2,337.3
Derivative financial instruments	13	**56.1**	13.3
		2,288.5	2,515.4
Current liabilities			
Borrowings	15	**3,413.6**	3,537.8
Trade and other payables	16	**9.1**	4.9
Lease liabilities	18	**0.2**	0.3
Derivative financial instruments	13	**13.3**	18.9
		3,436.2	3,561.9
NET CURRENT ASSETS/(LIABILITIES)		**(1,147.7)**	(1,046.5)
Non-current liabilities			
Borrowings	15	**30.0**	30.0
Trade and other payables	16	**2.3**	3.3
Lease liabilities	18	**0.7**	1.0
Deferred tax liabilities	18	**1.9**	6.3
Derivative financial instruments	13	**0.2**	0.1
		35.1	40.7
NET ASSETS		**430.4**	439.2
Shareholder's equity			
Ordinary share capital	19	**90.0**	90.0
Revaluation reserve		**5.9**	27.2
Retained earnings		**334.5**	322.0
Total shareholder's equity		**430.4**	439.2

The financial statements on pages 20 to 71 were approved by the board of Directors and authorised for issue on 11 August 2023.

They were signed on its behalf by:

吉見 明大

A. Yoshimi
Managing Director and CEO
Company Registration Number: 1865061

The accompanying notes 1 to 27 form an integral part of the accounts.

Mitsubishi Corporation Finance PLC

Statement of changes in equity for the year ended 31 March 2023

	Share capital $m	Retained earnings $m	Revaluation reserve $m	Total equity $m
Balance at 1 April 2021	90.0	314.4	(2.4)	402.0
Profit for the period	-	7.6	-	7.6
Other comprehensive income for the period				
Gains on derivative hedges	-	-	36.5	36.5
Deferred tax	-	-	(6.9)	(6.9)
Total other comprehensive income for the period	**-**	**-**	**29.6**	**29.6**
Total comprehensive income for the period	**-**	**7.6**	**29.6**	**37.2**
Balance at 31 March 2022	**90.0**	**322.0**	**27.2**	**439.2**
Profit for the period	-	12.5	-	12.5
Other comprehensive income for the period				
Losses on derivative hedges	-	-	(25.7)	(25.7)
Deferred tax	-	-	4.4	4.4
Total other comprehensive loss for the period	**-**	**-**	**(21.3)**	**(21.3)**
Total comprehensive loss for the period	**-**	**12.5**	**(21.3)**	**(8.8)**
Balance at 31 March 2023	**90.0**	**334.5**	**5.9**	**430.4**

Mitsubishi Corporation Finance PLC

Cash flow statement for the year ended 31 March 2023

	Notes	2023 $m	2022 $m
Cash flows from operating activities			
Loans to group companies		**155.1**	(702.4)
Derivatives from hedging loans		**(19.4)**	15.3
Cash from pooled group accounts		**563.1**	791.8
Cash paid to suppliers and employees		**(5.7)**	(6.0)
Cash generated from operations		**693.1**	98.7
Interest received		**43.9**	11.2
Tax paid		**(6.9)**	0.9
Net cash from operating activities		**730.1**	110.8
Cash flows from investing activities			
Investments in financial assets		**-**	80.0
Interest received		**7.0**	0.7
Net cash from investing activities		**7.0**	80.7
Cash flows from financing activities			
EMTN	15	**(52.6)**	(22.7)
Commercial Paper	15	**(96.5)**	(460.6)
Repurchase agreements	15	**(5.5)**	(83.5)
Bank and group loans	15	**(510.0)**	336.4
Derivatives from financing foreign currencies		**58.5**	45.5
Lease payments		**(0.3)**	(0.3)
Interest paid		**(49.9)**	(1.3)
Net cash used in financing activities		**(656.3)**	(186.5)
Effect of exchange rate changes		**(10.8)**	(11.2)
Net increase / (decrease) in cash and cash equivalents		**70.0**	(6.2)
Cash and cash equivalents at beginning of year	14	**164.8**	171.0
Cash and cash equivalents at end of year	14	**234.8**	164.8

1. General information

Mitsubishi Corporation Finance PLC is a company incorporated in United Kingdom under the Companies Act. The Company is a public company, limited by shares.

It is domiciled and incorporated in the UK under the laws of England and Wales and is a wholly owned subsidiary of its ultimate holding and controlling company, Mitsubishi Corporation ("MC"), which is incorporated in Japan.

The nature of the Company's operations and its principal activities are set out in the strategic report.
The financial statements are stated in millions of US dollars ($m), which is the functional currency of the Company.

2. Adoption of new and revised standards

2.1 Adoption of new standards

The following amendments to IFRS, as issued by the International Accounting Standards Board (IASB) became mandatory for accounting periods that began on or after 1 January 2022.

- *Amendments to IFRS 3: Reference to the Conceptual Framework*
- *Amendment to IAS 16: Property Plant and Equipment – Proceeds before Intended Use*
- *Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract*
- *Annual Improvements:*
    - *IFRS 1 First-time Adoption of International Financial Reporting Standards*
    - *IFRS 9 Financial Instruments*
    - *IFRS 16 Leases*
    - *IAS 41 Agriculture*

The adoption of the revised standards have had no effect on the financial statements of the Company.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

Basis of preparation

The financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and with those parts of the Companies Act applicable to companies reporting under IFRSs.

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

The principal accounting policies adopted in the preparation of these financial statements, all of which have been applied consistently throughout the year, are set out below.

Going concern

The Company makes regular assessments of whether it can continue as a going concern in light of current economic conditions and information regarding the risks and uncertainties it is expected to face. These assessments include, but are not limited to:

- Financial planning: The Company prepares forward looking business plans, including, included forecasted long and short-term financing needs from its MC Group company customers.

- Availability of funding: As detailed in note 15 of these accounts and the Directors' report, the Company maintains a diverse funding programme. At the reporting date, net current liabilities were $1,147.6m (2022: $1,046.5). As detailed in the notes to the account, including within note 15, the Company has a diverse source of funding facilities and expects that current funding will be more than sufficient to fulfil its funding needs over the coming 12 months.

- Guarantees and funding from the parent company: The Company expects the parent company to guarantee all obligations under its EMTN and ECP programmes.

- Payments from Russian counterparties: In light of the continuing conflict in Ukraine, the Company is in close dialogue with the management of the respective Russian entities regarding the conditions under which they operating and the effect economic certainty is expected to have on their financial performance, at the reporting date the Directors are confident that all obligations that have not yet been met due to capital restrictions imposed by the CBR will eventually be fulfilled. If restrictions persist for the longer term, the Company has recourse to legal guarantees from the parent company, which are a pre-requisite of such lending.

In light of these reviews, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the approval of the financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

a) Revenue Recognition

The Company recognises revenue from the following sources:

- net interest income on financial assets and financial liabilities
- gains and losses on derivatives
- foreign exchange sales fee
- service fee income

Net interest income on financial assets and financial liabilities

Interest income and interest expense are recognised in the income statement for all interest-bearing financial instruments classified as amortised cost using the effective interest rate (EIR) as defined in the applicable contractual rates. Interest on derivatives executed as fair value hedges for assets and liabilities is reported on a net basis under interest income and interest expense respectively.

In the case where the Company applies hedge accounting the net interest income on the hedging instrument is set off against the net interest income of the hedge item.

Gains and losses arising from derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value movements exclude interest and are shown separately within *other gains and losses*.

Foreign exchange sales fee

The Company enters into spot, forward and swap foreign exchange contracts with MC Group companies. Income from these transactions is recognised after the transaction has been traded and is invoiced to the customer quarterly in arrears.

Service fee income

The Company provides management services to several MC Group companies. These income for these services is recognised after the service has been provided and is invoiced quarterly in arrears.

Foreign currency translation

Items included in the financial statements of the Company are measured in US dollars. Whilst domiciled in the UK, the company grants loans in a variety of currencies, with USD denominated loans making up 37% of transactions in the reporting period (2022: 43%) which is considered the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the year end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of these items at year end exchange rates are recognised in the income statement.

b) **Financial assets and liabilities**

The accounting policies for fair value, financial assets, financial liabilities and derivatives are set out as follows:

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties within an arm’s length transaction.

Financial instruments measured at fair value on an on-going basis include trading assets and liabilities, instruments designated at fair value (such as financial liabilities), derivatives and financial assets measured at FVTPL.

Determination of fair value

Fair values are determined according to the following hierarchy that reflects the degree to which fair value is observable.

3. Significant accounting policies (continued)

(i) Level 1: Quoted market price
Financial instruments valued with quoted prices for identical instruments in active markets.

a) Level 2: Valuation technique using observable inputs
Financial instruments with valuations derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

b) Level 3: Valuation technique with non-observable inputs
Financial instruments with valuations derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. For these instruments, the fair value derived is more judgemental. 'Not observable' in this context means that there are few or no current market data available from which to determine the level at which an arm's length transaction would likely occur, but it generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (historical data may, for example, be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

The valuation models used where quoted market prices are not available incorporate certain assumptions that the Company anticipates would be used by a third-party market participant to establish fair value. Where MCF believes that there are additional considerations not included within the valuation model, appropriate adjustments may be made.

Examples of such adjustments are:

- Credit risk adjustment: an adjustment to reflect the creditworthiness of over-the-counter (OTC) derivative counterparties.
- Market data/model uncertainty: an adjustment to reflect uncertainties in fair values based on unobservable market data inputs (for example, as a result of illiquidity) or in areas where the choice of valuation model is particularly subjective.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial 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 and interest on the principal amount outstanding.

3. Significant accounting policies (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The Company classified Loans and receivables of $3,366m (2022: $3,590.8m) and Investment Securities of $125.1m (2022: $127.9m) as debt instruments that are subsequently measured at amortised cost.

3. Significant accounting policies (continued)

i) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) and (ii) above) are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) to (ii) above) are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

At the reporting date the Company did not hold financial assets classified as at FVTPL (2022:$ nil).

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and financial commitment contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Expected Loss in the event of default

82% of the Company's lending is supported by legal guarantees from its parent company (2022: 90%) of. These credit enhancements, being based on the creditworthiness of the parent company, are factored into the ECL so as to estimate the expected loss the Company would incur if any of the guaranteed loans were to default.

The Company takes a simplified approach for trade receivables. The expected credit losses on these financial assets are calculated for assets which are more than 90 days overdue.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes, amongst other things a consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

3. Significant accounting policies (continued)

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument. E.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition if the internal credit rating for the financial asset drops into internal "watch" status or when contractual payments are more than 30 days past due, unless The Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default,
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment Grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) **Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by The Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless The Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) **Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

3. Significant accounting policies (continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

At the reporting date the Company had classified $76m (2022: $76m) of its financial assets as being in default.

(iv) **Write-off policy**

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) **Measurement and recognition of expected credit losses**

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The probability of default is derived from internal credit rating systems incorporating internal rating grades and historical data of default rates for similarly rated financial instruments or counterparties.

In the event of a default, the loss given default is assessed in respect of the quality of collateral and other credit enhancements. In general, loans to MC Group companies are supported by credit enhancements by way of letters of guarantee from the parent company. If such loans were to default, the Company is able to seek recompense from MC Tokyo for obligations that have not been met. The expected credit loss for guaranteed loans therefore incorporates the probability of default of MC Tokyo, as derived from internal credit rating system when calculating the loss given default.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial commitment contracts, the exposure includes the amount drawn down as at the reporting date (reported as loans and receivables), together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a financial commitment contract, as the Company could be required to make additional lending, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3. Significant accounting policies (continued)

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, The Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received, and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

Financial liabilities

Financial liabilities at fair value through profit and loss

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated either:

(i) at amortised cost: any difference between proceeds (net of transactions costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method; or

(ii) as financial liabilities – designated at fair value through the income statement. The fair value option is used by the Company where the liabilities would otherwise be measured at amortised cost, the associated derivatives used to economically hedge the risk are held at fair value, and it is not practical to apply hedge accounting.

In certain circumstances, the Company applies the fair value option to its own debt in issue. Where available, the fair value will be based upon quoted prices in an active market for the specific instrument concerned. Where unavailable, the fair value will either be based upon quoted prices in an inactive market for the specific instrument concerned or estimated by comparison with quoted prices in an active market for similar instruments.

For long-term loans and EMTNs, the fair values have been calculated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity. The fair value of these instruments therefore includes the effect of the appropriate credit spread to apply to the Company's liabilities. Provided that the debt is not repaid early, gains and losses arising from changes in the credit spread of liabilities issued by the Company reverse over the contractual life of the debt.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the applicable contractual rates.

Funds received under repurchase agreements are included in borrowings. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

3. Significant accounting policies (continued)

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- the carrying amount of the liability before the modification; and
- the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

c) **Derivative financial instruments**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 13.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset.

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

d) Hedge Accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges and cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

3. Significant accounting policies (continued)

The Company designates the full change in the fair value of a forward contract (i.e., including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Company designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve.

If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Company applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in Statement of changes in Equity.

Fair value hedges
The fair value change on qualifying hedging instruments is recognised in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ‘other gains and losses’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

At the reporting date the Company does not have any Cash flow hedges (2022:$ nil).

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

3. Significant accounting policies (continued)

e) **Lease accounting**

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

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3. Significant accounting policies (continued)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

There were no such payments in the reporting period.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company does not act as lessor in any lease contracts.

f) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that The Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

g) **Taxation**

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further

excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement within the Company supported by previous experience in respect of such activities.

3. Significant accounting policies (continued)

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

h) Property, plant and equipment

All property, plant and equipment are carried at cost less subsequent depreciation and impairment.

Depreciation is provided at rates calculated to write off the cost of each asset to its residual value on a straight-line basis over its expected useful life, as follows:

Office equipment	-	3 years
Furniture, fixtures and fittings	-	5 years

i) **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, net deposits held within the Company’s cash pooling system and other short-term highly liquid investments, including reverse repurchase agreements, with original maturities of three months or less. Bank overdrafts, including net overdraft positions within the Company’s cash pooling system are shown within borrowings in current liabilities on the statement of financial position.

Cash pooling scheme

As part of the regional liquidity management of the MC Group, the Company provides a cash pooling scheme to MC Group companies (Cash Pool Participants) in the region, under which the Company makes available a series of currency specific cash pooling arrangements. These cash pooling arrangements enable the operation of a daily sweep of cash to or from each Cash Pool Participant. Within each currency cash pool there are a series of bank accounts held by the Company, one corresponding to each Cash Pool Participant, which facilitate this daily cash sweep. Accordingly, at the balance sheet date the Company has a number of bank accounts with the same counterparty bank and the overall net balance within each currency cash pool will consist of the aggregation of each of these bank accounts. Interest is charged to or earned by each currency cash pool based on the aggregate balance within each pool and then reallocated to Cash Pool Participants based on their relative contribution to each Pool. The Company has determined, based on a detailed assessment of the cash pooling arrangement, that all of the accounts held by the Company associated with a specific currency cash pool represent a single unit of account. Accordingly, the aggregate net position of each currency cash pool is presented in the statement of financial position.

3. Significant accounting policies (continued)

j) Share capital

Ordinary shares are classified as equity.

k) Segmental reporting

The Directors consider that the Company has one operating segment, being treasury. The geographical spread of the Company's client base is diverse and includes the UK and the EU as well as MC Group companies in Chile and elsewhere. A geographical analysis, based on the residency of the counterparty, of the sources of revenue is shown in note 4.

l) Retirement and termination benefit costs

The Company maintains a defined contribution plan for all employees. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

m) Critical accounting judgements

The preparation of the Company's financial statements in conformity with IFRS require the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and associated assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These judgements include the following:

(i) Impairment of assets

As noted above, the Company assesses regularly whether there is any objective evidence that the assets are impaired. When making this assessment Company makes reference to underlying credit enhancements from its parent company, by way of letters of guarantee, which accompany such loans. In the event of a default, the Company is able to request payment of all overdue obligations, as well as contracted future payments in full and without delay. Details of the carrying amount of assets held are disclosed in the notes to the accounts.

(ii) Significant increase in credit risk

As explained above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information, which is both publicly available and internally sourced.

n) Key sources of estimation uncertainty

The Company makes assumptions concerning the future and other key sources of estimation when preparing financial statements. The Company considers the risk of these estimations requiring adjustment in the next financial year as very low.

One area where the Company makes an estimation that carries some uncertainty is in its assessment of the probability that any of its loans and receivables will not be paid on time. This probability of default constitutes a key input in measuring ECL and associated calculations of loss allowances. Probability of default is an estimate of the likelihood of

3. Significant accounting policies (continued)

default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. A sensitivity analysis, disclosing the financial impact of a doubling of the probability of a loan defaulting is shown in note 21.

(i) **Calculation of loss allowance**

When measuring ECL the Company uses reasonable and supportable forward-looking information to obtain estimates of the probability of default and the actual loss that would incur in the event of assets going into default. These are based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. As noted in the accounts, credit enhancements from the parent company, by way of letters of guarantee are considered when calculating loss allowances for group lending.

4. Analysis of net income

Included in net income are the following:

Interest income		2023 $m	2022 $m
Investments	- Interest recognised on financial assets	**1.1**	1.5
	- Interest recognised on impaired financial assets	**0.8**	0.3
Loans and receivables	- Held at amortised cost	**64.6**	10.5
	- Fair value hedges - effective	**30.9**	22.0
Derivatives		**(3.0)**	(22.7)
		94.4	11.6

As per the strategic report, the Company has a diverse client bases spread across many regions and countries. The below table provides an analysis of interest income by geography.

	Internal		External		Total	
	2023	2022	**2023**	2022	**2023**	2022
	$m	$m	**$m**	$m	**$m**	$m
United Kingdom	**27.7**	4.3	**4.8**	(5.2)	**32.5**	(0.9)
European Union	**12.7**	1.8	**(3.6)**	(16.9)	**9.1**	(15.1)
Chile	**22.9**	5.3	**-**	-	**22.9**	5.3
Rest of World	**28.0**	20.5	**1.9**	1.8	**29.9**	22.3
Total Interest Income	**91.3**	**31.9**	**3.1**	**(20.3)**	**94.4**	**11.6**

The majority of external interest income is from the Company's holding of Investment Securities.

Interest Expense is made up as follows:

		2023 $m	2022 $m
Financial liabilities	- Held at amortised cost	**(73.9)**	(0.8)
	- Designated at fair value through the income statement	**(0.6)**	-
	- Fair value hedges - effective	**-**	-
Derivatives		-	-
		(74.5)	(0.8)
Net Interest Income		**19.9**	10.8

Gains/(losses) arising from fair value hedges	2023 $m	2022 $m
Hedging instruments	**(20.3)**	99.3
Hedged item attributable to hedged risk	**16.1**	(102.1)
	(4.2)	(2.8)

4. Analysis of net income (continued)

Trading Expenses	2023 $m	2022 $m
Guarantee Fees payable to parent company	**(1.5)**	(0.3)
Bank charges & other fees	**(0.2)**	(0.2)
	(1.7)	(0.5)

5. Profit for the year

	2023 $m	2022 $m
Profit for the year has been arrived at after charging:		
Staff costs	**2.0**	2.1
Depreciation of property, plant & equipment	**0.1**	-
Depreciation of right-of-use assets	**0.3**	0.3
Auditor's remuneration:		
Fees payable for audit of Company's annual accounts	**0.3**	0.3
Fees payable for other services pursuant to legislation	**0.1**	0.1
	0.4	0.4

6. Other gains and losses

	2023 $m	2022 $m
Gain on derivative hedges	**38.0**	57.0
Foreign exchange loss	**(35.5)**	(52.8)
Net gain on derivative hedges	**2.5**	4.2

7. Staff costs

	2023	2022
	$m	$m
Staff costs excluding directors' remuneration consist of:		
Wages and salaries	**1.8**	2.0
Social security costs	**0.2**	0.1
Staff defined contribution retirement scheme	**0.2**	0.2
	2.2	2.3
Categories:	**No.**	No.
Management grades	**6**	7
Staff grades	**6**	5
Average number of persons employed by the Company (excluding Directors)	**12**	12

The Directors of the Company have their contracts of service with the ultimate holding and controlling company, Mitsubishi Corporation, which is incorporated in Japan. However, their remuneration for services performed as Directors of the Company was paid by the Company as disclosed in note 8.

8. Remuneration of key personnel and Directors' emoluments

	2023	2022
	$m	$m
Aggregate emoluments	**0.5**	0.5
Aggregate emoluments of highest paid director	**0.5**	0.5

The total amounts above are classified as 'salaries and short-term employee benefits' for 'Key management compensation' disclosure purposes.

Retirement benefits are accruing to three Directors (2022: three Directors) under MC's defined benefit scheme.

No compensation for loss of office was paid to retiring Directors (2022: $nil).

9. Taxation

The main rate of corporation tax in the UK is 19%. In October 2022, the UK government announced that the corporation tax rate will increase from 19% to 25% from 1 April 2023.

i. The tax charge comprises:

	2023	2022
	$m	$m
Analysis of tax expense related to profit from ordinary activities:		
Corporation tax current year	**2.1**	1.5
Foreign tax	**0.8**	0.2
Group relief on previous tax years	**(0.1)**	(0.3)
	2.8	1.4

ii. The charge for the year can be reconciled to the profit in the income statement as follows:

	2023	2022
	$m	$m
Profit before tax	**15.3**	9.0
Tax at the current standard rate of corporation tax in the UK of 19%	**2.9**	1.7
Effects of:		
Expenses not deductible and items chargeable in determining taxable profit	**(0.1)**	(0.3)
Effect of tax rate change	**-**	-
Tax expense for the year	**2.8**	1.4

iii. Tax recognised in other comprehensive income

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

	2023	2022
	$m	$m
Items that may be reclassified subsequently to profit or loss:		
Foreign currency basis spread movement	**4.4**	(6.9)
Total income tax recognised in other comprehensive income	**4.4**	(6.9)

10. Loans and other receivables

	2023	2022
	$m	$m
Current		
Loans	**1,974.4**	2,330.3
Prepayments and accrued income	**18.2**	4.6
Expected credit loss	**(0.1)**	(0.2)
Amounts due from group companies	**1,992.5**	2,334.7
Accrued interest receivable	**2.9**	0.6
Prepayments and accrued income	**0.1**	0.1
Tax receivable	**2.1**	1.9
Amounts due from third parties	**5.1**	2.6
Total current assets	**1,997.6**	2,337.3
Non-current		
Loans	**1,337.8**	1,253.5
Amounts due from group companies	**1,337.8**	1,253.5
Loans	**30.5**	-
Amounts due from third parties	**30.5**	-
Total non-current assets	**1,368.3**	1,253.5

The management of credit risk and associated loss allowance for loans and receivables is disclosed separately in Note 21.

11. Investments

	2023	2022
	$m	$m
At 1 April	**127.9**	215.2
Redemptions	**-**	(80.0)
Gains/(losses) from fair value hedge accounting	**(2.8)**	(7.3)
At 31 March	**125.1**	127.9
Of which:		
Current	**-**	-
Non-current	**125.1**	127.9

The Company makes an assessment of the Expected Credit Loss arising from its investments. The Expected Credit Loss for such investments is below the $0.1m reporting threshold.

12. Property, plant and equipment

The movement in property, plant and equipment in the year was as follows:

	Furn. fixtures, & fittings $m	Office equipment $m	Total $m
Cost			
At 1 April 2022	**0.1**	**0.3**	**0.4**
Additions for the year	**-**	**0.1**	**0.1**
At 31st March 2023	**0.1**	**0.4**	**0.5**
Depreciation			
At 1 April 2022	**-**	**0.3**	**0.3**
Charge for the year	**0.1**	**-**	**0.1**
At 31st March 2023	**0.1**	**0.3**	**0.4**
Carrying amount			
At 1 April 2022	**0.1**	**-**	**0.1**
At 31st March 2023	**-**	**0.1**	**0.1**
Cost			
At 1 April 2021	0.1	0.3	0.4
At 31 March 2022	0.1	0.3	0.4
Depreciation			
At 1 April 2021	-	0.3	0.3
At 31 March 2022	-	0.3	0.3
Carrying amount			
At 1 April 2021	0.1	-	0.1
At 31 March 2022	0.1	-	0.1

13. Derivative financial instruments

The Company uses the following derivative instruments:

Currency forwards represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps).

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Company and a customer (OTC). The Company is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The Company uses the following instruments to hedge various economic risks:

a) Cross-currency interest rate swaps to hedge foreign exchange and interest rate risks arising from EMTNs issued.
b) Interest rate swaps to hedge interest rate risk arising from EMTNs issued and loans granted to related parties.
c) Forward foreign exchange contracts to hedge foreign exchange risk arising from positions held in a currency other than the base currency (USD).

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

13. Derivative financial instruments (continued)

	2023			2022		
		Fair value			Fair value	
	Notional amount $m	**Asset $m**	**Liabilities $m**	Notional amount $m	Asset $m	Liabilities $m
Derivatives held for trading						
Cross currency swaps	**-**	**-**	**-**	122.6	-	10.1
Forward rate contracts	**2,486.0**	**43.2**	**13.1**	1,491.2	7.7	1.2
At 31 March		**43.2**	**13.1**		7.7	11.3
Derivatives designated as fair value hedges						
Cross currency swaps	**175.2**	**23.9**	**-**	432.2	107.0	7.0
Interest rate swaps	**1,243.4**	**107.7**	**0.4**	1,422.1	42.2	0.7
At 31 March		**131.6**	**0.4**		149.2	7.7
Total derivatives		**174.8**	**13.5**		156.9	19.0
Of which:						
Current		**56.1**	**13.3**		13.3	18.9
Non-current		**118.7**	**0.2**		143.6	0.1

14. Cash and cash equivalents

	2023 $m	2022 $m
Cash and cash equivalents	**234.8**	164.8
	234.8	164.8

15. Financial liabilities – borrowings

	2023 $m	2022 $m
Current		
Short-term bank loans	-	100.0
Medium term notes	-	53.3
Commercial paper	**1,518.1**	1,607.4
Overdraft	-	0.1
Short-term inter-company borrowings	**1,779.4**	1,655.4
Payables under repurchase agreements	**116.1**	121.6
	3,413.6	3,537.8
Non current		
Medium-term notes	**30.0**	30.0
	30.0	30.0
Total borrowings	**3,443.6**	3,567.8

At 31 March 2023 the Company's funding programmes include a $5bn multi-currency EMTN Programme (2022: $5bn), $4bn Euro Commercial Paper Programme (2022: $4bn)

Under the terms of the EMTN Programme, the Company can issue notes under a wide variety of terms and conditions, which are fully set out in the prospectus, a copy of which is available at the registered office of the Company.

EMTNs are primarily fixed rate instruments, some of which contain embedded derivative features and which are subsequently swapped into floating rates either using interest rate or cross currency swaps, based on the prevailing market rates at the time of issue. The commercial paper issuances are fixed rate short-term loans based on prevailing market rates at the time of issue.

The below table shows cash and non-cash changes to its outstanding financing liabilities during the reporting period.

	2022 $m	Financing cash flows	Non cash movements	2023 $m
EMTN	83.3	(52.6)	(0.7)	30.0
Commercial paper	1,607.4	(96.5)	7.2	1,518.1
Bank borrowings	100.1	(100.0)	(0.1)	(0.0)
Short-term inter-company borrowings	1,655.4	(410.0)	534.0	1,779.4
Repurchase Agreements	121.6	(5.5)	-	116.1
Derivatives used for financing activites	64.7	58.5	(123.0)	0.2
Interest payable on financing activities	(2.7)	(49.9)	52.6	0.0
Lease Liabilities	1.3	(0.3)	(0.1)	0.9
	3,631.1	**(656.3)**	**469.9**	**3,444.7**

Non-cash movements consist of FX revaluations, changes to fair value and changes to accrued positions.

16. Trade and other payables

	2023	2022
	$m	$m
Current		
Accrued interest payable	**0.1**	0.4
Amounts due to group company	**8.1**	3.7
Other creditors	**0.2**	0.1
Accruals and deferred income	**0.7**	0.7
	9.1	4.9
Non current		
Amounts due to group company	**2.3**	3.3
	2.3	3.3
Total trade and other payables	**11.4**	8.2

17. Deferred income tax

The following are the deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting period. The main rate of corporation tax in the UK is 19%. In October 2022, the UK government announced that the corporation tax rate will increase from 19% to 25% from 1 April 2023.

	Deferred tax asset/(liability) $m	**IFRS 9 transitional adjustments $m**	**Total $m**
Deferred tax asset/(liability) at 1 April 2021	(1.4)	2.0	0.6
Debit to equity	(6.9)	-	(6.9)
Deferred tax asset/(liability) at 31 March 2022	(8.3)	2.0	(6.3)
Debit to equity	4.4	-	4.4
Deferred tax asset/(liability) at 31 March 2023	(3.9)	2.0	(1.9)

	2023	2022
	$m	$m
Deferred tax liabilities	**(1.9)**	(6.3)
Deferred tax asset/(liability) at 31 March	**(1.9)**	(6.3)

The Company has no unused trading or capital losses at the reporting date.

18. Lease commitments

	2023	2022
Right of Use Asset		
Opening Balance	**1.3**	1.5
Depreciation	**(0.3)**	(0.2)
Closing Balance	**1.0**	1.3
Lease Obligations		
Opening Balance	**1.3**	1.5
Repayment of Lease Obligations	**(0.3)**	(0.1)
FX gains and losses	**(0.1)**	(0.1)
Closing Balance	**0.9**	1.3
Lease Obligations due within 1 year	**0.2**	0.3
Lease Obligations due more than 1 year	**0.7**	1.0
Interest Charge during the year	**-**	-

Maturity analysis	$m
Year 1	0.3
Year 2	0.3
Year 3	0.3
Year 4	0.1
	1.0

Total cash outflow from lease obligations for 2022 was $0.3m

The lease obligations relate to rental of office premises and the Company expects to occupy these premises until September 2026.

The rental of office space is subject to periodic review and therefore there is some risk that the value of these obligations may change before the end of September 2026.

The lease has no residual value.

At the reporting date the Company has committed to lease obligations relating to low valued leases times in relation to office equipment but has not yet taken delivery of the assets to which the lease relates. The value of these have an immaterial effect on profit and loss.

19. Share capital

	2023	2022
	$m	$m
Authorised:		
10,000 ordinary shares of $10,000 each	**100**	100
Allotted, called up and fully paid:		
9,000 ordinary shares of $10,000 each	**90**	90

20. Related party transactions

Related parties are defined as the Company's parent and its fellow subsidiaries, which the parent has control or significant influence of either directly or indirectly through one or more intermediaries.

Amounts due to and from companies which are related parties are shown in these financial statements. The following transactions took place with related parties at arm's length during the financial year:

31 March 2023	Notes	Parent $m	Fellow subsidiaries $m	Total $m
Income statement				
Interest income		-	89.3	89.3
Interest expense		(2.5)	(32.1)	(34.6)
Net interest income		(2.5)	57.2	54.7
Administrative expenses		(2.3)	(1.4)	(3.7)
Loss on derivatives and hedge items		30.4	(29.1)	1.3
Total profit/(loss)		25.6	26.7	52.3
Statement of financial position				
Assets				
Loans and other receivables	10	-	3,330.3	3,330.3
Right-of-use assets	18	-	1.0	1.0
Derivative assets		30.4	-	30.4
		30.4	3,331.3	3,361.7
Liabilities				
Financial liabilities - borrowings	15	100.0	1,679.4	1,779.4
Trade and other payables	16	1.6	8.8	10.4
Lease liabilities	18	-	0.9	0.9
Derivative liabilities		-	12.4	12.4
		101.6	1,701.5	1,803.1

20. Related party transactions (continued)

31 March 2022	Notes	Parent $m	Fellow subsidiaries $m	Total $m
Income statement				
Interest income		-	32.3	32.3
Interest expense		(0.1)	(0.6)	(0.7)
Net interest income		(0.1)	31.7	31.6
Administrative expenses		(1.3)	(1.6)	(2.9)
Gain on derivatives and hedge items		-	(63.1)	(63.1)
Total profit/(loss)		(1.4)	(33.0)	(34.4)
Statement of financial position				
Assets				
Loans and other receivables	10	-	3,588.2	3,588.2
Right-of-use assets	18	-	1.2	1.2
Derivative assets		-	0.2	0.2
		-	3,589.6	3,589.6
Liabilities				
Financial liabilities - borrowings	15	-	1,655.4	1,655.4
Trade and other payables	16	0.1	6.9	7.0
Lease liabilities	18	-	1.3	1.3
		0.1	1,663.6	1,663.7

Of the $3,365.9m (2022: $3,590.8m) included in ‘Loans and other receivables’ (see note 10), $3,330.3m (2022: $3,588.2m) represents ‘loans and other receivables’ with related parties, of which 82% (2022: 90%) are guaranteed by the parent company.

At the reporting date, restrictions on remittances from Russian entities to non-resident Russian entities imposed by the CBR resulted in $189.5m (2022:$17.5m) not being paid when due. The Company’s Russian debtors have been issued with payment waivers pending approval from the CBR to allow the remittance of their full obligations to the Company. All waivered payment remain covered by a Letter of Guarantee from MC Tokyo.

Of the $1,779.4m (2022: $1,655.4m) included in ‘Financial liabilities – borrowings’ under ‘Short-term inter-company borrowings’, $100m (2022: $nil) represents loans from the parent company. Interest expense related to loans from the parent company during the year totalled $2.5m (2022: $0.1m).

21. Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest-rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance by using derivative financial instruments to mitigate certain risk exposures identified below.

1. Market risk

(a) Foreign currency risk management

The Company is mainly exposed to the currency fluctuations of Japanese Yen, British Pounds, and Euros relative to US Dollars. The Company's exposure to currency risk arises from changes in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company has fair value hedges in place to hedge the economic foreign exchange rate risk.

The Company's policy is to actively manage all of its foreign currency positions. As part of its normal operation, the Company borrows and invests in funds in currencies other than USD. The foreign exchange risks of these activities are hedged within the Company limits which are approved by the Risk Committee.

The carrying amounts of the Company's net foreign currency denominated exposures at the reporting date are as follows:

	2023	2022
	$m	$m
	Exposure	Exposure
Currency		
Euros	**0.6**	0.1
British Pounds	**0.6**	(0.1)
Russian Ruble	**200.6**	22.3

Foreign currency sensitivity analysis

	2023	2022
	$m	$m
	Profit/(loss)	Profit/(loss)
Currency		
Euros	**(0.1)**	-
British Pounds	**(0.1)**	-
Russian Ruble	**(18.2)**	**(2.0)**

The Company analyses sensitivity to a 10% strengthening/weakening of the US dollar against respective foreign currencies. The 10% sensitivity rate is used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

21. Financial risk management (continued)

(b) Interest rate risk management

The Company's interest-rate risk arises from long-term borrowings and investments. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Company to fair value interest-rate risk. Additionally, fair value interest rate risk arises from investments.

Interest rate risk is managed through the use of interest rate and cross currency swaps, in order to hedge against unfavorable market movements in the interest rates inherent in the underlying assets and liabilities.

The Company manages its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. Generally, the Company raises long-term borrowings at fixed rates and swaps them into floating rates that are lower than those available if the Company borrowed at floating rates directly.

Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Hedge accounting- source of ineffectiveness

MCF performs fair value hedge accounting by matching the critical terms of hedge items using fixed-to- floating Swaps. The swaps are arranged to match the fixed leg interval against a quarterly floating leg. Where hedge items have fixed intervals other than quarterly, ineffectiveness occurs where timing differences exist in the discounting of interest cash flows.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of nominal amounts to interest rate change for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

At the reporting date, if interest rates had been 50 basis points higher/lower for USD, EUR, GBP and 10 basis points higher/lower for JPY and all other variables were held constant, the Company's net profit would increase/decrease by $0.8m (2022: increase/decrease by $0.6m). This is mainly attributable to the Company's exposure to interest rate risk on its variable rate financial instruments.

(c) Other price risk

The Company is exposed to price risks arising from investments in asset and mortgage-backed securities classified as amortised cost. The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. If the prices had been 1% higher/lower as a result of changes in fair value of the securities, other equity reserves would increase/decrease by $1.3m (2022: increase/decrease by $1.3m).

2. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the reporting date, the Company's maximum exposure to credit risk without taking into account

21. Financial risk management (continued)

any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the entity would have to pay if the committed loan facilities are called upon.

The related loss allowance is disclosed below.

In order to minimise credit risk, the Company's management utilises MC Group's credit risk gradings to categorise exposures according to their degree of risk of default. The Company's management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors.

The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company diversifies its investments to reduce its credit risk exposure. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Company also has policies that limit the amount of credit exposure to any financial institution.

For derivatives contracts, the Company's credit risk represents the potential cost to replace the swap and forward rate contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

The Company uses Letters of Guarantees from its ultimate parent, MC Tokyo to manage its exposure to credit risk.

With the exception of Mitsubishi Corporation International (Europe) Plc and Mitsubishi Shoji Kaisha (Nigeria) Ltd, all loans and receivables from MC Group companies are guaranteed by the parent company, MC Tokyo.

Exposure to credit risk

The type of financial instruments that are most exposed to credit risks are Loans and receivables (note 10), investments (note 11), derivative financial instruments (note 13), trade and other receivables (note 10) and cash and cash equivalents (note 14).

MCF has managed its counterparty credit exposure during the period within a pre-defined credit limits per counterparty and by type of financial instrument.

With the exception of its legacy investments in collateralised debt obligations, exposure within investments is limited to US government debt.

Loans and receivables exposure is restricted to MC group companies.

The Directors consider the credit risk on liquid funds and derivative financial instruments to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The largest single exposure was $796.9m (2022: $845m) due from a MC Group company. This exposure is covered by a parental guarantee.

21. Financial risk management (continued)

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group have no realistic prospect of recovery	Amount is written off

Sensitivity analysis

When calculating expected credit losses, the Company uses estimates of the probability that a loan will default, either within the next 12 months or over the life time of the loan. If the Company estimated that the risk of default was to double across the whole portfolio, the Expected Credit Loss in the reporting period would increase by $0.2m (2022: $0.2).

The tables below detail the credit quality of the Company's financial assets and the exposure to credit risk by credit risk rating grades and the associated expected credit loss:

Analysis of Expected Credit Losses

The loss allowance and maximum exposures to credit risk as at 31st March 2023 is shown in the below table:

Description	Internal credit rating	ECL	Gross amount $m	Loss allowance $m	Net carrying amount $m
Loans and recievables: utilised					
with parental guarantee	Performing	12 month	2,503.3	-	2,503.3
without parental guarantee	Performing	12 month	490.0	0.12	489.9
with parental guarantee	Doubtful	Lifetime	349.4	0.01	349.3
Total Loans and recievables: utilised			**3,342.7**	**0.13**	**3,342.5**
Loans and Recievable facilities: un-utilised					
with parental guarantee	Performing	12 month	7,305.6	-	7,305.6
without parental guarantee	Performing	12 month	147.4	0.03	147.3
with parental guarantee	Doubtful	Lifetime	66.3	-	66.3
Total Loans and Recievable facilities: un-utilised			**7,519.2**	**0.03**	**7,519.2**
Investments	Performing	12 month	123.9	0.04	123.9
Collateralised debt obligations	Default	Lifetime: (credit impaired)	76.3	75.11	1.2
				75.31	

21. Financial risk management (continued)

The loss allowance and maximum exposures to credit risk as at 31st March 2022 is shown in the below table:

Description	Internal credit rating	ECL	Gross amount	Loss allowance	Net carrying amount
Loans and Recievables: utilised			$m	$m	$m
with parental guarantee	Performing	12 month	2,931.2	-	2,931.2
without parental guarantee	Performing	12 month	365.9	0.09	365.8
with parental guarantee	Doubtful	Lifetime	286.7	0.01	286.7
Total Loans and recievables: utilised			3,583.8	0.1	3,583.7
Loans and Recievable facilities: un-utilised					
with parental guarantee	Performing	12 month	4,437.4	-	4,437.4
without parental guarantee	Performing	12 month	326.8	0.08	326.7
with parental guarantee	Doubtful	Lifetime	7,904.2	0.01	7,904.2
Total Loans and Recievable facilities: un-utilised			12,668.4	0.1	12,668.3
Investments	Performing	12 month	126.7	0.04	126.7
Collateralised debt obligations	Default	Lifetime: (credit impaired)	76.3	75.11	1.2
				75.34	

The un-utilised portion of loans represents the portion of loans facilities that have been granted but are available to the Company's customers. For ECL purposes the Company estimates a utilisation rate of 20% of undrawn loan commitments within the next 12 months.

The loan loss provision has reduced by $0.03m during the reporting period. This movement comprises changes due to derecognition of financial assets and the acquisition of new assets or changes in the credit worthiness of financial assets and is detailed in the below table:

Movement in Loss Allowance

	2023	2022
	$m	$m
Opening Balance	**75.34**	**75.30**
Net Loans (redeemed)/issued	0.03	0.07
Increase/(decrease) in un-utilsed facilities	(0.06)	-
Net Investments(redeemed)/issued	-	(0.03)
Net Change	(0.03)	0.04
Closing Loss Allowance	**75.31**	**75.34**

Significant changes in credit risk

As detailed in note 3, the Company makes periodic assessments of the credit worthiness of financial assets. Any significant change in credit risk will affect the ECL for a financial asset.

21. Financial risk management (continued)

During the prior year the Company had assessed that although no default has occurred nor is expected to occur, the increase in country specific risk associated to its Russian lending is interpreted as a significant increase in credit risk. Despite the continued non-payment of its obligations during the current reporting period, the Company assessed that there has been no further increase in the creditworthiness of its Russian borrowers. As noted in the Strategic Report and note 3, loans to Russian entities are guaranteed by the parent company. In the event of an actual default, any non-payment will be reimbursed the parent company; the overall expected credit loss is based on the probability of default of MC Tokyo and is considered to be low.

A reconciliation of the movements in the credit risk classifications is shown in the below table:

Changes in credit risk classification

	Stage 1 (performing) $m	Stage 2 (doubtful) $m	Stage 3 (default) $m	Total $m
At 1 April 2022	**3,423.8**	**286.7**	**76.4**	**3,786.9**
Transfer into Level 1	-	-	-	-
Transfer into Level 2	-	-	-	-
Transfer into Level 3	-	-	-	-
Loans and investments originated	1,635.8	172.9	-	1,808.8
Loans and investments repaid	(1,943.2)	(110.3)	-	(2,053.5)
At 31 March 2023	**3,116.4**	**349.3**	**76.4**	**3,542.1**

	Stage 1 (performing) $m	Stage 2 (doubtful) $m	Stage 3 (default) $m	Total $m
At 1 April 2021	**3,482.3**	**-**	**76.4**	**3,558.6**
Transfer into Level 1	-	-	-	-
Transfer into Level 2	(281.3)	281.3	-	-
Transfer into Level 3	-	-	-	-
Loans and investments originated	1,896.0	156.7	-	2,052.7
Loans and investments repaid	(1,673.2)	(151.2)	-	(1,824.4)
At 31 March 2022	**3,423.8**	**286.8**	**76.4**	**3,786.9**

As noted in the Strategic report, restrictions imposed by the CBR have resulted in counterparties resident in Russia not being able to honour the obligations they have to the Company. The Company, being in close dialogue with the parties and are confident that their underlying financial performance remains strong. The specific country risk associated with Russia has resulted in the re-classification of the associated loans from Stage 1 to Stage 2.

21. Financial risk management (continued)

3. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations as they fall due. As MCF functions as MC Group's EMEA treasury centre, managing liquidity to ensure that it is able to support the financing requirements of the MC Group companies is of critical importance. The Company manages its liquidity risk with credit support from its parent company utilising a range of funding tools (refer to note 15):

- $5bn multi-currency Euro Medium-Term Note (EMTN) programme;
- $4bn Euro Commercial Paper (CP) programme;
- Bank borrowing; and
- Access to funds from MC.

Short term liquidity risk is further managed by the holding of investment grade securities that are easily converted into cash either by sale in proven markets or via repurchase agreement transactions.

Repurchase and reverse repurchase transactions

The Company executes repurchase and reverse repurchase transactions as part of its liquidity management programme. These transactions are executed under Global Master Repurchase Agreements (GMRA) with regulated financial institutions. The Company mitigates the credit risk of reverse repurchase transactions by holding collateral in the form of marketable securities.

The table below shows the amount of collateral given in respect of repurchase agreements as a result of transactions entered into on the standard terms for such transactions.

No reverse repurchase agreements were transacted during the period.

	Notes	**2023** **$m**	2022 $m
Repurchase agreements			
Payables under repurchase agreements	15	**116.2**	121.6
Carrying amount of collateral provided in respect of the above		**116.3**	121.4

Acceptable collateral comprises investment grade securities that the Company is entitled to sell or provide as collateral for other transactions. As at 31 March 2023, the fair value of financial assets accepted as collateral that had been sold or re-pledged was $nil (2022: $nil).

Collateral provided includes investment grade securities sold under bilateral repurchase agreements that the recipient of the collateral has a right to sell or re-pledge.

The Company continues to recognise these securities in the statement of financial position and presents them within Investments.

21. Financial risk management (continued)

Liquidity risk management

The tables below detail the Company's financial liabilities into relevant maturity profiles. The tables on non-derivative financial liabilities represent undiscounted cash flows of financial liabilities including interest based on the earliest date which the Company can be required to pay. The tables are based on contractual rather than expected maturities. Where the Company has a right to repay a facility, that facility is recognised at the earliest contractual cash flow date rather than maturity. The tables on derivative instruments are based on undiscounted net cash flows. Trade accounts payable are generally interest free and fall due within one year. Therefore, the carrying amount of trade payables equals the sum of future cash flows.

At 31 March 2023 Liabilities	Contractual Amount $m	Less than 1 month $m	1 – 6 months $m	6 – 12 months $m	1 – 2 years $m	2 – 5 years $m
Non derivative financial liabilities						
Other borrowings	**3,303.0**	**3,303.0**	**-**	**-**	**-**	**-**
EMTNs issued	**32.0**	**-**	**1.0**	**1.0**	**30.0**	**-**
Repurchase agreements	**116.0**	**116.0**	**-**	**-**	**-**	**-**
Derivative financial liabilities						
Interest rate swaps	**4.0**	**-**	**-**	**2.0**	**1.0**	**1.0**
Cross currency swaps	**172.0**	**12.0**	**56.0**	**57.0**	**40.0**	**7.0**
Foreign exchange contracts	**2,291.0**	**1,997.0**	**294.0**	**-**	**-**	**-**
Total liabilities	**5,918.0**	**5,428.0**	**351.0**	**60.0**	**71.0**	**8.0**

At 31 March 2022 Liabilities	Contractual Amount $m	Less than 1 month $m	1 – 6 months $m	6 – 12 months $m	1 – 2 years $m	2 – 5 years $m
Non derivative financial liabilities						
Other borrowings	**2,839.0**	**1,818.0**	**818.0**	**203.0**	**-**	**-**
EMTNs issued	**149.0**	**-**	**1.0**	**117.0**	**1.0**	**30.0**
Repurchase agreements	**122.0**	**122.0**	**-**	**-**	**-**	**-**
Derivative financial liabilities						
Interest rate swaps	**7.0**	**1.0**	**2.0**	**2.0**	**1.0**	**1.0**
Cross currency swaps	**540.0**	**14.0**	**264.0**	**99.0**	**119.0**	**44.0**
Foreign exchange contracts	**1,491.0**	**1,076.0**	**415.0**	**-**	**-**	**-**
Total liabilities	**5,148.0**	**3,031.0**	**1,500.0**	**421.0**	**121.0**	**75.0**

Ultimate responsibility for liquidity risk management rests with the Board. The Directors believe that the Company has ready access to sufficient liquid funds in view of the good credit ratings of its parent company including global credit lines arranged by the parent company.

21. Financial risk management (continued)

The Company also has on-going commercial paper and EMTN programmes

The Company's liquidity risk management process is carried out and monitored by a separate team within the Company, and includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by related parties. The Company maintains an active presence in global money markets to enable this to happen;
- maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity ratios against internal targets; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

4. Capital management

The Company's capital management approach is driven by its strategy to operate as the EMEA treasury centre of MC, by taking into account the funding requirements of MC Group companies, and also the economic and commercial environment in which it operates.

The Company's policy is to maintain a strong capital base consisting of shareholders' funds to support the development of its business and to meet the funding requirements of MC subsidiaries at all times. Total value of shareholders' funds at the reporting date is $430.4m (2022: $439.2) Through its structured internal governance processes, the Company also maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns are appropriate and are at arm's length after taking account of capital and funding costs.

The Company's capital management framework has been approved by the parent, MC who ensures that the Company has adequate capital to operate effectively at all times.

The Company is not subject to, nor does it need to comply with, any externally imposed capital regulations.

22. Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

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

- Level 1: Quoted market price -
  Financial instruments valued with quoted prices for identical instruments in active markets.

- Level 2: Valuation technique using observable inputs -
  Financial instruments with valuations derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

- Level 3: Valuation technique with non-observable inputs -
  Financial instruments with valuations derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

31 March 2023	**Notes**	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Financial assets at FVTPL					
Derivative financial assets	13	-	**174.8**	-	**174.8**
Total assets		-	**174.8**	-	**174.8**
Financial liabilities at FVTPL					
Derivative financial liabilities	13	-	**13.5**	-	**13.5**
Total liabilities		-	**13.5**	-	**13.5**

There were no transfers between Level 1 and 2 during the year.

31 March 2022	Notes	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at FVTPL					
Derivative financial assets	13	-	156.9	-	156.9
Total assets		-	156.9	-	156.9
Financial liabilities at FVTPL					
Derivative financial liabilities	13	-	19.0	-	19.0
Total liabilities		-	19.0	-	19.0

There were no transfers between Level 1 and 2 during the year.

23. Fair values of non-derivative financial instruments

2023	Carrying value	Fair value	Fair value methodology Level 1	Level 2	Level 3
	$m	$m	$m	$m	$m
Financial Assets					
Cash and bank balances	**234.8**	**234.8**	-	234.8	-
Investments	**125.1**	**127.1**	-	127.1	-
Loan receivables	**3,342.7**	**3,385.1**	-	-	3,385.1
Trade and other receivables	**23.2**	**23.2**	-	-	23.2
	3,725.8	**3,770.2**	-	**361.9**	**3,408.3**
Financial Liabilities					
Trade and other payables	**11.4**	**11.4**			11.4
Borrowings	**3,443.6**	**3,443.8**	-	-	3,443.8
	3,455.0	**3,455.2**	-	-	**3,455.2**

2022	Carrying value	Fair value	Fair value methodology Level 1	Level 2	Level 3
	$m	$m	$m	$m	$m
Financial Assets					
Cash and bank balances	164.8	164.8	-	164.8	-
Investments	127.9	133.7	-	133.7	-
Loan receivables	3,583.8	3,625.6	-	-	3,625.6
Trade and other receivables	7.0	7.0	-	-	7.0
	3,883.5	3,931.1	-	298.5	3,632.6
Financial Liabilities					
Trade and other payables	**8.2**	**8.2**	-	-	8.2
Borrowings	**3,567.8**	**3,568.7**	-	-	3,568.7
	3,576.0	**3,576.9**	-	-	**3,576.9**

24. Classification of financial instruments

The table below summarises the classification of the carrying amounts of the Company's financial instruments as at 31 March 2023.

31 March 2023	Notes	Held-for-trading $m	Derivative instruments in designated hedge accounting relationships $m	Liabilities at amortised cost $m	Assets at amortised cost $m	Total $m
Assets						
Investments in financial assets	11	-	-	-	125.1	125.1
Derivative financial instruments	13	43.2	131.6	-	-	174.8
Trade and other receivables	10	-	-	-	3,365.9	3,365.9
Cash and cash equivalents	14	-	-	-	234.8	234.8
Total		43.2	131.6	-	3,725.8	3,900.6
Liabilities						
Derivative financial instruments	13	13.1	0.4	-	-	13.5
Financial liabilities – borrowings	15, 23	-	-	3,443.6	-	3,443.6
Trade and other payables	16	-	-	11.4	-	11.4
Total		13.1	0.4	3,455.0	-	3,468.5

24. Classification of financial instruments (continued)

The table below summarises the classification of the carrying amounts of the Company's financial instruments as at 31 March 2022.

31 March 2022	Notes	Held-for-trading $m	Derivative instruments in designated hedge accounting relationships $m	Liabilities at amortised cost $m	Assets at amortised cost $m	Total $m
Assets						
Investments in financial assets	11	-	-	-	127.9	127.9
Derivative financial instruments	13	7.7	149.2	-	-	156.9
Trade and other receivables	10	-	-	-	3,590.8	3,590.8
Cash and cash equivalents	14	-	-	-	164.8	164.8
Total		7.7	149.2	-	3,883.5	4,040.4
Liabilities						
Derivative financial instruments	13	11.3	7.7	-	-	19.0
Financial liabilities – borrowings	15, 23	-	-	3,567.8	-	3,567.8
Trade and other payables	16	-	-	8.2	-	8.2
Total		11.3	7.7	3,576.0	-	3,595.0

25. Post Balance Sheet Events

In May 2023, MC Tokyo sold its shareholding in MCE Bank Gmbh to a third party. As part of the sale agreement, all loans that had been made by the Company to MCE Bank Gmbh since June 2022 were repaid. The total consideration received by the Company is shown below:

	EUR (m)	USDEQ (m)
Principal	399.0	426.45
Accrued interest & break costs	2.2	2.37
Total	**401.2**	**428.8**

Whilst the repayment constituted a relatively large amount of the loans and receivables that were outstanding at the reporting date, this early repayment is not considered by management to have a material impact on the overall business of the Company and its ability to continue as a going concern is not affected.

26. Dividends

The Directors of the Company propose a final dividend payment to MC Tokyo, the Company's sole shareholder as detailed in the below table:

	2023 $m	2022 $m
Proposed Final Dividend	**12.5**	**-**

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Company.

27. Ultimate controlling and holding company

The Company is a wholly owned and controlled subsidiary of its ultimate holding and controlling company, Mitsubishi Corporation, which is incorporated in Japan. Copies of the consolidated financial statements of Mitsubishi Corporation are available from Mitsubishi Corporation, 3-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8086, Japan. Further information can be obtained from the parent company's website www.mitsubishicorp.com.