

ITOCHU FIBRE LIMITED

Annual Report and Financial Statements

Year Ended

31 March 2022

Company Number 08030211

FRIDAY

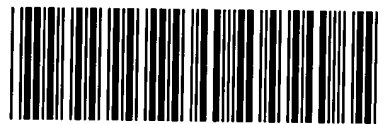


ABB06F8W

A16.

02/09/2022

#87

COMPANIES HOUSE

ITOCHU FIBRE LIMITED

Contents

Page:

1	Company information
2	Report of the directors
<hr/>	
4	Independent auditor's report
8	Statement of comprehensive income
9	Statement of financial position
10	Statement of changes in equity
11	Statement of cash flows
12	Notes forming part of the financial statements

ITOCHU FIBRE LIMITED

Company information

Country of incorporation

England and Wales

Legal form

Private company limited by shares

Directors

A Kataoka
Y Murakami (Appointed 1 April 2022)
J Asada
M Tomishima

Registered office

The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW

Company number

08030211

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

ITOCHU FIBRE LIMITED

Report of the directors for the year ended 31 March 2022

The directors present their report together with the audited financial statements for the year-ended 31 March 2022.

Principal Activities

The company is 75% owned by ITOCHU Corporation and 25% by ITOCHU Europe PLC. ITOCHU Corporation has established itself as one of the leading Japanese trading houses with a worldwide network.

The principal activity of the company is international pulp and paper materials trading in Europe through its head office in the UK. Pulp is primarily sourced from Brazil.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the profit for the year.

The board of directors proposed to the Annual General Meeting that the profit for the financial year be transferred to retained earnings and recommend that a final dividend of €nil (2021 - €nil) be paid on the basis of the financial statements for the year ended 31 March 2022, which equates at date of payment to €nil (2021 - €nil) per issued share. An interim dividend of €0.183 (2021 - €nil) was paid during the year.

Going Concern

These financial statements have been prepared on a going concern basis. The directors have reviewed the company's going concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development. In doing so the directors have considered how the ongoing Covid-19 pandemic and Russia Ukraine conflict shall impact the business over the coming months, and the extent to which it will impact the businesses performance and financial position.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements. The forecasts predict the company shall be cash generative over the coming 12-month period and shall maintain its significant balance of cash and cash equivalents less of overdrafts which totalled €3.3m as at the year ended 31 March 2022.

The company has total borrowings of €60m maturing in April 2023. The company has received a formal representation from fellow group company Itochu Treasury Centre Europe PLC that the loan shall be refinanced to the extent that it is necessary to ensure the companies continued operation.

As a result the directors have concluded that the company shall continue to be a going concern.

Directors

The directors of the company during the year were:

A Kataoka
Y Kimbara (Resigned 31 March 2022)
J Asada
M Tomishima

No director had any beneficial interest in the share capital of the company throughout the year.

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law. Under company law the directors must not approve the financial statements unless

ITOCHU FIBRE LIMITED

Report of the directors for the year ended 31 March 2022 (*continued*)

they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006., subject to any material departures disclosure and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Insofar as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically reappointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their reappointment.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

On behalf of the Board



Y Murakami
Director

Date: 10 August 2022

ITOCHU FIBRE LIMITED

Independent auditor's report for the year ended 31 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ITOCHU FIBRE LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Itochu Fibre Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and, international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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.

Other information

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

ITOCHU FIBRE LIMITED

Independent auditor's report (*continued*) for the year ended 31 March 2022

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.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report 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 material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

ITOCHU FIBRE LIMITED

Independent auditor's report (*continued*) for the year ended 31 March 2022

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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Itochu Fibre Limited. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006), VAT, labour and tax regulations and tax in the United Kingdom and in foreign jurisdictions.
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and correspondence with regulators.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and key areas of estimation uncertainty or judgement, for example in relation to the accounting for revenue from long-term construction contracts.
- We identified estimates, which are at a higher risk of manipulation or misstatement and perform detailed procedures to assess the extent to which there is evidence of bias, manipulation, or other irregularities.
- We select a series of transactional samples in respect of revenues, purchases, operating expenses, trade receivables and trade payables, designed to identify instances where fictitious transactions have been recorded due to fraud or other irregularities, or transactions have been inappropriately omitted due to fraud or other irregularities

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.


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

ITOCHU FIBRE LIMITED

Independent auditor's report (*continued*) for the year ended 31 March 2022

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.

DocuSigned by:

811C810A956346D...

James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick, UK

15 August 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ITOCHU FIBRE LIMITED

Statement of comprehensive income for the year ended 31 March 2022

	Note	2022 €'000	2021 €'000
Revenue	3	9,283	5,318
Cost of sales		(3,765)	(2,224)
Gross profit		5,518	3,094
Administrative expenses		(5,503)	(2,801)
Profit from operations	4	15	293
Share of post-tax profits/(loss) of equity accounted associate		134,811	(12,471)
Finance income	6	9,129	9,126
Finance expense	7	(5,679)	(5,619)
Profit/(loss) before tax		138,276	(8,671)
Tax charge	8	(1,670)	(765)
Profit/(loss) from continuing operations and profit/(loss) for the year		136,606	(9,436)
Other comprehensive income			
Items that will or may be reclassified to profit or loss			
Share of other comprehensive income/(expense) of associate		5,222	(499)
Total other comprehensive income/(expense)		5,222	(499)
Total comprehensive income		141,828	(9,935)

The notes on pages 12 to 25 form part of these financial statements.

ITOCHU FIBRE LIMITED

Statement of financial position as at 31 March 2022

<i>Company number 08030211</i>	Note	2022 €'000	2021 €'000
Assets			
Non-current assets			
Tangible assets	10	467	597
Intangible assets	11	371	2,472
Investment in equity accounted associate	12	715,656	634,679
Other investment	13	2,133	-
Loans to associate and other related parties	14	150,000	150,000
		<hr/>	<hr/>
		868,627	787,748
Current assets			
Cash and cash equivalents	20	3,334	177,039
Trade and other receivables	15	46,296	27,984
		<hr/>	<hr/>
		49,630	205,023
		<hr/>	<hr/>
Total assets		918,257	992,771
Liabilities			
Current liabilities			
Trade and other payables	16	42,907	26,608
Loans and borrowings	17	137	421,754
		<hr/>	<hr/>
		43,044	448,362
Non-current liabilities			
Loans and borrowings	17	370,431	150,561
		<hr/>	<hr/>
Total liabilities		413,475	598,923
		<hr/>	<hr/>
Net assets		504,782	393,848
Capital and reserves			
Share capital	18	168,822	168,822
Retained earnings	19	335,960	225,026
		<hr/>	<hr/>
Total equity		504,782	393,848
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors, authorised for issue on 10 August 2022 and were signed on its behalf by:

Y Murakami
Director



The notes on pages 12 to 25 form part of these financial statements.

ITOCHU FIBRE LIMITED

Statement of changes in equity for the year ended 31 March 2022

	Share Capital €'000	Retained Earnings €'000	Total €'000
At 1 April 2020	168,822	234,961	403,783
Comprehensive income for the year			
Loss for the year	-	(9,436)	(9,436)
Other comprehensive expense of associate	-	(499)	(499)
Total comprehensive income for the year	-	(9,935)	(9,935)
Contributions by and distributions to owners			
Dividend distributions	-	-	-
At 31 March 2021	168,822	225,026	393,848
At 1 April 2021	168,822	225,026	393,848
Comprehensive income for the year			
Profit for the year	-	136,606	136,606
Other comprehensive income of associate	-	5,222	5,222
Total comprehensive profit for the year	-	141,828	141,828
Contributions by and distributions to owners			
Dividend distributions	-	(30,894)	(30,894)
At 31 March 2022	168,822	335,960	504,782

The notes on pages 12 to 25 form part of these financial statements.

ITOCHU FIBRE LIMITED

Statement of cash flows for the year ended 31 March 2022

	Note	2022 €'000	2021 €'000
Cash flows from operating activities			
Profit/(loss) for the year		136,606	(9,436)
<i>Adjustments for:</i>			
Depreciation of tangible fixed assets	10	130	133
Amortisation of intangible assets	11	2,101	211
Share of post-tax profit/(loss) of equity accounted associate		(134,811)	12,471
Finance income	6	(9,129)	(9,126)
Finance expense	7	5,679	5,619
Tax charge	8	1,670	765
		2,246	637
Increase in trade and other receivables		(17,955)	(1,194)
Increase in trade and other payables		16,187	2,101
Tax paid		(2,028)	(877)
		(1,550)	667
Cash flows from investing activities			
Dividend from associate		59,056	-
Net purchase of tangible fixed assets		-	(5)
Interest received from associates		9,125	9,150
Purchase of other investment		(2,133)	-
		66,048	9,145
Net cash used in/(generated by) investing activities			
Cash flows (used in)/generated by financing activities			
Interest paid on group borrowings		(5,528)	(5,620)
Repayment of leasing liabilities		(160)	(143)
Long-term loan repayments and early termination		(380,000)	-
Long-term loan borrowings		280,000	-
Dividends paid to owners		(30,894)	-
		(136,582)	(5,763)
Net cash (used in)/generated by financing activities			
Net increase in cash and cash equivalents			
		(72,084)	4,049
Cash, cash equivalents and overdrafts at beginning of year		75,418	71,369
		3,334	75,418
Cash, cash equivalents and overdrafts at end of year	20	3,334	75,418

The notes on pages 12 to 25 form part of these financial statements.

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies

Statement of compliance with FRS 101

FRS 101 (Reduced Disclosures) Itochu Fibre Limited is a private limited company by shares incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the report of the directors. The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Basis of preparation

The financial statements have been prepared on a going concern basis. The directors have reviewed the company's going concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development, as set out in the directors' report on pages 2 to 3. In doing so the directors have considered how the ongoing Covid-19 pandemic and Russia Ukraine conflict shall impact the business over the coming months, and the extent to which it will impact the businesses performance and financial position.

The company has total borrowings of €60m maturing in April 2023. The company has received a formal representation from fellow group company Itochu Treasury Centre Europe PLC that the loan shall be refinanced to the extent that it is necessary to ensure the companies continued operation.

As a result the directors have concluded that the company shall continue to be a going concern.

The functional and presentation currency used is euros and amounts have been presented in round thousands ("€'000s").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 *Presentation of Financial Statements* paragraph 38 in respect of:
 - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
 - reconciliations of the carrying amounts of property, plant and equipment intangibles assets at the start and the end of the prior period.
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- disclosure of the effect of future accounting standards not yet adopted
- the remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group
- Certain disclosures required under IFRS 15 *Revenue from Contracts with Customers*, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations
- The amount of lease income recognised on operating leases as lessor

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies (continued)

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., photocopier) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Revenue

The company is in the business of providing pulp to its customers.

Revenue from the sales of pulp is recognised when the company has satisfied its performance obligations, and pulp has been transferred to the customer.

Revenue earned by the company as principal represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Where the terms of the sales arrangements are such that the company is not party to the principal risks and rewards of entering the transaction, those transactions are recorded in revenue on a net basis as a sales commission.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has generally concluded that it is the agent in its revenue arrangements because it typically does not control the goods or services before transferring them to the customer.

The disclosures of critical accounting estimates and judgements relating to revenue from contracts with customers are provided in note 3 to these financial statements.

Office equipment

Office equipment is stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost less estimated residual values of all property, plant and equipment over its expected useful lives. It is calculated at the following rates:

Office equipment	20% per annum straight-line basis
Leasehold property	Remaining period of the lease

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Amortisation of intangible assets is included within administrative expenses in the statement of comprehensive income.

The intangibles recognised by the company and their useful economic lives are as follows:

Contractual and non-contractual customer relationships	-	<i>Useful economic life</i> 20 years
Computer software	-	5 years

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies (continued)

Associated undertakings

Where the company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the statement of financial position at cost. Subsequently associates are accounted for using the equity method where the company's share of post-acquisition profits and losses is recognised in the statement of comprehensive income, except that losses in excess of the company's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the company and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies (continued)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost comprise loans to an associate and other related parties, trade and other receivables, and cash and cash equivalents in the statement of financial position.

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and the loan to the associate, the company applies a simplified approach in calculating ECLs.

Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company (such as significant financial difficulties on the part of the counterparty, default or a significant delay in payment). A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and short term deposits

Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows bank overdrafts.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies (continued)

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the company statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and joint arrangements where the company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by shareholders.

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

1 Accounting policies (*continued*)

Foreign currency

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

2 Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment in associate

The investment in associate is accounted for using the equity method and reviewed for impairment using a value in use calculation. Those calculations include estimates, most notably, for the expected future performance of the associate, forecast market prices for pulp, and expected returns on capital employed. This assessment includes considerations of the impact of Covid-19 on the carrying value of the investment.

Revenue from contracts with customers

The company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Principal versus agent considerations

The company enters into contracts with its customers to acquire, on their behalf, pulp produced by foreign suppliers. Under these contracts, the company provides procurement services (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported goods). The company determined that it does not control the goods before they are transferred to customers, and it does not have the ability to direct the use of the goods or obtain benefits from the goods.

The following factors indicate that the company does not control the goods before they are being transferred to customers. Therefore, the company determined that it is an agent in these contracts.

- The company is not primarily responsible for fulfilling the promise to provide the specified goods.
- The company does not have inventory risk before or after the specified goods have been transferred to the customer as it purchases goods only upon approval of the customer and the foreign supplier ships goods directly to the customers.
- The company has no discretion in establishing the price for the specified goods. The company's consideration in these contracts is only based on the difference between the maximum purchase price quoted by the customer and the final price negotiated by the company with the foreign supplier.

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

2 Critical accounting estimates and judgements (continued)

In addition, the company concluded that it transfers control over its services (i.e. arranging for the provision of the goods from a foreign supplier), at a point in time, upon receipt by the customer of the goods, because this is when the customer benefits from the company's agency service.

Financial assets and liabilities – measurement and impairment

Where financial assets and liabilities, most notably those amounts to and from group, associate and other related parties, are for periods of greater than one year and attract interest rates, the directors assess the terms and conditions in light of market conditions where practical to estimate whether the carrying values approximate to fair value.

The directors assess the carrying value of financial assets in light of expected future cash flows. Those assessments include estimates of the financial wellbeing of the other party and potential risk of financial loss through default.

3 Revenue

	2022 €'000	2021 €'000
Revenue arises from:		
Commission on sales of goods	9,283	5,318
	9,283	5,318

4 Profit from operations

	2022 €'000	2021 €'000
Profit from operations has been arrived at after charging/(crediting):		
Staff costs (see note 5)	1,676	1,665
Depreciation of equipment	6	8
Operating lease expense	7	1
Amortisation of ROU assets	124	125
Amortisation of intangible assets	2,101	211
Remuneration receivable by the company's auditors:		
- for the audit of these accounts	100	89
- for tax compliance services	20	7
- for other services	28	16
Foreign exchange (gains)	(61)	(24)
	1,676	1,665

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

5 Staff costs

	2022 €'000	2021 €'000
Staff costs (including directors) comprise:		
Wages and salaries	1,542	1,540
Social security costs	39	46
Other pension costs - money purchase pension scheme	94	79
	<u>1,675</u>	<u>1,665</u>

The average monthly number of employees (including directors) during the year was as follows:

	2022	2021
Sales and operations	6	7
Administration	3	3
	<u>9</u>	<u>10</u>

The total payable to the highest paid director in respect of emoluments was €338,000 (2021 - €337,000).

6 Finance income

	2022 €'000	2021 €'000
Interest income earned from associate	9,125	9,125
Other interest income	4	1
	<u>9,129</u>	<u>9,126</u>

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

7 Finance expense	2022 €'000	2021 €'000
Interest expense on financial liabilities measured at amortised cost	(5,679)	(5,619)
	(5,679)	(5,619)
8 Tax charge	2022 €'000	2021 €'000
<i>Tax charge excluding share of tax of equity accounted associate</i>		
<i>Current tax charge</i>		
Current tax on profits for the year	1,670	765
	1,670	765
<i>Total tax expense</i>		
Tax charge excluding share of tax of equity accounted associate	1,670	765
Share of tax charge of equity accounted associate	37,692	1,956
	39,362	2,721
The reasons for the difference between the actual total tax expense for the year end and the standard rate of corporation tax in the United Kingdom for the year are as follows:		
	2022 €'000	2021 €'000
Profit/(loss) from continuing operations	136,607	(9,436)
Income tax expense (including income tax on associate)	39,362	2,721
	175,969	(6,715)
Profit/(loss) before income taxes		
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the United Kingdom at 19% (2021 - 19%)	33,434	(1,276)
Effects of:		
Expenses not deductible for tax purposes	116	(24)
Depreciation in excess of capital allowances	1,824	4,037
Differences in overseas tax rates	1,688	(16)
Tax exempt income in associate	(21)	(118)
Group relief received	(182)	-
Other adjustments	2,503	118
	39,362	2,721

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

9 Dividends

	2022 €'000	2021 €'000
Final dividend of nil (2021 – nil) per ordinary share proposed and paid during the year relating to the previous year's results	-	-
Interim dividend of 0.183€ cents (2021 – nil) per ordinary share paid during the year	30,894	-
	30,894	-
	30,894	-

The directors propose a final dividend of nil (2021 – nil) per ordinary share, totalling nil (2021 - nil).

10 Tangible assets

	Office equipment €'000	Leasehold Property €'000	Total €'000
<i>Cost</i>			
At 1 April 2021 and 31 March 2022	42	828	870
	42	828	870
<i>Accumulated depreciation</i>			
At 1 April 2021	24	249	273
Charge for the year	6	124	130
	30	373	403
At 31 March 2022	30	373	403
	30	373	403
<i>Net book value</i>			
At 31 March 2022	12	455	467
	12	455	467
At 31 March 2021	18	579	597
	18	579	597

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

11 Intangible assets

	Computer software €'000	Customer relationships €'000	Total €'000
<i>Cost</i>			
At 1 April 2021 and 31 March 2022	143	4,200	4,343
<i>Accumulated amortisation</i>			
At 1 April 2021	139	1,732	1,871
Charge for the year	1	2,100	2,101
At 31 March 2022	140	3,832	3,972
<i>Net book value</i>			
At 31 March 2022	3	368	371
At 31 March 2021	4	2,468	2,472

The customer relationships have a remaining amortisation period of 2 years.

12 Investments in associate

The following entity has been included in the financial statements using the equity method:

Name	Principal place of business	Address	Class of share held	Proportion of ownership interest at 31 March 2022
Metsä Fibre Oy	Finland	Revontulenpuisto 2 02100 Espoo, Finland	Ordinary	25.0%

Metsä Fibre Oy is a pulp producer incorporated in Finland, which is strategic to the activities of the company. Metsä Fibre Oy has a financial reporting date of 31 December. The company adjusts this financial information to align with the year-end of the company for equity accounting purposes using management information provided by Metsä Fibre Oy.

13 Other investment

The following entity has been stated cost less provision for impairment in the financial statements:

Name	Principal place of business	Address	Class of share held	Proportion of ownership interest at 31 March 2022
Paptic Oy	Finland	Tekniikantie 2 FI-02150 Espoo Finland	Ordinary	6.7%

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

14 Loans to associate and other related parties

	2022 €'000	2021 €'000
<i>Non-current</i>		
Loans to associate and other related parties	150,000	150,000

15 Trade and other receivables

	2022 €'000	2021 €'000
Trade receivables	41,235	24,622
Less: provisions for impairment of trade receivables	(857)	(806)
	40,378	23,816
Other receivables	116	119
Prepayments and accrued income	5,802	4,049
	46,296	27,984

All amounts shown under trade and other receivables fall due for payment within one year.

At 31 March 2022, trade receivables of €857,000 (2021 - €806,000) were past due and have been fully impaired.

There were no other receivables that were past due.

Movements in the impairment allowance for trade receivables are as follows:

	2022 €'000	2021 €'000
At 1 April 2021	806	896
Increase/(decrease) during the year	51	(90)
	857	806
At 31 March 2022	857	806

The movement in the impairment allowance has been included in the administrative expenses line in the statement of comprehensive income.

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

16 Trade and other payables	2022 €'000	2021 €'000
Trade payables	38,514	23,923
Other payables	379	273
Accruals and deferred income	4,014	2,412
	42,907	26,608

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

17 Loans and borrowings	2022 €'000	2021 €'000
<i>Non-current</i>		
Loans from ITOCHU group companies	370,000	150,000
IFRS 16 lease liabilities	431	561
	370,431	150,561
<i>Current</i>		
Bank overdrafts	-	101,621
IFRS 16 lease liabilities	137	133
Loans from ITOCHU group companies	-	320,000
	137	421,754
Total loans and borrowings	370,568	572,315

Loans from ITOCHU group companies are made up as follows:

€150,000,000 (2021: €150,000,000) loan

The loan is repayable in two tranches of €50,000,000 and €100,000,000 respectively. Tranche 1 is repayable on 30 October 2025 and tranche 2 is repayable on 1 August 2026.

€220,000,000 - (2021: €320,000,000) loan

The loans of €60,000,000 and €160,000,000 are repayable on 5 April 2023 and 5 April 2024 respectively.

The company has received a formal representation from fellow group company Itochu Treasury Centre Europe PLC that the loan shall be refinanced to the extent that it is necessary to ensure the companies continued operation.

ITOCHU FIBRE LIMITED

Notes forming part of the financial statements for the year ended 31 March 2022

18 Share capital

	2022 €'000	2021 €'000
<i>Authorised, issued and fully paid</i>		
168,821,650 ordinary shares of €1.00 each (2021 – 168,821,650)	168,822	168,822
	168,822	168,822

19 Reserves

The following describes the nature and purpose of each reserve within equity:

Share capital	Amount subscribed for share capital at nominal value	
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income	

20 Cash and cash equivalents and bank overdrafts

Cash and cash equivalents for the purpose of the statement of cash flows comprise:

	2022 €'000	2021 €'000
Cash at bank	-	101,621
Group finance deposits	3,334	75,418
	3,334	177,039
Cash and cash equivalents	3,334	177,039
Bank overdrafts	-	(101,621)
	3,334	75,418
Cash and cash equivalents, and bank overdrafts	3,334	75,418

21 Ultimate parent undertaking

The smallest and largest group in which the results of the company are consolidated is that headed by ITOCHU Corporation, a company incorporated in Japan. The consolidated accounts of ITOCHU Corporation, the ultimate parent company, are available to the public from their registered address at 5-1, Kita-Aoyama 2-chome Minato-ku, Tokyo 107-8077, Japan.