

003886/20

In accordance with  
Regulation 32 of the  
Overseas Companies  
Regulations 2009.

# OS AA01

## Statement of details of parent law and other information for an overseas company

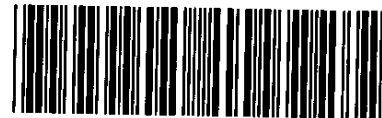


Companies House

☒ **What this form is for**  
You may use this form to  
accompany your accounts  
disclosed under parent law.

☐ **What this form is NOT for**  
You cannot use this form for  
an alteration of name  
with accounting requirements.

TUESDAY



\*A8H3QV7T\*

A09

29/10/2019

#74

COMPANIES HOUSE

### Part 1 Corporate company name

Corporate name of  
overseas company ①

MITSUBISHI ELECTRIC EUROPE B.V.

UK establishment  
number

B R 0 0 3 3 9 1

→ **Filling in this form**

Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

① This is the name of the company in  
its home state.

### Part 2 Statement of details of parent law and other information for an overseas company

#### A1 Legislation

Please give the legislation under which the accounts have been prepared and,  
if applicable, the legislation under which the accounts have been audited.

Legislation ②

THE NETHERLANDS

② This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts.

#### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted  
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other  
body which issued those principles below, and then go to **Section A3**.

③ Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation  
or body ③

INTERNATIONAL ACCOUNTING STANDARDS BOARD

#### A3 Accounts

Accounts


Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

# OS AA01

Statement of details of parent law and other information for an overseas company

<b>A4 Audited accounts</b>		
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> <b>No.</b> Go to <b>Part 3 'Signature'</b> . <input checked="" type="checkbox"/> <b>Yes.</b> Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b> .	<b>①</b> Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body <b>①</b>	DUTCH STANDARDS ON AUDITING	
<b>A5 Unaudited accounts</b>		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. <input type="checkbox"/> <b>No.</b> <input type="checkbox"/> <b>Yes.</b>	
<b>Part 3 Signature</b>		
	I am signing this form on behalf of the overseas company.	
Signature	Signature 	<b>X</b>
	This form may be signed by: Director, Secretary, Permanent representative.	

# OS AA01

Statement of details of parent law and other information for an overseas company



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	P THOMLINSON									
Company name	MITSUBISHI ELECTRIC EUROPE B.V.									
Address	TRAVELLERS LANE									
Post town	HATFIELD									
County/Region	HERTS									
Postcode	A	L	1	0		8	X	B		
Country	UK									
DX										
Telephone	01707 276100									



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



## Important information

Please note that all this information will appear on the public record.



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Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1  
or LP - 4 Edinburgh 2 (Legal Post).

### Northern Ireland:

The Registrar of Companies, Companies House,  
Second Floor, The Linenhall, 32-38 Linenhall Street,  
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003886-20

**ANNUAL REPORT**

**MITSUBISHI ELECTRIC EUROPE B.V.  
AMSTERDAM, THE NETHERLANDS**

**Year ended March 31, 2019**

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## **Board of Managing Directors' Report**

The managing directors are pleased to submit their report together with the financial statements of Mitsubishi Electric Europe B.V. for the year ended March 31, 2019. The independent auditor's report is included in 'Other Information'.

### **General information**

Mitsubishi Electric Europe B.V., Amsterdam, the Netherlands (Hereinafter 'the Company', 'MEU' or 'the Group') was incorporated on April 17, 1996 and operates as the European sales organization of Mitsubishi Electric Corporation ('MELCO'), Tokyo, Japan, its sole shareholder. The registered office of MEU is located at Capronilaan 46, Schiphol-Rijk, the Netherlands. The Company was established as a private company with limited liability and is listed under number 33279602 in the Dutch trade register of the Chamber of Commerce.

MEU carries out its operations primarily through branches in France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom as well as through subsidiaries in Turkey and the Russian Federation.

We refer to page 96 for the complete list with the Company's branches and representation offices.

### **Principal activities**

The principal activities of MEU are as follows:

- A The sales and service of industrial, electrical and electronic equipment as well as consumer electric products and electronic and information technology systems and components.
- B The engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems.

## **Financial information**

### ***Activities and results***

In the business year ended March 31, 2019, the revenues amounted to EUR 3.413,1 million (previous business year: EUR 3.084,9 million). Higher net sales (EUR 328,2 million / 10,6 %) were achieved in most business areas on the basis of the strengthened business structures and the business investments executed in the recent years.

Following the sales development, the cost of sales increased by EUR 271,3 million compared with the previous business year to EUR 2.821,0 million, representing 82,7 % of net sales (previous business year: 82,7%).

Operating expenses, i.e. the total of selling, general and administrative expenses, other operating income and other operating expenses, increased compared to the previous year in line with the increased business volume, totaling at EUR 514,8 million (previous business year: EUR 460,6 million).

Net finance expense amounted to EUR 1,7 million (previous business year: net finance income of EUR 0,4 million).

Taking into account the aforementioned factors, a profit before tax of EUR 75,6 million was achieved in 2018/2019 (previous business year: EUR 75,0 million).

The profit after tax amounted to EUR 52,8 million (previous business year: EUR 56,0 million).

### ***Statement of financial position***

Total assets amounted to EUR 1.796,3 million as at March 31, 2019, being EUR 201,5 million higher compared to March 31, 2018 (EUR 1.594,8 million). The increase is mainly attributable to the increase in inventories as well as cash and cash equivalents, resulting in particular from the increase in trade payables.

Total equity increased by EUR 5,2 million compared to the previous business year to EUR 309,7 million, which includes the profit for the period of EUR 52,8 million, dividend payments of EUR 16,8 million, other comprehensive expenses of EUR 11,0 million, a reduction in retained earnings resulting from the acquisition of Mitsubishi Electric Hydraulics & IT Cooling Italy Sales S.r.l. (hereafter: MEHITS entities) (EUR 21,9 million) and an increase in equity due to a contribution in kind (EUR 2,1 million). In total, the full equity ratio (total equity divided by total equity and liabilities) was 17,2 % (previous year: 19,1 %).

### ***Cash flow***

The business year ended March 31, 2019, showed a positive net cash flow from operating activities of EUR 75,9 million. Net negative cash flow from investing activities was EUR 32,2 million and the net negative cash flow from financing activities was EUR 8,7 million. The effect of movement in exchange rates amounted to EUR 11,1 million increase. Consequently, the end of financial year cash and cash equivalents balance amounted to EUR 369,7 million, an increase by EUR 46,1 million year on year.

The positive net cash flow from operating activities (EUR 75,9 million) has been EUR 73,1 million higher compared to previous financial year's level. This increase results from the decrease of the net working capital, in particular the increase in trade payables overcompensating the increase in inventories and trade receivables. Net negative cash flow from investing activities (EUR 32,2 million) was EUR million 9,7 lower than last year. Current and prior year investments were mainly related to the acquisition of MEHITS entities.

Net negative cash flow from financing activities this year was EUR 8,7 million, compared to net negative cash from financing activities of EUR 17,0 million last year. The change mainly relates to an increase in short-term borrowings over-compensating the higher amount of dividends paid. Financing activities are mainly operated through affiliated companies.

### **Financial and non-financial performance indicators**

The financial performance indicators are described under the heading 'Financial information'. There were no structural changes in the financial performance indicators as the Group's activities and performance did not significantly change in the financial year ended March 31, 2019 compared to the financial year ended March 31, 2018.

Customer and employee satisfaction are important to the Group and are closely monitored and measured in the business operations on a branch/representation office and subsidiary level (decentralized). Due to specific activities of each office, no single set of non-performance indicators is prepared on a Group level (centralized).



### **Liquidity and need for external financing**

The Group's liquidity position increased to a level of EUR 369,7 million March 31, 2019, compared to EUR 323,6 million last year. The cash and cash equivalents balance of EUR 369,7 million contains an amount of EUR 130,3 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2018: EUR 103,8 million). As MEU is profitable and is likely to remain cash positive in the foreseeable future, there will be no general need for additional external financing of the business operations.

### **Personnel related information**

The average number of personnel employed during the year was 2.874 FTE (2017/2018: 2.635). At year end 2.967 FTE were employed (March 31, 2018: 2.790). In the purchasing, sales and marketing department 1.547 FTE and in the administrative department 1.420 FTE were employed. We refer to note 25 of the financial statements for further details on personnel related information such as staff categories, number of staff employed as at reporting date, and staff employed outside of the Netherlands.

### **Information on male / female partitioning of board members**

The Board of Managing Directors consists of seven male members and therefore a balanced partitioning mentioned by article 391 of the Netherlands Civil Code cannot be met. The Company does not have the intention to change the composition of the Board of Managing Directors in the near future. The Managing Directors are selected and appointed based upon their knowledge, experience, and competences.

### **Information regarding the aspects of corporate social responsibility**

The MELCO Group promotes its corporate social responsibility ('CSR') activities based on the conviction that all business activities must take CSR into consideration. The MELCO Group's Corporate Mission and Seven Guiding Principles form its basic CSR policies.

We are committed to the MELCO Group's CSR policies, details of which can be found on MELCO Group's website ([www.mitsubishielectric.com/company/csr](http://www.mitsubishielectric.com/company/csr)).

We are vigilant in our enforcement of corporate ethics and compliance and constantly work to improve educational programs and strengthen our internal control system. At the same time, we pursue initiatives related to quality management, environmental preservation, philanthropy and improved communication with all stakeholders.

## **Risk management and risk profile**

The Board of Managing Directors, under the supervision of parent company MELCO, has overall responsibility and sets rules for the Group's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Group's activities. *The Board of Managing Directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by MELCO Group departments.*

The Management and the Managing Directors regularly assess material risks to which the Group is exposed to and take the necessary actions to manage and/or mitigate such risks satisfactorily. It is, and had been throughout the financial year, the Group's policy that no trading in financial instruments shall be undertaken.

The risks can be divided into the various categories below.

### ***Strategic risks***

MEU's involvement in the sales and service of industrial, electrical and electronic equipment, consumer electric products and electronic and information technology systems and components, and the engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems in a large number of countries leads to a number of unavoidable strategic risks that occur naturally. These include geopolitical risks, industrial risks, market risks and risks in connection with social responsibility and environmental behavior.

Inherent to this strategy is that MEU will take risks and be exposed to a variety of factors that directly or indirectly affect the Group's results. However, we believe that by being active in a number of segments, each with its own market dynamics, we obtain a certain degree of 'counter cyclicity' between the activities and hence a somewhat more stable result development.

### ***Operational risks***

Naturally, the Group is exposed to operational risks caused by e.g. supplier risks, IT risks, and risks related to business and work processes. Management is closely monitoring operational risk factors to which the Group is exposed to through a variety of internal control measures to manage such risks effectively.

**Financial risk**

Financial risks include foreign currency risks, interest rate risks, price risks, credit risks, and liquidity risks. The Group is exposed to developments in the currency markets and to interest-rate developments. With respect to exchange rates, MEU is affected primarily by changes in the value relation between EUR and JPY, USD, RUB, SKR and GBP. We refer to note 6 of the financial statements for further details about financial instruments and related risk management.

**Regulatory risks**

The business areas are geographically represented in a variety of countries and the Group is therefore naturally exposed to a number of legal risks, tax risks and risks in connection with the reporting to public authorities or other external reporting. Management is closely monitoring the development concerning the regulatory environment to manage such risks.

**Research and development information**

MEU does not perform development activities within the production environments. Research activities are performed on specific client requests.

**Outlook**

With a wide range of products that are competitive and enjoying growth in markets, MEU is able to provide solutions that fulfill customer needs in different areas, which is the key to future growth. To raise overall profitability, the Group will continue to enhance the formidable competitiveness especially in the areas of quality, costs and services.

Current business environment is reflecting a situation of uncertainty in several relevant markets and a continuing risk of recessionary conditions.

Confronted with this business environment, MEU as part of the MELCO Group, places great emphasis on promoting growth strategies to boost its competitiveness and strengthen its business structure.

Based on this MEU is expecting to achieve positive results in business year 2019/2020, comparable to 2018/2019. As in prior years, the positive result will be mainly driven by the operating profit of the group.

Management is not aware of any other events that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability. However, if necessary the Group will react on business opportunities.

### **Information concerning application of code of conduct**

MEU is committed to MELCO Group's Corporate Code of Conduct. The Corporate Code of Conduct of MELCO Group sets forth the ethical codes to be observed by MELCO Group itself, its corporate officers, and its employees in the conduct of business activities on a global basis, based on MELCO Group's corporate philosophy. The Board of Managing Directors takes measures in case of instances of non-compliance with the code of conduct.

### **Subsequent events**

On April 1, 2019 MEU executed a 100% share purchase of the companies Topclima s.l. (Barcelona, Spain), Sater Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain), previously held by Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.. The company specializes in air conditioning solutions, it will be integrated into MEU structure through cross border merger during business year 2019/2020.

There have been no other events after reporting date which have a significant impact on, or should be disclosed in, the 2018/2019 financial statements.

Amsterdam, September 10, 2019

### **Board of Managing Directors**

Y. Saito  
M. Konishi  
A. Wagner  
E. Pellerin  
H. Puetz  
T. Ishikawa  
S. Kurita

**Consolidated statement of financial position as at March 31, 2019  
(before profit appropriation)**

Assets		March 31,2019 EUR'000	March 31,2018 EUR'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	7		
Land and buildings		66.000	68.463
Plant and equipment		22.093	21.167
Assets under construction		937	719
Total property, plant and equipment		89.030	90.349
Intangible assets and goodwill	8	23.003	27.211
Investments in associates and other investments	9	9.730	7.586
Deferred tax assets	24	18.406	14.203
Pension asset	14	1.548	1.233
Total non-current assets		141.717	140.582
<b>Current assets</b>			
Inventories	10	667.100	537.321
Trade and other receivables	11	615.482	593.363
Cash and cash equivalents	12	369.667	323.562
Assets held for sale	28	2.368	-
Total current assets		1.654.617	1.454.246
<b>Total assets</b>		1.796.334	1.594.828

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

<b>Equity and liabilities</b>		March 31, 2019 EUR'000	March 31, 2018 EUR'000
	Notes		
<b>Equity</b>			
Share capital	13	83.982	83.981
Share premium	13	50.359	48.224
Foreign currency translation reserve	13	(31.017)	(23.465)
Retained earnings		140.063	126.100
Unappropriated result		50.736	53.071
Total equity attributable to owners of the Company		294.123	287.911
Non-controlling interest	13	15.562	16.546
Total equity		309.685	304.457
<b>Non-current liabilities</b>			
Pension liabilities	14	8.133	10.331
Provisions	16	8.072	6.294
Non-current loans and borrowings from affiliates	15	3.003	40.000
Other non-current liabilities		139	405
Deferred tax liabilities	24	8.595	6.541
Total non-current liabilities		27.942	63.571
<b>Current liabilities</b>			
Current loans and borrowings from third parties	15	5.686	16.442
Current loans and borrowings from affiliates	15	73.438	19.325
Trade and other payables to affiliates	6	1.086.577	927.374
Trade payables to third parties	6	50.974	56.372
Other current liabilities	6	196.947	178.672
Income tax payable	24	28.099	11.522
Provisions	16	16.986	17.093
Total current liabilities		1.458.707	1.226.800
<b>Total equity and liabilities</b>		1.796.334	1.594.828

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

**Consolidated statement of profit or loss for the year ended March 31, 2019**

		2018/2019 EUR'000	2017/2018 EUR'000
	Notes		
Revenue	18	3.413.076	3.084.886
Cost of sales		<u>(2.821.030)</u>	<u>(2.549.665)</u>
<b>Gross profit</b>		592.046	535.221
Other income	20	28.432	26.789
Selling, general and administrative expenses	19	(534.876)	(478.662)
Other expenses	21	<u>(8.316)</u>	<u>(8.766)</u>
		(514.760)	(460.639)
<b>Operating profit</b>		77.286	74.582
Finance income	22	840	906
Finance costs	22	(3.429)	(2.078)
Other net finance income	22	920	1.578
<b>Net finance income (cost)</b>		<u>(1.669)</u>	<u>406</u>
Share of result of associates	23	<u>8</u>	<u>4</u>
<b>Profit (loss) before income tax</b>		75.625	74.992
Income tax expenses	24	<u>(22.823)</u>	<u>(18.965)</u>
<b>Profit (loss) for the year</b>		<u>52.802</u>	<u>56.027</u>
<b>Attributable to:</b>			
Equity holders of the parent		50.736	53.071
Non-controlling interests		<u>2.066</u>	<u>2.956</u>
		<u>52.802</u>	<u>56.027</u>

The notes on pages 15 to 74 are an integral part of these consolidated financial statements

**Consolidated statement of other comprehensive income for the year ended March 31, 2019**

		2018/2019 EUR'000	2017/2018 EUR'000
	Notes		
<b>Profit (loss) for the year</b>		52.802	56.027
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Net actuarial losses IAS 19	14	(541)	16.854
Deferred tax effect on IAS 19	24	188	(2.950)
		(353)	13.904
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences foreign operations		(10.602)	(12.168)
		(10.602)	(12.168)
<b>Other comprehensive income, net of tax</b>		(10.955)	1.736
<b>Total comprehensive income</b>		41.847	57.763
<b>Attributable to:</b>			
Owners of the Company		42.831	58.339
Non-controlling interests		(984)	(576)
		41.847	57.763

The notes on pages 15 to 74 are an integral part of these consolidated financial statements



## Consolidated statement of changes in equity for the year ended March 31, 2019

	Share capital	Share premium	Foreign currency translation reserve	Retained Earnings	Unappropriated results	Total	Non-controlling interest	Total equity
In thousand of EUR								
Balance at March 31, 2017	83 981	48 224	(14 829)	120 925	35 911	274 212	17 122	291 334
Appropriation of prior year result	-	-	-	35 911	(35 911)	-	-	-
<b>Profit for the period</b>	-	-	-	-	53 071	53 071	2 956	56 027
<b>Other comprehensive income</b>								
Foreign currency translation differences foreign operations	-	-	(8 636)	-	-	(8 636)	(3 532)	(12 168)
Net actuarial losses IAS 19 (revised 2011)	-	-	-	16 854	-	16 854	-	16 854
Deferred taxes on IAS 19 (revised 2011)	-	-	-	(2 950)	-	(2 950)	-	(2 950)
<b>Total other comprehensive income</b>	-	-	(8 636)	13 904	-	5 268	(3 532)	1 736
<b>Total comprehensive income for the year</b>	-	-	(8 636)	13 904	53 071	58 339	(576)	57 763
Acquisitions/business combinations, recognized in retained earnings	-	-	-	(32 817)	-	(32 817)	-	(32 817)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Dividends paid	-	-	-	(11 823)	-	(11 823)	-	(11 823)
Balance at March 31, 2018	83 981	48 224	(23 465)	126 100	53 071	287 911	16 546	304 457
Appropriation of prior year result	-	-	-	53 071	(53 071)	-	-	-
<b>Profit for the period</b>	-	-	-	-	50 736	50 736	2 066	52 802
<b>Other comprehensive income</b>								
Foreign currency translation differences foreign operations	-	-	(7 552)	-	-	(7 552)	(3 050)	(10 602)
Net actuarial losses IAS 19 (revised 2011)	-	-	-	(541)	-	(541)	-	(541)
Deferred taxes on IAS 19 (revised 2011)	-	-	-	188	-	188	-	188
<b>Total other comprehensive income</b>	-	-	(7 552)	(353)	-	(7 905)	(3 050)	(10 955)
<b>Total comprehensive income for the year</b>	-	-	(7 552)	(353)	50 736	42 831	(984)	41 847
Acquisitions/business combinations, recognized in retained earnings	-	-	-	(21 994)	-	(21 994)	-	(21 994)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Contribution in kind	1	2 135	-	-	-	2 136	-	2 136
Dividends paid	-	-	-	(16 761)	-	(16 761)	-	(16 761)
Balance at March 31, 2019	83 982	50 359	(31 017)	140 063	50 736	294 123	15 562	309 685

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows for the year ended March 31, 2019

		2018/2019 EUR'000	2017/2018 EUR'000
	Notes		
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		75.625	74.992
Adjustments for:			
• Loss/(gain) on disposal of non-current assets	7,8	297	445
• Depreciation, amortization and reversal (impairment) loss on non current assets	7,8	12.307	15.153
• Foreign exchange differences		(7.438)	(7.667)
• Share of profit of equity-accounted investees, net of tax	23	(8)	(4)
		5.158	7.927
Changes in:			
• Decrease/(increase) in trade and other receivables	11	(22.119)	(22.486)
• Decrease/(increase) in inventories	10	(129.779)	5.463
• Increase/(decrease) in trade and other liabilities	6	159.242	(36.915)
• Increase/(decrease) in provisions and employee benefits	14,16	(1.197)	(8.185)
		6.147	(62.123)
Cash generated from operating activities:			
• Interest received	22	840	906
• Interest paid	22	(3.429)	(2.078)
• Income taxes paid		(8.394)	(16.844)
		(10.983)	(18.016)
Net cash (used in)/ provided by operating activities		75.947	2.780
<b>Cash flows from investing activities</b>			
Dividends received	22	920	1.578
Acquisition of property, plant and equipment	7	(9.244)	(10.519)
Acquisition of intangible assets	8	(3.366)	(1.501)
Acquisition of/additions to subsidiaries, associates and other investments	5	(20.504)	(31.434)
Net cash (used in)/ provided by investing activities		(32.194)	(41.876)

**Cash flows from financing activities**

Proceeds from loans and borrowings	43.795	967
Repayment of loans and borrowings	(35.766)	(6.174)
Dividends paid	<u>(16.761)</u>	<u>(11.823)</u>
Net cash (used in)/ provided by financing activities	(8.732)	(17.030)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	35.021	(56.126)
Cash and cash equivalents at beginning of period	323.562	396.314
Effect of movement in exchange rates	<u>11.084</u>	<u>(16.626)</u>
<b>Cash and cash equivalents at end of period</b>	<u>369.667</u>	<u>323.562</u>

The notes on pages 15 to 74 are an integral part of these consolidated financial statements.

## **Notes to the consolidated financial statements for the year ended March 31, 2019**

### **1 General**

#### **a) Reporting entity**

Mitsubishi Electric Europe B.V., Amsterdam, the Netherlands (Hereinafter 'the Company' or 'MEU' or 'the Group') was incorporated on April 17, 1996 and operates as the European sales organization of Mitsubishi Electric Corporation ('MELCO'), Tokyo, Japan. The office location of MEU is at Capronilaan 46, Schiphol-Rijk, Amsterdam, the Netherlands. The Company was established as a private company with limited liability and is listed under number 33279602 in the Dutch trade register of the Chamber of Commerce.

The consolidated financial statements of the Company as at and for the year ended March 31, 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

MEU's sole shareholder is MELCO, a company whose registered address is 2-7-3, Marunouchi, Chiyoda-ku, Tokyo 100-8310, Japan and from whom consolidated financial statements can be requested. The financial information of MEU is included in the consolidated financial statements of MELCO.

The principal activities of MEU are as follows:

- A The sales and service of industrial, electrical and electronic equipment as well as consumer electric products and electronic and information technology systems and components.
- B The engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems.

MEU carries out its operations primarily through branches in France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom as well as through subsidiaries in Turkey and the Russian Federation.

We refer to the 'Other Information' for the complete overview of the Company's branches and representation offices and their locations.

#### **b) Financial reporting period**

These financial statements cover the year 2018/2019, which ended at the balance sheet date of 31 March 2019.

c) Going concern

The financial statements of the Company have been prepared on the basis of the going concern assumption.

d) Application of Section 402, Book 2 of the Dutch Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate statement of profit and loss of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

For an appropriate interpretation of these statutory financial statements, the consolidated financial statements of the Company should be read in conjunction with the separate financial statements, as included under pages 75 to 95.

## **2 Basis of preparation**

### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.

The consolidated financial statements were authorized for issue by the Board of Managing Directors on September 10, 2019.

### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair values;
- The defined benefit liability is recognized as explained in note 3 under the heading 'Employee benefits'.

### **Functional and presentation currency**

The consolidated financial statements are presented in EUR. Operations with a functional currency other than EUR were translated to the Company's presentation currency. All financial information presented in EUR has been rounded to the nearest thousand, unless stated otherwise.

### **Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most

significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6 - Financial risk management and financial instruments
- Note 7 - Property, plant and equipment
- Note 8 - Intangible assets and goodwill
- Note 14 - Employee benefits
- Note 16 - Provisions
- Note 17 - Commitments and contingencies

#### **Changed accounting policies in the business year**

The Group adopted IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” for the first time. For the basic principles of these standards reference is made to the description of significant accounts policies as presented above. Both standards do not have any significant effect on the current or any prior periods presented.

It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9’s classification and measurement (including impairment) requirements.

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by MEU.

#### **Basis of consolidation**

##### ***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in



measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### ***Acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### ***Loss of control***

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### ***Investment in associates (equity-accounted investees)***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20,0% and 50,0% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is

reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Foreign entities**

The financial information of the subsidiaries is fully consolidated in the consolidated financial statements and the financial information of the branches is fully aggregated in the consolidated financial statements of the Company. Internal transactions and balances and unrealized profits on internal transactions are eliminated on consolidation/aggregation.

The subsidiaries and the branches are considered to be foreign entities for reporting purposes, because the activities are not an integral part of the enterprise which is e.g. evidenced by the fact that the costs of the branches are primarily paid or settled in the local (functional) currency of the country of residence.

#### **Foreign currency**

##### ***Transactions and balances in foreign currencies***

Transactions in foreign currencies are translated to the respective functional currency of the Company's branches at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**Foreign operations**

Subsidiaries and branches maintain their accounting records in their respective functional currencies. For inclusion in the Company's consolidated financial statements the assets and liabilities of foreign operations are translated to presentation currency EUR at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to EUR at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

**Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## **Financial instruments**

The Group applies IFRS 9 “Financial Instruments” starting from 1 April 2018 for the first time. As long as there are major differences to the former standard for financial instruments (IAS 39) effecting the Group basic accounting policies for financial instruments are separately described as applicable before or from 1 April 2018.

### ***Recognition and initial measurement/ Derecognition***

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **Financial assets - Policy applicable from 1 April 2018**

### Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

### Subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group elects to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The following table summarizes the different classes for financial assets and the realization of gains and losses:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

## Financial assets – Policy applicable before 1 April 2018

### Classification

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

### Subsequent measurement

<b>Financial assets at FVTPL</b>	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. No derivatives were designated as hedging instruments for hedge accounting purposes.
<b>Held-to-maturity financial assets</b>	Measured at amortised cost using the effective interest method
<b>Loans and receivables</b>	Measured at amortised cost using the effective interest method.
<b>Available-for-sale financial assets</b>	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss. When the fair value of these assets cannot be measured reliably (e.g. other investments with no quoted market prices in an active market), the asset is carried at cost subject to impairment.

### **Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### **Derecognition**

#### Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. However, the Group does not hold derivative financial instruments for hedge accounting purposes. All derivative financial instruments are therefore classified as financial assets or financial liabilities at FVTPL.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.



## **Share capital**

### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### Repurchase, and reissue of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

## **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss. When translated assets are sold, any related amount included in the foreign currency translation reserve is transferred to retained earnings.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and Assets under construction are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

- Buildings 10 - 33 years
- Plant and equipment
  - Technical equipment: 3 to 13 years
  - Office equipment: 3 to 13 years
  - Cars: 4 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **Intangible assets**

Goodwill that arises upon the acquisition of investments is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Goodwill is not amortized. The estimated useful lives for the current and comparative years are as follows:

- Other intangible assets
  - Customer relationships: 5 to 10 years
  - Other (e.g. software): 5 to 6 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **Leased assets**

Assets held under finance leases or leased properties, which are leases where substantially all the risks and rewards of ownership have passed to the Company are capitalized in the statement of financial position at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and depreciated over their useful lives or the shorter lease period. The present value of the minimal lease

payments of future obligations under leases is included as a liability in the statement of financial position.

The interest element of the lease obligation is charged to the profit and loss account over the period of the lease.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. The weighted average cost method is applied and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

### **Impairment**

#### **Non-derivative financial assets**

##### Policy applicable from 1 April 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI and contract assets.

ECLs are a probability-weighted estimate and amount to the present value of cash shortfalls over the expected life of the financial instrument using the original effective interest rate.

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset such as - significant financial difficulty of the borrower, a breach of contract, overdue receivables, probability that the borrower will enter bankruptcy or other financial reorganization - have occurred.

Any changes in the amount of expected credit losses (or reversal) that is required to adjust the loss allowances at the reporting date to the amounts previously reported are recognized in profit or loss as an impairment gain or loss.

#### Policy applicable before 1 April 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions

that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

*The Company considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.*

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of cash shortfalls over the expected life of the financial instrument using the asset's original effective interest rate as a discount rate. Losses are recognized in profit or loss and reflected in an allowance account against financial assets at amortized costs. Interest (if any) on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### ***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ('CGU') exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which

goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **Employee benefits**

### Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

### Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair values of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in potential asset to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any

minimum funding requirements.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

#### Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

#### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate

can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

#### Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### Revenue

The Group has initially applied IFRS 15 from 1 April 2018. There was no effect of initially applying IFRS 15 on the financial statements.

#### Policy applicable from 1 April 2018

Revenue is measured based on the consideration specified in a contract with a customer net of returns, trade discounts and volume rebates. The Group recognises revenue when it transfers control over a good or service to a customer. Typically control is transferred when the product is received at the customer's warehouse. However, for some international shipments transfer occurs upon loading the goods onto the relevant carrier. Invoices are issued according to contractual terms and are usually payable depending on the countries and business units within 30 to 90 days.

Products in the business units Air Conditioners and Refrigerating Systems, Factory Automation and Home Appliances and Digital Media are partly sold under warranty. Respective provisions are set up based on past experience of the level of repairs and returns.



Contract revenue and revenue for services is recognised over time based on surveys of work performed. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. The contract assets are transferred to receivables when its rights become unconditional and an invoice is issued to the customer.

Other income is gains from sale of property, plant and equipment, intangible assets, and investments in non-controlling interests, net of sales tax. They are recognized in profit or loss when ownership has been transferred to the buyer.

Finance income comprises dividend income, interest income, and changes in the fair value of financial assets designated at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method unless collectability is in doubt. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

#### Policy applicable before 1 April 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port.

- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are

recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

- Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.
- For other income and finance income reference is made to the policies applicable after 1 April 2018 as described above.

### **Expenses**

- Costs of sales include allowances for inventories.
- Impairment losses recognized on any receivables or contracts assets arising from contracts with customers are included in Selling, General and Administrative expenses.
- Finance cost comprises interest expenses, unwinding of the discount on provisions, changes in the fair value of financial assets designated at fair value through profit or loss, and impairment losses recognized on financial assets. Interest expenses are recognized as they accrue in profit or loss, using the effective interest rate method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

### **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Cash flow statement**

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows, such as translation differences and other non-cash items have been eliminated for the purpose of preparing this statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is included in operating activities. Cash consists of current (including short-term deposit) accounts with banks and cash in hand.

### **Changed accounting policies in the business year**

The Group adopted IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” for the first time. For the basic principles of these standards reference is made to the description of significant accounts policies as presented above. Both standards do not have any significant effect on the current or any prior periods presented.

It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements.

#### **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### **IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group is currently in the process of determining to what extent lease commitments from existing lease contracts mainly for office buildings, company cars and office equipment will result in the recognition of an asset and a liability for future payments and how this will affect Group's profit and classification of cash flows. It is intended to apply recognition exemptions for short-term leases (lease term of 12 months or less) and leases of low-value items (assets below EUR 5,000).

The Group will apply IFRS 16 initially on 1 April 2019, recognizing the cumulative effect of adopting IFRS 16 as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

According to our preliminary assessment the impact of IFRS 16 is limited. All else being equal it is estimated that balance sheet total will increase by around 3% with insignificant effect on profit and loss for financial year 2019/2020.

#### **Other amendments**

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9.)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

#### **4 Determination fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been *determined for measurement and/or disclosure purposes based on the following methods.* When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

##### **Intangible assets**

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### **Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

##### **Trade and other receivables**

The fair value of trade and other receivables, excluding construction work in progress, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

### Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

### Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

## 5 Acquisition of subsidiaries, associates and investments

In the business year ended March 31, 2019 the Company acquired from Mitsubishi Electric Hydronics & IT Cooling S.p.A. ('MEHITS') 100,0% shares of MEHITS Italy Sales S.r.l., specializing in air conditioning solutions. Assets/liabilities acquired through the share deal were integrated into the MEU branch in Italy.

MEHITS entity		MEU branch	Method of Integration	Acquisition date
MEHITS Italy Sales S.r.l	->	MEU Italy	Share Transfer & Merger	July 1, 2018

During the acquisition, the Company applied the concept of business combination under common control, which means:

- Assets/liabilities were taken over at their book values based on IFRS;
- No revaluation/fair value adjustments were applied when integrating the assets/liabilities into the MEU branches, but the book values were continued;
- No goodwill or customer base was recognized by MEU as a result of the business acquisition/integration.

The details of the applied approach and its resulting effect on retained earnings are summarized as follows:

	EUR'000
Cash paid	(20.504)
Net assets at the book value at the date of the share/business transfer	(1.490)
Total effect on Retained Earnings	(21.994)

The following tables summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	EUR'000
Property, plant and equipment	153
Cash and cash equivalents	10
Provisions, trade and other payables	1.653

## 6 Financial risk management and financial instruments

### Overview

The Company's principal instruments, other than derivatives, comprise loans/deposits with Mitsubishi Electric Finance Europe PLC and bank loans/deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The Company also enters into derivative transactions principally forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations.

It is, and had been throughout the financial year, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarized below. The Company also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has



arisen over the period is detailed below. The Company's accounting policies in relation to financial instruments are set out in note 3.

### Foreign currency risk and Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in the following exchange rate, with all other variables held constant, on the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

The following table also demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables constant, of the Company's profit before tax (through the impact on floating rate borrowings).

2018/2019	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	1.362	(1.362)
EUR/GBP	(656)	656
EUR/JPY	1.077	(1.077)
EUR/SKR	(38)	38
EUR/RUB	(56)	56
	<u>1.689</u>	<u>(1.689)</u>
2018/2019	Variance +1% in EUR'000 on PBT	Variance +1% in EUR'000 on PBT
Interest rate	<u>(545)</u>	<u>545</u>
2017/2018	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	(969)	969
EUR/GBP	354	(354)
EUR/JPY	(1.774)	1.774
EUR/SKR	328	(328)
EUR/RUB	(123)	123
	<u>(2.184)</u>	<u>2.184</u>
2017/2018	Variance +1% in EUR'000 on PBT	Variance +1% in EUR'000 on PBT
Interest rate	<u>(367)</u>	<u>367</u>

## Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial assets and liabilities.

	Fair Value 2019 in EUR'000	Carrying amount 2019 in EUR'000	Fair Value 2018 in EUR'000	Carrying amount 2018 in EUR'000
<b>Classes of Financial Assets</b>				
Derivatives	61	61	65	65
Investments	9 730	9 730	7 586	7 586
Cash & cash equivalents	369 667	369 667	323 562	323 562
Trade receivables 3rd parties	537 196	537 196	520 427	520 427
Trade & other receivables affiliates	22 564	22 564	26 431	26 431
Other debtors	21 307	21 307	14 047	14 047
	<b>960 525</b>	<b>960 525</b>	<b>892 116</b>	<b>892 116</b>
	Fair Value 2019 in EUR'000	Carrying amount 2019 in EUR'000	Fair Value 2018 in EUR'000	Carrying amount 2018 in EUR'000
<b>Classes of Financial Liabilities</b>				
Non-current loans and borrowings from affiliates	3 003	3 003	40 000	40 000
Derivatives	356	356	228	228
Trade payables 3rd parties	50 974	50 974	56 372	56 372
Trade & other payables to affiliates	1 086 577	1 086 577	927 374	927 374
Current loans and borrowings from third parties	5 686	5 686	16 442	16 442
Current loans and borrowings from affiliates	73 438	73 438	19 325	19 325
Other creditors	104 196	104 196	82 220	82 220
	<b>1 324 230</b>	<b>1 324 230</b>	<b>1 141 961</b>	<b>1 141 961</b>

### Basis for determining fair values and fair value hierarchy levels

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

The derivatives set out above consist of short term foreign currency exchange contracts. Their fair value has been obtained from external market confirmations (fair hierarchy level 2).

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **Interest rate risk**

The Company's exposure to interest rate risk relates to changes in market interest rates primarily to the Company's borrowings. Wherever practical, interest payable profiles are matched to the underlying asset categories. The Company's policy is to manage its interest cost by strict cash flow and working capital management to reduce the need for funding. Due to the Company's strict cash flow and working capital management the interest rate risk for MEU is considered to be low.

Cash and cash equivalents include short-term deposits to Mitsubishi Electric Finance Europe PLC for an amount of EUR 130.338 thousand at March 31, 2019 (March 31, 2018: EUR 103.819 thousand). The effective interest rates on these deposits range between 0,1% and 1,3% (March 31, 2018: 0,05% and 1,0%).

Loans and borrowings include short-term loans for an amount of EUR 73.438 thousand (March 31, 2018: EUR 19.325) and long-term loans for an amount of EUR 3.003 thousand (March 31, 2018: EUR 40.000) from Mitsubishi Electric Finance Europe PLC. The effective interest rates on these loans range between 0,3% and 22,7% (March 31, 2018: 0,3% and 1,34%).

### **Foreign currency risk**

The Group has currency translation exposures. Such exposures arise from sales or purchases of goods in currencies other than the unit's functional currency. As a result, the Company had significant currency exposures in respect of its monetary assets and liabilities during the year. To mitigate this risk, management agreed with their major customers to invoice them in the same transactional currency as the purchases. The Company also uses forward exchange contracts to hedge foreign currency exchange exposures arising on known material receipts and payments in foreign currencies. The Company did not apply special hedge accounting in the years ended March 31, 2019 and March 31, 2018.

### **Price risk**

The Group's exposure to price risk is low since most of the purchased goods are bought from affiliated factories with which longer-term price agreements have been negotiated.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company sets individual customer credit limits and these are closely monitored. Credit control is taken seriously by the Company and policies are in place to limit any affect by a defaulting party.

Trade receivables are recognized net of a provision for doubtful debts. Periodically, the Company reviews the collectability of the trade receivables taking into account the history of the customer, recent financial performance and proposals to pay the amounts due. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. The majority of the trade receivables are related to customers located in Europe.

The amounts receivable are due within normal trade terms, which generally range between 30 and 90 days. At the reporting date there were no significant concentrations of credit risk.

With respect to cash and cash equivalent balances at banks the credit risk is mitigated by the Company's policy to conclude financial instruments only with banks with high reputation and first class credit ratings. MEU considers the probability of bank default to be very low.

The carrying amount of financial assets represents the maximum credit exposure.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's aim is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and short-term loans. The Company's policy is to match the maturity of assets and liabilities as far as possible.

### Contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2019 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2019</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	3.003	-	3.003
Current loans and borrowings from third parties	-	5.686	-	-	-	5.686
Current loans and borrowings from affiliates	21.629	30.115	21.694	-	-	73.438
Trade and other payables 3rd parties	15.137	33.276	2.561	-	-	50.974
Trade and other payables affiliates	132.790	610.982	342.805	-	-	1.086.577
Other creditors	13.766	71.843	18.623	320	-	104.552
	<u>183.322</u>	<u>751.902</u>	<u>385.683</u>	<u>3.323</u>	<u>-</u>	<u>1.324.230</u>

The equivalent disclosure for the prior year is as follows:

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2018</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	40.000	-	40.000
Current loans and borrowings from third parties	11.307	5.135	-	-	-	16.442
Current loans and borrowings from affiliates	18.800	525	-	-	-	19.325
Trade and other payables 3rd parties	14.486	39.803	2.083	-	-	56.372
Trade and other payables affiliates	155.244	505.360	266.770	-	-	927.374
Other creditors	8.554	54.390	19.401	104	-	82.449
	<u>208.391</u>	<u>605.213</u>	<u>288.254</u>	<u>40.104</u>	<u>-</u>	<u>1.141.962</u>

### **Capital management**

There were no major changes in the Company's approach to capital management during the year. The Board of Managing Directors' policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company.

The Company is not subject to externally imposed capital requirements and does not purchase its own shares.

## 7 Property, plant and equipment

	Assets under construction	Office buildings including land	Other buildings including land	Plant and equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2019</b>					
<b>Cost</b>					
Opening balance	719	77.039	4.407	60.834	142.999
Purchases	1.731	78	342	7.093	9.244
Transfer of completed assets under construction	(1.382)	18	-	1.364	-
Disposals**	(2)	-	-	(3.931)	(3.933)
Reclassification to assets held for sale	-	(3.307)	-	-	(3.307)
Effect of movements in exchange rates	(129)	257	7	(163)	(28)
Closing balance	937	74.085	4.756	65.197	144.975
<b>Depreciation</b>					
Opening balance	-	11.971	1.012	39.667	52.650
Depreciation charge for the year*	-	2.090	72	7.114	9.276
(Reversal) impairment losses	-	(1.500)	-	-	(1.500)
Disposals**	-	-	-	(3.637)	(3.637)
Reclassification to assets held for sale	-	(939)	-	-	(939)
Effect of movements in exchange rates	-	134	1	(40)	95
Closing balance	-	11.756	1.085	43.104	55.945
Net book value at March 31, 2019	937	62.329	3.671	22.093	89.030
	Assets under construction	Office buildings including land	Other buildings including land	Plant and equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2018</b>					
<b>Cost</b>					
Opening balance	1.743	76.470	4.408	55.785	138.406
Purchases	1.282	56	8	5.896	7.242
Reclasses	-	-	-	1.715	1.715
Transfer of completed assets under construction	(2.231)	809	-	1.422	-
Disposals**	(21)	-	-	(3.430)	(3.451)
Effect of movements in exchange rates	(54)	(296)	(9)	(554)	(913)
Closing balance	719	77.039	4.407	60.834	142.999
<b>Depreciation</b>					
Opening balance	-	10.010	963	35.068	46.041
Depreciation charge for the year*	-	2.095	49	6.690	8.834
Reclasses	-	-	-	1.280	1.280
Disposals**	-	-	-	(3.028)	(3.028)
Effect of movements in exchange rates	-	(134)	-	(343)	(477)
Closing balance	-	11.971	1.012	39.667	52.650
Net book value at March 31, 2018	719	65.068	3.395	21.167	90.349

\*The charge for the year is included in Selling, General and Administrative expenses.

\*\*The book loss of the year is included in other operating expenses.

## 8 Intangible assets and goodwill

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2019</b>				
<b>Cost</b>				
Opening balance	17.460	29.380	24.689	71.529
Purchase	-	-	3.366	3.366
Disposals	-	-	(18)	(18)
Effect of movement in exchange rates	(2.377)	-	261	(2.116)
Closing balance	15.083	29.380	28.298	72.761
<b>Amortization and impairment losses</b>				
Opening balance	-	23.960	20.358	44.318
Amortization charge for the year*	-	2.358	2.173	4.531
Disposals	-	-	(16)	(16)
Effect of movement in exchange rates	-	767	158	925
Closing balance	-	27.085	22.673	49.758
Net book value at March 31, 2019	15.083	2.295	5.625	23.003

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2018</b>				
<b>Cost</b>				
Opening balance	20.091	29.380	22.752	72.223
Purchase	-	-	2.798	2.798
Acquired in business combinations	-	-	265	265
Disposals	-	-	(915)	(915)
Effect of movement in exchange rates	(2.631)	-	(211)	(2.842)
Closing balance	17.460	29.380	24.689	71.529
<b>Amortization and impairment losses</b>				
Opening balance	-	19.808	19.143	38.951
Amortization charge for the year*	-	2.788	2.048	4.836
Acquired in business combinations	-	-	203	203
Disposals	-	-	(894)	(894)
Effect of movement in exchange rates	-	1.364	(142)	1.222
Closing balance	-	23.960	20.358	44.318
Net book value at March 31, 2018	17.460	5.420	4.331	27.211

\*The charge for the year is included in Selling, General and Administrative expenses.



During the financial year ended as at March 31, 2019 no goodwill or customer relationship related assets were acquired.

For the purpose of impairment testing, goodwill was allocated to the Company's relevant operating division, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The goodwill recorded as of March 31, 2019 in the total amount of EUR 15.083 thousand relates with EUR 6.472 thousand to Living Environment Systems division and with EUR 8.611 thousand to Factory Automation division.

The recoverable amount of these cash-generating units was based on its value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the respective unit. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The calculation was based on the following key assumptions:

Cash flows were projected based on past experiences, actual operating results and the 5-year business plan. The terminal growth rate was estimated at 2,0% (2017/2018: 2,0%) for the LES division and between 1,0% and 2,0% (2017/2018: between 1,0% and 2,0%) for the FA division, dependent on the country / region. This terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

A pre-tax discount rate of 25,0% (2017/2018: 16,6%) for the LES division and 15,2% (2017/2018: 12,1%) for the FA division was applied in determining the recoverable amount of the cash-generating unit. The pre-tax discount rate is in line with the Company's estimated pre-tax weighted average cost of capital as at the date of impairment testing, with a debt leveraging of 15% at a market interest rate of 12,9% (2017/2018: 8,4 %) for the LES division and with a debt leveraging of 10% at a market interest rate of 2,7% (2017/2018: 2,6%) for the FA division.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately EUR 7.810 thousand (2017/2018: EUR 18.056 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2018/2019	2017/2018
	%	%
Discount rate	1,7	3,1
Budgeted EBITDA growth rate	-5,0	-5,6

No impairment loss was recognized in 2018/2019 and 2017/2018 financial year.

## 9 Investments in associates and other investments

Company name	Acquisition date	% share	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Investments measured at equity				
Mitsubishi Electric Automation Projects GmbH (Fuldabrück, Germany)	Apr 13	30,0%	1.182	1.174
			<u>1.182</u>	<u>1.174</u>
Investments measured at fair value through OCI				
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb 15	10,0%	2.684	2.684
Electric Powersteering Components Europe s.r.o. (Slany, Czech Republic)**	Jan 19	10,0%	2.136	-
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)	Feb 15	10,0%	1.263	1.263
Advanced Worx 112 (Proprietary) Limited (Johannesburg, Republic of South Africa)*	Mar 11	14,9%	1.168	1.168
Mitsubishi Electric Klimat Transportation Systems S.p.A. (Padua, Italy)	Feb 15	10,0%	821	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb 15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	<u>74</u>	<u>74</u>
			<u>8.548</u>	<u>6.412</u>
			<u>9.730</u>	<u>7.586</u>

\*Trading as Adroit Technologies

\*\* Contributed in kind by Mitsubishi Electric Corporation (Tokyo, Japan)

The above entities, besides associate Mitsubishi Electric Automation Projects GmbH, are investments, which are basically measured at fair value through other comprehensive income. However, original acquisition costs for EUR 8.548 is regarded as an appropriate estimate of fair value as there are no quoted market price available and there are specific conditions and restrictions on the sale of the investments and pass-through arrangements for dividends received in place. Consequently, original acquisition costs represent the best estimate of fair value. There was no effect from the transition from IAS 39 to IFRS9.

### Equity-accounted investees

The Group has a 30,0% share in Mitsubishi Electric Automation Projects GmbH (hereinafter ME-Automation Projects GmbH), which is involved in turnkey I&C systems, consisting of the entire field instrumentation, the switchgear, the remote control and control technology with the process management system PMSX@pro and the relevant services such as project management, engineering, installation, commissioning, service and maintenance. ME-Automation Projects GmbH is a private entity that is not listed on any public exchange. The Group's interest in ME-Automation Projects GmbH is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarized financial information of the Group's investments in ME-Automation Projects GmbH:

	<u>EUR'000</u>
Acquisition cost	1.420
Group's ownership of post-aquisition net profit (loss) until March 31, 2018	<u>(246)</u>
Carrying amount of the investment as of March 31, 2018	<u>1.174</u>
Opening balance as of March 31, 2018	1.174
Group's ownership of net profit (loss) current year	<u>8</u>
Carrying amount of the investment as of March 31, 2019	<u><u>1.182</u></u>

## 10 Inventories

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Aircon & Refrigerating Systems	382.144	304.701
Automotive Equipment	156.832	105.196
Industrial Products	46.966	51.186
Industrial Automation Systems	38.799	35.683
Semiconductors	18.748	18.791
Home Appliances & Digital Media	14.517	16.602
Industrial Sewing Machines	2.688	1.869
Electronic Systems	3.599	1.712
Public Use System	1.051	734
Building Systems	1.432	457
Power Systems	324	390
	<u>667.100</u>	<u>537.321</u>

Inventories are stated net of a provision for obsolete stock of EUR 24.828 thousand (March 31, 2018: EUR 22.441 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 9.618 thousand (March 31, 2018: EUR 3.589 thousand) and is included in Cost of Sales. The provision for obsolete stock is set up based on the lower of cost and net realizable value method.

## 11 Trade and other receivables

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Trade receivables 3 <sup>rd</sup> parties	537.196	520.427
Trade receivables affiliated companies	<u>22.564</u>	<u>26.431</u>
Trade receivables	<u>559.760</u>	<u>546.858</u>
Prepaid expenses	20.066	20.528
Other current assets	<u>35.656</u>	<u>25.977</u>
	<u>615.482</u>	<u>593.363</u>

Trade receivables are non-interest bearing and are generally on 30 - 90 days' terms.

As at March 31, 2019, trade receivables and other receivables at carrying value of EUR 12.775 thousand (March 31, 2018: EUR 16.127 thousand) were impaired and provided for.

Trade receivables 3<sup>rd</sup> parties include contract assets in the amount of EUR 10.387 thousand and are typically paid within the next 12 months.

Trade receivables affiliated companies include receivables against the shareholder in the amount of EUR 20.023 thousand (March 31, 2018: EUR 23.993 thousand).

Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2018	10.328	5.799	16.127
Charge for the year*	2.983	0	2.983
Utilised	(2.677)	0	(2.677)
Unused amounts reversed	(3.142)	(355)	(3.497)
Translation adjustment	(167)	6	(161)
At March 31, 2019	7.325	5.450	12.775
	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2017	13.682	3.973	17.655
Charge for the year*	914	1.829	2.743
Utilised	(2.250)	-	(2.250)
Unused amounts reversed	(2.888)	-	(2.888)
Acquired in a business combination	1.049	11	1.060
Translation adjustment	(179)	(14)	(193)
At March 31, 2018	10.328	5.799	16.127

\*The charge of the year is included in Selling, General and Administrative expenses.

As at March 31, 2019 and March 31, 2018, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	30-60 days	60-90 days	90-120 days	>120 days	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
March 31, 2019	507.847	35.421	11.662	2.790	788	1.252	51.913
March 31, 2018	481.270	48.365	10.271	5.595	1.245	112	65.588

The Company's exposure to credit risk and foreign currency risk is disclosed in note 6.

## 12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits with original maturities of three months or less. All bank balances are available upon immediate demand.

The cash and cash equivalents balance of EUR 369,7 million contains an amount of EUR 130,3 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2018: EUR 103,8 million).

The Company's exposure to interest rate risk and foreign currency risk is disclosed in note 6.

## 13 Capital and reserves

### Share capital

	Ordinary shares March 31, 2019
	EUR'000
On issue at April 1, 2018 – fully paid	83.981
Contributed in kind	1
On issue at March 31, 2019 – fully paid	83.982

The authorized share capital amounts to EUR 150 million, consisting of 150.000 ordinary shares of EUR 1.000 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At March 31, 2019, the issued share capital included 83.982 issued and fully paid ordinary shares (March 31, 2018: 83.981).

### **Share premium**

The share premium relates to surplus from the issuance of shares as far nominal value of the shares is exceeded and capital contributions from the shareholder.

### **Foreign currency translation reserve**

The translation reserve (March 31, 2019: EUR -31.017 thousand, March 31, 2018: -23.465 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches, representation offices and subsidiaries from their functional currency into the presentation currency (EUR).

The foreign currency translation reserve is a non-distributable reserve.

### **Dividends**

The following dividends were declared and paid by the Company for the years ended March 31, 2019 and March 31, 2018:

	March 31, 2019 EUR'000	March 31, 2018 EUR'000
Dividend to owners of the Company, paid to Melco, Tokyo, Japan.	16.761	11.823

In the financial year 2018/2019, the dividend paid out amounted to EUR 111,74 per authorized ordinary share.

### **Non-controlling interest**

MEU holds 70,0% of the shares of Mitsubishi Electric Turkey Elektrik Ürünleri Anonim Sirketi ('METR'), a limited liability company seated in Istanbul/Turkey, which was founded in the structure of MEU and consolidated for the first time at March 31, 2013. 30,0% of the shares in METR are held by MELCO. The 30,0% share of MELCO amounts to EUR 8.461 thousand at March 31, 2019 (EUR 10.996 thousand at March 31, 2018).

MEU holds 70,0% of the shares of Mitsubishi Electric (Russia) LLC ('MER'), founded on June 23, 2014 in Moscow/Russia. 30,0% of the shares in MER are held by MELCO. The 30,0% share of MELCO amounts to EUR 7.101 thousand at March 31, 2019 (EUR 5.550 thousand at March 31, 2018).



## 14 Employee benefits

### Pension benefit plans

The Company has defined benefit pension plans and defined contribution pension plans, covering a number of its employees, both of which require contributions to be made to separate administration funds.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the respective plans.

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Net benefit expense		
Charged to Profit or Loss		
Current service cost	(749)	(691)
Interest cost on benefit obligation	(3.630)	(3.604)
Interest income on plan assets	3.518	2.997
Employee contribution	133	131
Additional charges	(422)	(46)
	(1.150)	(1.213)
Charged to Other Comprehensive Income		
Net actuarial gain/(loss) recognized in the year	(541)	16.854
	(541)	16.854
Actual return on plan assets	1.413	516
Benefit asset/(liability)	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Present value of funded obligations	(139.235)	(139.110)
Present value of unfunded obligations	(4.972)	(4.425)
Fair value of plan assets	137.622	134.437
	(6.585)	(9.098)

Movements are as follows:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
At April 1	(9.098)	(28.910)
Benefit expenses	(1.693)	15.641
Contributions	4.185	3.809
Others	(79)	(211)
Exchange adjustment	-	419
Utilization	100	154
At March 31	<u>(6.585)</u>	<u>(9.098)</u>

The presentation in the statement of financial position is as follows:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Pension Asset	1.548	1.233
Pension Liabilities	<u>(8.133)</u>	<u>(10.331)</u>
At March 31	<u>(6.585)</u>	<u>(9.098)</u>

The pension asset/(liability) is related to the pension plans operated for the following branches:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
UK Hatfield Branch	(1.714)	(4.521)
Ireland Branch	1.548	1.233
Italy Branch	(2.417)	(2.153)
France Branch	(2.555)	(2.272)
Netherlands Branches	<u>(1.447)</u>	<u>(1.385)</u>
	<u>(6.585)</u>	<u>(9.098)</u>

The principal assumption used in determining the main pension benefit obligations for the Company's plans are shown below (expressed as weighted averages):

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Discount rate	1,5%	2,0%
Expected rate of return in assets	0,4%	0,3%
Future salary increase	1,6%	1,1%
Future pension increase	1,5%	2,1%
Future price inflation	2,0%	2,0%

Assumptions regarding future mortality are based on published statistics and mortality tables.

Total pension expenses recognized in the statement of comprehensive income can be summarized as follows:

	<u>March 31, 2019 EUR '000</u>	<u>March 31, 2018 EUR '000</u>
Charged to profit or loss account		
Pension cost of benefit plans	(1.150)	(1.213)
Pension cost of contribution plans	<u>(9.159)</u>	<u>(8.682)</u>
	<u>(10.309)</u>	<u>(9.895)</u>
Charged to other comprehensive income		
Pension cost of benefit plans	<u>(541)</u>	<u>16.854</u>
	<u>(541)</u>	<u>16.854</u>

Pension expenses charged to profit or loss are included in the statement of comprehensive income in Selling, General and Administrative expenses.

## 15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings from third parties and affiliates, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 6.

The loans from affiliates represent loans from Mitsubishi Electric Finance Europe PLC and can be summarized in the following way:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	3.003	40.000
	<u>3.003</u>	<u>40.000</u>
Current loans and borrowings:		
German Branch – building loan	36.997	-
Irish Branch	11.600	11.200
Corporate Office Branch	10.030	-
Dutch Branch	7.610	7.600
UK Branches	6.383	525
METR	818	-
	<u>73.438</u>	<u>19.325</u>

The table below provides an overview of the short-term interest bearing loans and borrowings from third parties:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
UK Branch - current account	-	8.950
METR - current account	5.686	5.135
French Branch - current account	-	2.357
	<u>5.686</u>	<u>16.442</u>

The non-current loan (EUR 3.003 thousand) is due for repayment in May 2020.

For details on the range of interest rates on the interest bearing loans we refer to note 6.

## 16 Provisions

	Warranties	Waste electrical and electronic equipment	Restruc- turing	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At April 1, 2018	15.948	867	1.792	4.780	23.387
Additions during the year	12.035	466	354	1.952	14.807
Utilised	(4.806)	(134)	(408)	(1.883)	(7.231)
Released	(4.981)	(604)	(112)	(233)	(5.930)
F/X rate adjustment	28	-	-	(3)	25
March 31, 2019	18.224	595	1.626	4.613	25.058
Current part	12.423	416	-	4.147	16.986
Non-current part	5.801	179	1.626	466	8.072
March 31, 2019	18.224	595	1.626	4.613	25.058

The movements of provisions are included in other operating expenses.

### Warranties

A provision for warranty is recognized for all products under warranty at the reporting date based on past experience of the level of repairs and returns. It is expected that these costs will be incurred partly in the next financial year. This portion is shown as current part.

### Waste electrical and electronic equipment

A provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE') is recognized based on assumptions in relation to historical waste, regarding the level of market participation, the quantity of products disposed of and the expected cost of disposal. In relation to future waste, assumptions about the age profile of products in the market and the cost of disposal were made. It is expected that the majority of these cost will be incurred during the next financial year; therefore they are shown as current part.

## Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A restructuring provision is recorded mainly for various severance payments. It is expected that these costs will be incurred in the next financial year; therefore they are shown as current part.

## 17 Commitments and contingencies

### Contingencies

Regular tax audits are ongoing. There are no significant impacts on future statements of profit or loss expected.

### Operating lease commitments

The total of future minimum lease payments under non-cancelable operating leases is as follows as at March 31, 2019 and March 31, 2018:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Within one year	19.009	16.469
After one year but less than five years	33.813	26.449
More than five years	4.807	751
	<u>57.629</u>	<u>43.669</u>

There were no other outstanding commitments as of March 31, 2019 and 2018.

## 18 Revenue

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, representing a strategic business unit that offers different products and serves different markets.

The Air-Conditioner and Refrigerating Systems division is a supplier of Room Air Conditioners, Package Air Conditioners, Heat Pumps, Compressors and Air Ventilation Systems, dehumidifiers as well as controls and regulation systems for commercial and domestic air conditioning and heating solutions. The Automotive Equipment division is a supplier of electronic car audio and navigation systems and electrical automotive equipment. The Factory Automation division is a supplier of Controllers, Inverters, Servomotors, Electrical-Discharge Machines and Industrial Robots. The Home Appliances and Digital Media division is a supplier of Printers for photo and medical applications, Display Monitors, Display Walls and Cubes. The Semi-Conductor division is a supplier of Power Devices, High Frequency and Opto Devices and Liquid Crystal Displays.

### Business divisions 2018/2019

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi- conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	1 136	24	1.388	11	85	114.937	117.581
Sales to third parties	1.525.469	1.170.332	338.582	49.767	118.093	93.252	3.295.495
	<u>1.526.605</u>	<u>1.170.356</u>	<u>339.970</u>	<u>49.778</u>	<u>118.178</u>	<u>208.189</u>	<u>3.413.076</u>

### Business divisions 2017/2018

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi- conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	153	45	1.408	4	0	82.116	83.726
Sales to third parties	1.323.078	1.098.135	327.694	60.132	125.920	66.201	3.001.160
	<u>1.323.231</u>	<u>1.098.180</u>	<u>329.102</u>	<u>60.136</u>	<u>125.920</u>	<u>148.317</u>	<u>3.084.886</u>

The Company recognised revenue in the amount of EUR 4.540 thousand that was included as contract liabilities at the beginning of the business years in other liabilities.

The Company's operating businesses are organized to geographic areas. Revenues are attributed to geographic areas based on where the Company's customers are located. The position 'Others' mainly represents sales of the European Purchasing Center.

#### Geographical areas

	Europe		Others		Consolidated	
	March 31, 2019 EUR '000	March 31, 2018 EUR '000	March 31, 2019 EUR '000	March 31, 2018 EUR '000	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Sales to affiliated customers	1.115	140	116.466	83.586	117.581	83.726
Sales to third parties	3.006.927	2.708.458	288.568	292.702	3.295.495	3.001.160
Total revenue	3.008.042	2.708.598	405.034	376.288	3.413.076	3.084.886

Sales to third parties within Europe as of March 31, 2019 include sales in the Netherlands in the amount of EUR 69.144 thousand (as of March 31, 2018: EUR 62.501 thousand).

#### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The transfer of control is in the majority of the cases based on the incoterms contractually agreed or in other cases based on the performance milestone (such as factory acceptance test / site acceptance test) agreed in a project.



## 19 Selling, general and administrative expenses

Included in the amount of EUR 534.876 thousand (2017/2018: EUR 478.662 thousand) selling, general and administrative expenses are depreciation and amortization of EUR 13.807 thousand (2017/2018: EUR 13.670 thousand), selling expenses of EUR 112.394 thousand (2017/2018: EUR 94.177 thousand), advertising expenses of EUR 42.230 thousand (2017/2018: EUR 40.274 thousand) and personnel expenses consisting of:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Wages and salaries	208.942	190.049
Social security costs	34.559	31.412
Pension costs of defined benefit and defined contribution plans	10.309	9.895
	<u>253.810</u>	<u>231.356</u>

## 20 Other income

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	28.432	26.789
	<u>28.432</u>	<u>26.789</u>

## 21 Other expenses

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Other operating expenses to affiliated companies	8.020	6.535
Loss (gain) on foreign currency exchanges	98	1.992
Loss on disposal of long-term assets	198	239
	<u>8.316</u>	<u>8.766</u>

Other operating expenses mostly consist of software license and advertising fees to MELCO and other affiliated companies.

## 22 Net finance result

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Finance income	840	906
Finance costs	(3.429)	(2.078)
Other net finance income	920	1.578
	<u>(1.669)</u>	<u>406</u>

Finance income mostly consists of interest income on short term deposits. Finance costs primarily consist of interest costs on short and long term loans and overdrafts.

Other net finance income refers to dividends received from the following companies:

Company name	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	369	920
Mitsubishi Electric Automotive Czech s.r.o.	410	402
Mitsubishi Electric R&D Centre Europe B.V.	103	116
Advanced Worx 112 (Proprietary) Limited	-	77
Mitsubishi Electric Automotive Europe B.V.	33	60
Ascenseurs Mitsubishi France	5	3
	<u>920</u>	<u>1.578</u>

## 23 Share of result of associates

Company name	% share of equity	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Mitsubishi Electric Automation Projects GmbH	30,0%	8	4
		<u>8</u>	<u>4</u>

## 24 Income taxes

Deferred tax balances as at March 31, 2019 relate to the following:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
<b>Deferred tax assets</b>		
Inventory valuation	2.116	2.725
Provisions and accruals	10.613	5.655
Provision for doubtful debts	1.271	1.588
Tax loss carry forward	2.749	3.228
Property, plant and equipment and intangible assets	1.201	592
Other items	456	415
	<u>18.406</u>	<u>14.203</u>
	March 31, 2019 EUR '000	March 31, 2018 EUR '000
<b>Deferred tax liabilities</b>		
Tax losses of foreign branches used in the past	3.415	3.656
Provisions and accruals	4.297	1.296
Inventory valuation	260	316
Property, plant and equipment and intangible assets	592	1.252
Other items	31	21
Deferred tax liabilities	<u>8.595</u>	<u>6.541</u>

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax income EUR 1.960 thousand) and in other comprehensive income (deferred tax income EUR 188 thousand).

Deferred tax assets have not been recognized in respect of the following items:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Unrecognized deferred tax assets	<u>3.876</u>	<u>4.575</u>

The unrecognized deferred tax assets for tax losses of EUR 3.876 thousand (as of March 31, 2018: EUR 4.575 thousand) relate to the Spanish Branch and do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from.

Major components of tax expense recognized in income for the year ended were:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
<b>Current:</b>		
Domestic	607	346
Foreign	24.177	18.789
	<u>24.784</u>	<u>19.135</u>
<b>Deferred:</b>		
Domestic	(227)	(315)
Foreign	(1.734)	145
	<u>(1.961)</u>	<u>(170)</u>
Income tax expense	<u>22.823</u>	<u>18.965</u>

Recognized in the statement of comprehensive income:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
<b>Current tax expenses</b>		
Current year	25.215	19.825
Adjustments previous years	(431)	(690)
	<u>24.784</u>	<u>19.135</u>
<b>Deferred tax (income)/expenses</b>		
Origination and reversal of temporary differences	(2.827)	(170)
Effect of tax losses recognized	866	-
	<u>(1.961)</u>	<u>(170)</u>
Income tax expenses	<u>22.823</u>	<u>18.965</u>

A reconciliation of the domestic tax rate to the Company's effective tax rate applicable to income from ordinary activities for the years ended March 31, 2019 and 2018 was as follows:

	March 31, 2019 %	March 31, 2018 %	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Domestic tax rate	25,00	25,00	18.904	18.748
Effect of tax rates in foreign jurisdictions	2,58	0,71	1.950	533
Adjustment in respect to current income tax of previous years	(0,57)	(0,92)	(431)	(690)
Recognition of previously unrecognized tax losses	(0,83)	(2,20)	(625)	(1.649)
Effect of non-deductible expenses	2,96	2,88	2.236	2.161
Others	1,04	(0,18)	789	(138)
Effective tax rate	<u>30,18</u>	<u>25,29</u>	<u>22.823</u>	<u>18.965</u>

The charge for income taxes includes Dutch and foreign income taxes. The local statutory standard tax rate for the Netherlands is 25,0% for profit exceeding EUR 200 thousand. The local statutory standard tax rate for profits up to EUR 200 thousand is 20,0%.

## 25 Staffing levels

The number of employees (converted into full-time equivalents) during the 2018/2019 and 2017/2018 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Average number of employees	2.874	2.635	2.826	2.590
Total number of employees	2.967	2.790	2.919	2.741

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Purchasing, sales and marketing departments	1.547	1.420	1.524	1.398
Administrative departments	1.420	1.369	1.395	1.343
Total number of employees	<u>2.967</u>	<u>2.790</u>	<u>2.919</u>	<u>2.741</u>

## 26 Related-party disclosures

### Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholder, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

### Control of the Company

The Company is a wholly owned subsidiary of Mitsubishi Electric Corporation ('MELCO'), the Company's ultimate parent.

### Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2019 and 2018 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2019 EUR'000	March 31, 2018 EUR'000	March 31, 2019 EUR'000	March 31, 2018 EUR'000	March 31, 2019 EUR'000	March 31, 2018 EUR'000
Sales of goods	115.147	81.648	2.434	2.079	117.581	83.727
Purchase of goods	1.755.745	1.577.259	992.832	817.180	2.748.577	2.394.439
Trade and other receivables	21.725	23.993	2.596	2.441	24.321	26.434
Trade and other payables	784.842	661.034	311.452	266.340	1.096.294	927.374
Other operating income (net) from Affiliated companies	20.607	20.374	(202)	(120)	20.405	20.254
Financial income (net)	-	-	537	1.245	537	1.245

Transactions with other entities are relating to transactions with MELCO affiliates. The main part of related party transactions is related to purchase of goods from the manufacturing companies. Trade and other receivables mainly relates to sourcing activities for MELCO and the manufacturing companies.

Other operating income (net) from affiliated companies is mainly related to reimbursements of expenses.

Transactions with related parties are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions.

## 27 Fees of the auditor

With reference to Section 2; 382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. and other KPMG member firms to the Company and its subsidiaries:

	KPMG Accountants N.V.	Other KPMG network	Total
2018/2019	EUR'000	EUR'000	EUR'000
Statutory audit of annual accounts	117	729	846
Other assurance services	-	61	61
Tax advisory services	-	162	162
Total	117	952	1.069

	KPMG Accountants N.V.	Other KPMG network	Total
2017/2018	EUR'000	EUR'000	EUR'000
Statutory audit of annual accounts	117	729	846
Other assurance services	-	253	253
Tax advisory services	-	124	124
Total	117	1.106	1.223

## 28 Assets held for sale

In fiscal year 2018/2019 management decided to sell grounds and building of the German branch which was formerly used as office building. Accordingly, these assets are presented as assets held for sale. The assets are stated at carrying amount (EUR 2.368 thousand).

**Company balance sheet  
as at March 31, 2019 (before profit appropriation)**

		March 31,2019 EUR'000	March 31,2018 EUR'000
	Notes		
<b>Fixed assets</b>			
<b><i>Intangible fixed assets</i></b>	32		
Goodwill		7.222	7.276
Other intangible assets		6.296	5.599
		<u>13.518</u>	<u>12.875</u>
<b><i>Tangible fixed assets</i></b>	33		
Land and buildings		66.000	68.463
Plant and equipment		21.149	20.194
Assets under construction		780	716
		<u>87.929</u>	<u>89.373</u>
<b><i>Financial fixed assets</i></b>			
Participating interests in group companies	34	36.316	38.610
Other participating interests	35	9.730	7.586
Deferred tax assets		18.030	13.861
Pension asset	14	1.548	1.233
		<u></u>	<u></u>
Total fixed assets		167.071	163.538
<b>Current assets</b>			
Inventories	36	632.761	507.845
Trade and other receivables	37	584.438	561.865
Cash and cash equivalents	38	350.623	306.221
Assets held for sale	28	2.368	-
		<u></u>	<u></u>
Total current assets		1.570.190	1.375.931
<b>Total assets</b>		<u>1.737.261</u>	<u>1.539.469</u>



		March 31, 2019 EUR'000	March 31, 2018 EUR'000
	Notes		
<b>Shareholder's equity</b>			
Share capital	39	83.982	83.981
Share premium	39	50.359	48.224
Foreign currency translation reserve	39	(31.764)	(24.207)
*Retained earnings		140.810	126.842
Unappropriated result		50.736	53.071
Total equity		294.123	287.911
<b>Provisions</b>			
Pension provisions	14	8.133	10.331
Provision for deferred tax liabilities		7.987	5.005
Other provisions	41	24.796	23.062
Total provisions		40.916	38.398
<b>Non-current liabilities</b>			
Non-current loans and borrowings from affiliates	40	3.003	40.000
Other non-current liabilities		21	158
Total non-current liabilities		3.024	40.158
<b>Current liabilities</b>			
Current loans and borrowings from third parties	40	-	11.305
Current loans and borrowings from affiliates	40	72.620	19.325
Trade and other payables to affiliates	42	1.064.883	911.938
Trade payables to third parties	42	49.962	53.936
Other current liabilities	42	183.845	165.237
Income tax payable		27.888	11.261
Total current liabilities		1.399.198	1.173.002
<b>Total equity and liabilities</b>		1.737.261	1.539.469

**Company income statement  
for the year ended on March 31, 2019**

		March 31,2019 EUR'000	March 31,2018 EUR'000
	Notes		
Share of result of participating interests, after tax	43	4.821	6.901
• Other income and expenses, after tax	•	<u>45.915</u>	<u>46.170</u>
<b>Net result</b>		<u>50.736</u>	<u>53.071</u>

**Notes to the company financial statements for the  
year ended March 31, 2019**

**29 General**

The company financial statements are part of the 2018/2019 financial statements of Mitsubishi Electric Europe B.V., Schiphol-Rijk, the Netherlands (Hereinafter 'the Company' or 'MEU').

**30 Principles for the measurement of assets and liabilities and the determination of the result**

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please see pages 15 to 40 for a description of these principles.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

**31 Financial risk management and financial instruments**

For the description of MEU's financial risk management and financial instruments, we refer to note 6 to the consolidated financial statements. There are no significant differences between the Company's and the Group's financial risk management and financial instruments.

## 32 Intangible fixed assets

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2019</b>				
<b>Cost</b>				
Opening balance	7.276	8.509	23.716	39.501
Purchase	-	-	3.138	3.138
Disposals	-	-	(18)	(18)
Effect of movement in exchange rates	(54)	6	264	216
Closing balance	7.222	8.515	27.100	42.837
<b>Amortization and impairment losses</b>				
Opening balance	-	7.220	19.406	26.626
Amortization charge for the year*	-	634	1.914	2.548
Disposals	-	-	(16)	(16)
Effect of movement in exchange rates	-	2	159	161
Closing balance	-	7.856	21.463	29.319
Net book value at March 31, 2019	7.222	659	5.637	13.518

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2018</b>				
<b>Cost</b>				
Opening balance	7.276	8.509	22.357	38.133
Purchase	-	-	2.219	2.219
Acquired in business combinations	-	-	265	265
Disposals	-	-	(915)	(915)
Effect of movement in exchange rates	9	-	(210)	(201)
Closing balance	7.276	8.509	23.716	39.501
<b>Amortization and impairment losses</b>				
Opening balance	-	6.477	18.773	25.250
Amortization charge for the year	-	641	1.491	2.132
Acquired in business combinations	-	-	203	203
Disposals	-	-	(894)	(894)
Effect of movement in exchange rates	-	102	(167)	(65)
Closing balance	-	7.220	19.406	26.626
Net book value at March 31, 2018	7.276	1.289	4.310	12.875

For the purpose of impairment testing, goodwill was allocated to the Company's relevant operating division, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The recoverable amount of these cash-generating units was based on its value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the respective unit. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The calculation was based on the following key assumptions:

Cash flows were projected based on past experiences, actual operating results and the 5-year business plan. The terminal growth rate was estimated at 2,0% (2017/2018: 2,0%) for the LES division and between 1,0% and 2,0% (2017/2018: between 1,0% and 2,0%) for the FA division, dependent on the country / region. This terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

A pre-tax discount rate of 25,0% (2017/2018: 16,6%) for the LES division and 15,2% (2017/2018: 12,1 %) for the FA division was applied in determining the recoverable amount of the cash-generating unit. The pre-tax discount rate is in line with the Company's estimated pre-tax weighted average cost of capital as at the date of impairment testing, with a debt leveraging of 15% at a market interest rate of 12,9% (2017/2018: 8,4 %) for the LES division and with a debt leveraging of 10 % at a market interest rate of 2,7% (2017/2018: 2,6 %) for the FA division.

No impairment loss was recognized in 2018/2019 and 2017/2018 financial years.

### 33 Tangible fixed assets

	Assets under construction	Office buildings including land	Other buildings including land	Plant and equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2019</b>					
<b>Cost</b>					
Opening balance	716	77 039	4 407	58.831	140 993
Purchases	1 576	78	341	6 733	8 728
Transfer of completed assets under construction	(1.382)	18	-	1 364	-
Disposals	(2)	-	-	(3 887)	(3.889)
Reclassification to assets held for sale	-	(3 307)	-	-	(3.307)
Effect of movements in exchange rates	(128)	257	8	135	272
Closing balance	780	74 085	4.756	63 176	142 797
<b>Depreciation</b>					
Opening balance	-	11 971	1.012	38 637	51.620
Depreciation charge for the year	-	2 090	72	6.829	8.991
(Reversal) impairment losses	-	(1 500)	-	-	(1 500)
Disposals	-	-	-	(3 597)	(3 597)
Reclassification to assets held for sale	-	(939)	-	-	(939)
Effect of movements in exchange rates	-	134	1	158	293
Closing balance	-	11.756	1 085	42.027	54.868
Net book value at March 31, 2019	780	62.329	3 671	21 149	87 929
<b>March 31, 2018</b>					
<b>Cost</b>					
Opening balance	1.279	76 470	4.408	53 886	136.043
Purchases	1 691	56	8	5.364	7.119
Acquired in business combinations	-	-	-	1.715	1.715
Transfer of completed assets under construction	(2 231)	809	-	1 422	-
Disposals	(21)	-	-	(3.296)	(3 317)
Effect of movements in exchange rates	(2)	(296)	(9)	(260)	(567)
Closing balance	716	77.039	4 407	58.831	140 993
<b>Depreciation</b>					
Opening balance	-	10.010	963	34 050	45 023
Depreciation charge for the year	-	2.095	49	6 410	8 554
Acquired in business combinations	-	-	-	1 280	1 280
Disposals	-	-	-	(2.893)	(2 893)
Effect of movements in exchange rates	-	(134)	-	(210)	(344)
Closing balance	-	11.971	1.012	38 637	51.620
Net book value at March 31, 2018	716	65 068	3.395	20 194	89.373

### 34 Participating interests in group companies

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	19.741	25.660
Mitsubishi Electric (Russia) LLC	16.575	12.950
	<u>36.316</u>	<u>38.610</u>

Participating interests in group companies represent a 70,0% share in the share capital of Mitsubishi Electric Turkey (Istanbul/Turkey) (March 31, 2019: EUR 19.741 thousand, March 31, 2018: EUR 25.660 thousand), acquired in March 2013 and a 70,0% share in the share capital of Mitsubishi Electric Russia (Moscow/Russian Federation) (March 31, 2019: EUR 16.575 thousand, March 31, 2018: EUR 12.950 thousand), acquired in September 2014.

### 35 Other participating interests

Company name	Acquisition date	% share	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Investments measured at equity				
Mitsubishi Electric Automation Projects GmbH (Fuldabrück, Germany)	Apr 13	30,0%	1.182	1.174
			1.182	1.174
Investments measured at fair value through OCI				
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb 15	10,0%	2.684	2.684
Electric Powersteering Components Europe s.r.o. (Slany, Czech Republic)**	Jan 19	10,0%	2.136	-
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)	Feb 15	10,0%	1.263	1.263
Advanced Worx 112 (Proprietary) Limited (Johannesburg, Republic of South Africa)*	Mar 11	14,9%	1.168	1.168
Mitsubishi Electric Klimat Transportation Systems S.p.A. (Padua, Italy)	Feb 15	10,0%	821	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb 15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	74	74
			8.548	6.412
			9.730	7.586

\*Trading as Adroit Technologies.

\*\* Contributed in kind by Mitsubishi Electric Corporation (Tokyo, Japan).



### 36 Inventories

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Aircon & Refrigerating Systems	353.724	280.622
Automotive Equipment	156.832	105.196
Industrial Products	41.793	46.210
Industrial Automation Systems	38.232	35.298
Home Appliances & Digital Media	14.511	18.758
Semiconductors	*18.575	16.599
Industrial Sewing Machines	2.688	1.869
Power Systems	324	1.712
Electronic Systems	3.599	734
Public Use System	1.051	457
Building Systems	1.432	390
	<u>632.761</u>	<u>507.845</u>

Inventories are stated net of a provision for obsolete stock of EUR 24.303 thousand (March 31, 2018: EUR 21.958 thousand). Provisions have been made for all segments. The provision for obsolete stock is set up based on the lower of cost and net realizable value method.

### 37 Trade and other receivables

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Trade receivables 3rd parties	517.706	496.766
Trade receivables affiliated companies	24.748	28.838
Trade receivables	<u>542.454</u>	<u>525.604</u>
Prepaid expenses	15.162	16.803
Other current assets	<u>26.822</u>	<u>19.458</u>
	<u>584.438</u>	<u>561.865</u>

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

As at March 31, 2019, trade receivables and other receivables at carrying value of EUR 12.124 thousand (March 31, 2018: EUR 15.827 thousand) were impaired and provided for.

Trade receivables affiliated companies include receivables against the shareholder in the amount of EUR 19.924 thousand (March 31, 2018: EUR 23.811 thousand).

Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2018	10.008	5.819	15.827
Charge for the year*	2.461	-	2.461
Utilised	(2.677)	-	(2.677)
Unused amounts reversed	(3.142)	(355)	(3.497)
Translation adjustment	4	6	10
At March 31, 2019	6.654	5.470	12.124
	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2017	13.208	3.973	17.181
Charge for the year	914	1.849	2.763
Utilised	(2.250)	-	(2.250)
Unused amounts reversed	(2.888)	-	(2.888)
Acquired in a business combination	1.049	11	1.060
Translation adjustment	(25)	(14)	(39)
At March 31, 2018	10.008	5.819	15.827

As at March 31, 2019 and 2018, the aging analysis of trade receivables is as follows:

	Neither past due nor impaired EUR'000	< 30 days EUR'000	Past due but not impaired				Total EUR'000
			30-60 days EUR'000	60-90 days EUR'000	90-120 days EUR'000	>120 days EUR'000	
March 31, 2019	491.671	35.010	11.197	2.588	1.299	689	50.783
March 31, 2018	458.419	47.509	12.596	5.564	1.516	-	67.185

The Company's exposure to credit risk and foreign currency risk is disclosed in note 6.

### 38 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits with original maturities of three months or less. All bank balances are available upon immediate demand.

The cash and cash equivalents balance of EUR 350,6 million contains an amount of EUR 130,3 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2018: EUR 103,9 million).

The Company's exposure to interest rate risk and foreign currency risk is disclosed in note 6.

### 39 Capital and reserves

#### Share capital

	Ordinary shares March 31, 2019 EUR'000
On issue at April 1, 2018 – fully paid	83.981
Contributed in kind	1
On issue at March 31, 2019 – fully paid	83.982

The authorized share capital amounts to EUR 150 million, consisting of 150.000 ordinary shares of EUR 1.000 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At March 31, 2019, the issued share capital included 83.982 issued and fully paid ordinary shares (March 31, 2018: 83.981).

#### Share premium

The share premium relates to surplus from the issuance of shares as far nominal value of the shares is exceeded and capital contributions from the shareholder.

### **Foreign currency translation reserve**

The translation reserve (March 31, 2019: EUR -31.764 thousand, March 31, 2018: -24.207 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches and representation offices from their functional currency into the presentation currency (EUR).

The foreign currency translation reserve is a non-distributable reserve.

### **Proposed appropriation**

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2018/2019 profit after tax: an amount of EUR 37.240 thousand to be added to the retained earnings and the remaining amount of EUR 13.496 thousand to be paid out as dividend. The result after tax for 2018/2019 is included under unappropriated result in equity.

The Company can only make payments to the shareholder and other parties entitled to the distributable profit insofar as (1) the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholder's equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the Company shall not approve the distribution. Tests carried out by management revealed no indications that the proposed distribution of dividend will not be possible.

#### 40 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings from third parties and affiliates, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 6.

The loans from affiliates represent loans from Mitsubishi Electric Finance Europe PLC and can be summarized in the following way:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	3.003	40.000
	<u>3.003</u>	<u>40.000</u>
Current loans and borrowings:		
German Branch – building loan	36.997	-
Irish Branch	11.600	11.200
Corporate Office	10.030	-
Dutch Branch	7.610	7.600
UK Branches	6.383	525
	<u>72.620</u>	<u>19.325</u>

The table below provides an overview of the short-term interest bearing loans and borrowings from third parties:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
UK Branch - current account	-	8.950
French Branch - current account	-	2.357
	<u>-</u>	<u>11.307</u>

The non-current loan (EUR 3.003 thousand) is due for repayment in May 2020.

For details on the range of interest rates on the interest bearing loans we refer to note 6.

#### 41 Other provisions

	Warranties	Waste electrical and electronic equipment	Restruc- turing	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At April 1, 2018	15.839	867	1.576	4.780	23.062
Additions during the year	12.035	466	354	1.949	14.804
Utilised	(4.806)	(134)	(407)	(1.883)	(7.230)
Released	(4.905)	(604)	(122)	(233)	(5.864)
F/X rate adjustment	27	-	-	(3)	24
March 31, 2019	18.190	595	1.401	4.610	24.796
Current part	12.389	415	-	4.144	16.949
Non current part	5.801	180	1.401	466	7.847
March 31, 2019	18.190	595	1.401	4.610	24.796

## 42 Financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2019 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2019</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	3.003	-	3.003
Current loans and borrowings from third parties	-	-	-	-	-	-
Current loans and borrowings from affiliates	21.629	29.296	21.694	-	-	72.619
Trade and other payables 3rd parties	15.137	32.263	2.562	-	-	49.962
Trade and other payables affiliates	133.949	592.056	338.878	-	-	1.064.883
Other creditors	13.766	71.005	18.629	201	-	103.601
	<u>184.481</u>	<u>724.620</u>	<u>381.763</u>	<u>3.204</u>	<u>-</u>	<u>1.294.068</u>

The equivalent disclosure for the prior year is as follows:

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2018</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	40.000	-	40.000
Current loans and borrowings from third parties	11.305	-	-	-	-	11.305
Current loans and borrowings from affiliates	18.800	525	-	-	-	19.325
Trade and other payables 3rd parties	14.486	37.367	2.083	-	-	53.936
Trade and other payables affiliates	155.588	492.672	263.678	-	-	911.938
Other creditors	8.554	53.738	19.214	104	-	81.610
	<u>208.733</u>	<u>584.302</u>	<u>284.975</u>	<u>40.104</u>	<u>-</u>	<u>1.118.114</u>

The financial liabilities presented in above tables do not include the non-financial liabilities. The non-financial liabilities are however included in the liability related financial statement items presented in the balance sheet.

#### **43 Share of result of participating interests**

This concerns the share of the Company in the results of its participating interests, of which an amount of EUR 4.821 thousand (2017/2018: EUR 6.901 thousand) concerns group companies.

#### **44 Commitments and contingencies**

##### **Contingencies**

Regular tax audits are ongoing. There are no significant adjustments expected.

##### **Operating lease commitments**

The total of future minimum lease payments under non-cancelable operating leases is as follows as at March 31, 2019 and 2018:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Within one year	15.396	13.810
After one year but less than five years	28.152	21.988
More than five years	4.807	751
	<u>48.355</u>	<u>36.549</u>

There were no other outstanding commitments as of March 31, 2019 and March 31, 2018.



#### 45 Staffing levels

The number of employees (converted into full-time equivalents) during the 2018/2019 and 2017/2018 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Average number of employees	2.569	2.341	2.521	2.296
Total number of employees	2.657	2.494	2.609	2.445

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Purchasing, sales and marketing departments	1.381	1.264	1.357	1.241
Administrative departments	1.276	1.230	1.251	1.204
Total	2.657	2.494	2.609	2.445

#### 46 Related-party disclosures

##### Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholder, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

##### Control of the Company

The Company is a wholly owned subsidiary of Mitsubishi Electric Corporation ('MELCO'), the Company's ultimate parent.

## Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2019 and 2018 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2019 EUR'000	March 31, 2018 EUR'000	March 31, 2019 EUR'000	March 31, 2018 EUR'000	March 31, 2019 EUR'000	March 31, 2018 EUR'000
Purchase of goods	1 722.456	1 551 301	847.207	730.643	2 569.663	2 281.944
Trade and other receivables	19.923	23.809	4.826	5.029	24.749	28.838
Trade and other payables	779.069	655.609	295.533	256 329	1.074 602	911 938

Transactions with other entities are relating to transactions with several MELCO affiliates. The main part of related party transactions is related to purchase of goods from the manufacturing companies. Trade and other receivables mainly relates to sourcing activities for MELCO and the manufacturing companies.

Regarding the impact of related party transactions on the income statement we refer to note 26. Transactions with related parties are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions.

## 47 Remuneration of managing directors

Partly the managing directors are executives from the parent company. The non-cash benefits and post-employment benefits for these managing directors are born by the parent company.

The key management personnel (managing directors) compensations are as follows:

	March 31, 2019 EUR '000	March 31, 2018 EUR '000
Short-term employee benefits	2.112	1.785
Post-employment benefits	104	160
Total	2.216	1.945

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and its subsidiaries amounted to EUR 2.216 thousand (2017/2018: EUR 1.945 thousand) for managing directors and former managing directors.

No loans, advances and guarantees were granted by MEU to managing directors or former managing directors.

Total remuneration is included in selling, general and administration expenses

#### **48 Fees of the auditor**

With reference to Section 2; 382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. and other KPMG member firms to the Company:

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2018/2019			
Statutory audit of annual accounts	117	668	785
Other assurance services	-	38	38
Tax advisory services	-	145	145
Total	117	851	968

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2017/2018			
Statutory audit of annual accounts	117	668	785
Other assurance services	-	234	234
Tax advisory services	-	97	97
Total	117	999	1.116

#### **49 Subsequent events**

On April 1, 2019 MEU executed a 100% share purchase of the companies Topclima s.l. (Barcelona, Spain), Sater Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain), previously held by Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.. The company specializes in air conditioning solutions, it will be integrated into MEU structure through cross border merger during business year 2019/2020.

There have been no other events after reporting date which have a significant impact on, or should be disclosed in, the 2018/2019 financial statements.

Amsterdam, September 10, 2019

#### **Board of Managing Directors**

Y. Saito  
M. Konishi  
A. Wagner  
E. Pellerin  
H. Puetz  
T. Ishikawa  
S. Kurita

## **Other Information**

### **Provisions in the articles of association governing the appropriation of profit**

Under article 33 of the Company's articles of association, the profit is at the disposal of the General Meeting of Shareholders which can allocate said profit either wholly or partly to the formation of -or addition to - one or more general or special reserve funds.

### **Branch offices**

Mitsubishi Electric Europe B.V. has the following branch offices and representation offices:

- Automotive Equipment Business Unit, Amsterdam/The Netherlands
- Dutch branch, Mijdrecht/The Netherlands
- Scandinavian branch, Sollentuna/Sweden
- UK branch, Hatfield/Great Britain
- Project engineering division, Croydon/Great Britain (including Cairo office)
- Corporate office, London/Great Britain
- European Purchase Center, London/Great Britain
- French branch, Nanterre/France
- Spanish branch, Madrid/Spain
- Italian branch, Milano/Italy
- Irish branch, Dublin/Republic of Ireland
- German branch, Ratingen/Germany
- Portuguese branch, Lisbon/Portugal
- Polish branch, Krakow/Poland
- Norwegian branch, Ytre Enebakk/Norway
- Representative office in Prague/Czech Republic
- Representative office in Bruges/Belgium
- Representative office in Dubai/UAE
- Representative office in Johannesburg/ Republic of South Africa
- Representative office in Nitra/ Slovakia
- Representative office in Budapest/ Hungary
- Representative office in Bucharest/ Romania

### **Independent auditor's report**

The independent auditor's report is included on the next pages.



## **Independent auditor's report**

To: the General Meeting of Mitsubishi Electric Europe B.V.

### **Report on the accompanying financial statements**

#### ***Our opinion***

We have audited the financial statements for the year ended as at 31 March 2019 of Mitsubishi Electric Europe B.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Mitsubishi Electric Europe B.V. as at 31 March 2019 and of its result and its cash flows for the year ended on 31 March 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at March 31, 2019;
- 2 the following consolidated statements for the year ended on March 31, 2019: the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

- 1 the Company balance sheet as at March 31, 2019;
- 2 the Company income statement for the year ended on March 31, 2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

#### ***Basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Mitsubishi Electric Europe B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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



## **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of

- managing director's report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Managing Directors is responsible for the preparation of the other information, including the managing director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

## **Description of the responsibilities for the financial statements**

### ***Responsibilities of the Board of Managing Directors for the financial statements***

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.



### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities or operations. Decisive were the size and/or the risk profile of the group entities or operations.





On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eindhoven, 10 September 2019

KPMG Accountants N.V.

J. Ribbink RA