



Registered number: 1888853

**Brother Industries (U.K.) Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2019**

## **Brother Industries (U.K.) Limited**

### **Contents**

### **Page**

Officers and professional advisers

1

Strategic report

2

Directors' report

4

Directors' responsibilities statement

6

Independent auditor's report

7

Income statement

9

Balance sheet

10

Statement of changes in equity

11

Notes to the financial statements

12

# **Brother Industries (U.K.) Limited**

## **Officers and professional advisers**

### **DIRECTORS**

R C McCubbin  
P C Mack (Resigned on 19<sup>th</sup> June 18)  
T Murakami

### **REGISTERED OFFICE**

Vauxhall Industrial Estate  
Ruabon  
Wrexham  
LL14 6HA

### **BANKERS**

Sumitomo Mitsui Banking Corporation Europe Limited (London)  
99 Queen Victoria Street  
London  
EC4V 4EH

### **SOLICITORS**

Aaron & Partners LLP  
5-7 Foregate Street  
Chester  
CH1 1HG

Dolmans Solicitors  
One Kingsway  
Cardiff  
CF10 3DS

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
PO Box 500, 2 Hardman Street  
Manchester  
M60 2AT

# Brother Industries (U.K.) Limited

## Strategic report

The Directors present their Strategic report and the audited financial statements for the year ended 31 March 2019.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly-owned subsidiary of Brother Industries Limited ("the Group") of Japan.

The company's principal activities are the manufacture of laser printer cartridges, Franking machines, injection moulding and the operation of a Recycling Technology Centre (RTC) for the Group. There have not been any significant changes in the company's principal activities in the year under review.

As shown in the company's income statement on page 9, revenue for the year ended 31 March 2019 was €73,415,755 (2018: €83,123,055). Revenue has decreased on a like-for-like basis when compared with the prior year owing to a decrease in the volumes of Pitney Bowes product and toner cartridges sold. The Directors are pleased to report a profit before tax of €2,587,504 (2018: €2,183,465); the movement in profit between financial years relates to the reduction in admin expenses which is due to the fluctuation in exchange rate.

The balance sheet on page 10 of the financial statements shows that the company's financial position in net asset terms increased slightly from the prior year, reflecting the profit earned in the year less the interim dividend as described in the Directors' report.

The Directors expect the general level of activity to decline in Financial Year 2020, which reflects the decline in the printer market. To help reduce this level of decline the company will continue its strategy to grow its injection moulding business, including business with external customers. The Directors are not aware at the date of this report of any likely major changes in the company's activities in the forthcoming year.

The parent company, Brother Industries Limited, manages its operations on a divisional basis. For this reason, the company's Directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance, or position of the business. The performance of Brother Industries Limited, which includes this company, is discussed in the Group's Annual Report, which does not form part of this report.

The Directors acknowledge their responsibilities regarding the latest guidance on going concern. Based on internal forecasts and projections that take into account reasonably possible changes in the company's trading performance, the Directors believe that the company has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the company's financial statements.

### PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk. The company manages this risk through its three-year, mid-term, action plan, the aims of which include increasing labour productivity and reducing manufacturing costs and creating value-adding activities for the group such as that as a technology centre.

The company makes sales in dollars and euros and purchases in yen, dollars and euros, and is therefore exposed to the movement in foreign currencies. This is partially offset as the company purchases certain materials and goods in the same foreign currencies. The company has bank accounts in foreign currencies to manage this risk, this risk is also managed across the group.

The company has no external financing and therefore has no interest rate exposure.

Group risks are discussed in the Group's Annual Report, which does not form part of this report.

The outcome of Brexit remains uncertain and a specific risk to the company is the end to free movement of goods. This could, in the short term at least, lead to shipping delays and lost sales. The Directors are monitoring the situation and preparing contingency plans accordingly including increasing inventory levels of both raw material and finished goods.

### KEY PERFORMANCE INDICATORS

The Directors monitor several financial metrics and key performance indicators (KPIs) to monitor the company's performance. These are compared to budget and a quarterly forecast and any variances that arose in the year were satisfactorily explained. The main performance KPIs are Sales Revenue, Gross Margin and Profit before Tax. Furthermore, inventory levels are continually monitored together with cash flow.

## **Brother Industries (U.K.) Limited**

### **Strategic report (continued)**

#### **FUTURE DEVELOPMENTS**

The ongoing developments surrounding environmental issues, especially within Europe, have created opportunities as well as challenges. 2019 marks the beginning of the company's new 3-year, mid-term, action plan. It will pursue its strategy as the Recycling Technology Centre (RTC) for the group and aims to further support group companies through its focus on environmental excellence and the Circular Economy. R&D of recycling and manufacturing automation will become a core activity to reduce costs. Moreover, it offers opportunities to sell such automated processes to other group companies. Furthermore, it aims to grow its injection moulding business, including business with external customers, and will invest in new equipment accordingly.

Approved by the Board of Directors  
and signed on behalf of the Board:



R C McCubbin  
Managing Director

26<sup>th</sup> April 2019

## **Brother Industries (U.K.) Limited**

### **Directors' report**

The Directors present their annual report and audited financial statements for the year ended 31 March 2019. The review of the business, principal activities, strategy, risks and future developments and dividends paid are covered within the strategic report.

#### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the strategic report on page 3 and form part of this report by cross-reference.

#### **RESEARCH AND DEVELOPMENT**

The Directors regard the investment in research and development ("R&D") as integral to the continuing success of the business.

New printer models with higher print speed and print capacity present new and tougher challenges for recycling. Continued investment in R&D is required to develop new recycling process technology to meet these new challenges and maintain our position as the Recycling Technology Centre for the group. Investment will be made in new materials testing technology, material recycling technology and process automation.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events after the balance sheet date.

#### **BRANCHES OUTSIDE THE UNITED KINGDOM**

The company does not operate any branches outside the United Kingdom, but manages its overseas operations via the subsidiary.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company's activities expose it to a number of financial risks including foreign exchange risk and liquidity risk.

##### *Foreign exchange risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company manages its currency balance sheets on a quarterly basis.

##### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term inter-company finance from Brother Finance UK plc.

#### **DIVIDENDS**

During the year a dividend of €1,938,361 was paid to the immediate parent company (2018: €2,331,312). No dividends were declared since year end.

#### **DIRECTORS**

The Directors who served during the year and thereafter are set out below.

R C McCubbin

T Murakami

#### **DIRECTORS' INDEMNITIES**

The company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

#### **ENVIRONMENT**

The company recognises the importance of its environmental responsibilities. It monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. Such initiatives include a zero waste to landfill policy, material recycling and reducing energy consumption.

## **Brother Industries (U.K.) Limited**

### **Directors' report (continued)**

#### **DISABLED EMPLOYEES**

Details of the number of employees and related costs can be found in note 6 of the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned and the nature and demands of the job. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as practicable, be identical to that of a person who is fortunate enough not to suffer from disability.

Meetings between management and employees are held at regular intervals in order to achieve a common awareness of the financial and economic factors which affect the company's performance.

#### **AUDITOR**

A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

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

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

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

Approved by the Board of Directors  
and signed on behalf of the Board



R C McCubbin  
Managing Director

26<sup>th</sup> April 2019

## **Brother Industries (U.K.) Limited**

### **Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



# **Independent auditor's report to the members of Brother Industries (U.K.) Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Brother Industries (U.K.) Limited (the 'company') which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Brother Industries (U.K.) Limited (continued)**

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

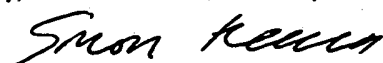
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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



Simon Hearne, FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester, United Kingdom

26<sup>th</sup> April 2019

## Brother Industries (U.K.) Limited

### Income statement

For the year ended 31 March 2019

	Note	2019 €	2018 €
Revenue	4	73,415,755	83,123,055
Cost of sales		(69,584,754)	(78,370,168)
<b>Gross profit</b>		<u>3,831,001</u>	<u>4,752,887</u>
Administrative expenses		(1,267,741)	(2,582,767)
<b>Operating profit</b>		<u>2,563,260</u>	<u>2,170,120</u>
Finance income	7	24,244	13,345
<b>Profit before taxation</b>		<u>2,587,504</u>	<u>2,183,465</u>
Tax	8	(414,912)	(471,124)
<b>Profit for the year</b>	9	<u><u>2,172,592</u></u>	<u><u>1,712,341</u></u>

Revenue and operating profit are all derived from continuing operations.

The accompanying notes form an integral part of these financial statements.

There are no recognised gains or losses for the current or the prior financial year and therefore no separate statement of comprehensive is included.

## Brother Industries (U.K.) Limited

### Balance sheet

As at 31 March 2019

	Note	2019 €	2018 €
<b>Non-current assets</b>			
Property, plant and equipment	11	1,884,406	1,451,942
Investments in subsidiaries	12	5,281,563	5,281,563
		<u>7,165,969</u>	<u>6,733,505</u>
<b>Current assets</b>			
Inventories	14	14,049,724	14,116,613
Trade and other receivables	15	15,260,131	16,417,864
Cash and bank balances		142,869	302,214
Corporation tax		267,313	71,410
		<u>29,720,037</u>	<u>30,908,101</u>
<b>Total assets</b>		<u>36,886,006</u>	<u>37,641,606</u>
<b>Current liabilities</b>			
Trade and other payables	16	(6,736,978)	(7,726,809)
		<u>(6,736,978)</u>	<u>(7,726,809)</u>
<b>Net current assets</b>		<u>22,715,746</u>	<u>23,109,882</u>
<b>Total assets less current liabilities</b>		<u>30,149,028</u>	<u>29,914,797</u>
<b>Total liabilities</b>		<u>(6,736,978)</u>	<u>(7,726,809)</u>
<b>Net assets</b>		<u>30,149,028</u>	<u>29,914,797</u>
<b>Equity</b>			
Called-up share capital	18	13,384,060	13,384,060
Retained earnings and other reserves		16,764,968	16,520,797
<b>Equity attributable to owners of the Company</b>		<u>30,149,028</u>	<u>29,914,797</u>

The accompanying notes form an integral part of these financial statements.

The financial statements of Brother Industries (U.K.) Limited (registered number 1888853) were approved by the Board of Directors and authorised for issue on 26<sup>th</sup> April 2019. They were signed on its behalf by:



R C McCubbin  
Managing Director

## Brother Industries (U.K.) Limited

### Statement of changes in equity For the year ended 31 March 2019

		Called-up share capital €	Retained earnings and other reserves €	Total €
Balance at 1 April 2017		13,384,060	17,149,708	30,533,768
Profit for the year		-	1,712,341	1,712,341
Dividends	10	-	(2,331,312)	(2,331,312)
Balance at 31 March 2018		13,384,060	16,530,737	29,914,797
Profit for the year		-	2,172,592	2,172,592
Dividends	10	-	(1,938,361)	(1,938,361)
Balance at 31 March 2019		13,384,060	16,764,968	30,149,028

The accompanying notes form an integral part of these financial statements.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 1. General information

Brother Industries (U.K.) Limited (the "company") is a company incorporated in the United Kingdom under the Companies Act.

The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

These financial statements are presented in euros because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Brother Industries Limited. The group financial statements of Brother Industries Limited are available to the public and can be obtained as set out in note 22. The registered office address of the parent company preparing consolidated financial statements is 15-1 Naeshiro-cho, Mizuho-Ku, Nagoya 467, Japan.

The company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

#### Adoption of new and revised Standards

##### Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 15	In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in January 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. The Company's accounting policies for its revenue streams are disclosed in detail in note 2 below. The application of IFRS 15 has not had any impact on the financial position and/or financial performance of the Company.
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##### New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 16	Leases
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The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in Financial Year 2020, except as noted below:

- IFRS 16 will have an immaterial impact on the reported assets, liabilities, income statement and cash flows of the company. Furthermore, additional disclosures will be required by IFRS 16. This standard is Applicable for annual reporting periods commencing 1 January 2019, IFRS 16 has not been applied during Financial Year Ending 31 March 19, however the entity will apply within Financial Year Ending 31 March 2020. Exemptions in place are low-value and short-term lease contracts

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

## **Brother Industries (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **2. Significant accounting policies**

##### **Basis of accounting**

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101 on a historical cost basis.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the consolidated financial statements of Brother Industries Limited.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted are set out below.

##### **Presentation of consolidated financial statements**

These financial statements are separate financial statements. The company has taken the option under Section 401 of the companies Act 2006 not to prepare consolidated financial statements.

##### **Presentation currency**

The financial statements are presented in euros, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for gains and losses arising from the change in presentational currency which are taken to profit or loss and recognised in the retained earnings and exchange reserve. The exchange reserve represents the difference between the opening net assets at opening exchange rate plus profit for the year at average exchange rate and the closing net assets at closing exchange rate. The total is recognised as an item of other comprehensive income.

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

Despite the current uncertain economic outlook, the company has considerable financial resources and continues to see strong demand for its products. Based on internal forecasts and projections that take into account reasonably possible changes in the company's trading performance, the Directors believe that the company has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the company's financial statements.

The Directors, having assessed the responses of the Directors of the company's parent Brother Industries Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the Directors of Brother Industries Limited, the company's Directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **Brother Industries (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **2. Significant accounting policies (continued)**

##### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

##### **Revenue recognition**

Revenue arises from the manufacture and sale of electronic equipment and is derived in the United Kingdom. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

##### ***Sale of goods***

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Interest income**

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of the revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### **Foreign currencies**

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks.

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Capital-based government grants are recognised as deferred income and are credited to the income statement over the useful economic life of the related assets.

Revenue-based government grants are credited to the income statement so that they are matched to the expenditure to which they relate.

##### **Operating profit**

Operating profit is stated before finance income or costs.



## **Brother Industries (U.K.) Limited**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **2. Significant accounting policies (continued)**

##### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

##### **Taxation**

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

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### ***Deferred tax***

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### ***Current tax and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 2. Significant accounting policies (continued)

##### Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4%
Plant and machinery	8.33%
Fixtures and equipment	12.5%
Cars	33.3%
IT equipment and intangible	20%
Machinery (origination)	50%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

##### Inventories

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Goods in transit are accounted for when the risks and rewards of ownership have been transferred from the supplier.

#### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Critical judgements in applying the company's accounting policies*

In the opinion of the Directors, there are no critical judgements that have a significant effect on the amounts recognised in financial statements.

##### *Key sources of estimation uncertainty*

In the opinion of the directors there are no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 4. Revenue

	2019 €	2018 €
Sales of goods	<u>73,415,755</u>	<u>83,123,055</u>

An analysis of the company's revenue by geographical market is set out below.

	€	€
Revenue:		
United Kingdom	24,791,875	28,027,598
Rest of Europe	28,967,619	33,103,345
Rest of the World	<u>19,656,261</u>	<u>21,992,112</u>
	<u>73,415,755</u>	<u>83,123,055</u>

Turnover is recognised upon despatch of goods and stated net of VAT and trade discounts.

#### 5. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the company's annual financial statements were €52,754 (2018: €47,087).

Fees payable to Deloitte LLP for non-audit services to the company are not required to be disclosed as this information is disclosed in the consolidated financial statements of the parent company on a consolidated basis.

#### 6. Staff costs

The average monthly number of employees (including Directors) was:

	2019 Number	2018 Number
Production	91	106
Administration	<u>59</u>	<u>58</u>
	<u>150</u>	<u>164</u>

Aggregate remuneration comprised:

	€	€
Wages and salaries	2,999,081	3,020,155
Social security costs	1,096,070	1,160,734
Other pension costs	<u>343,967</u>	<u>454,704</u>
	<u>4,439,118</u>	<u>4,635,593</u>

Disclosure of Directors' remuneration is included in note 20.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 7. Finance income

	2019 €	2018 €
Interest receivable on amounts owed by group undertakings	24,244	13,345

#### 8. Tax

	2019 €	2018 €
Corporation tax:		
UK corporation tax	427,012	410,829
Adjustments in respect of prior years		
- UK corporation tax	(40,002)	212
	387,011	411,041
Deferred tax (note 13)	27,902	60,083
	414,912	471,124

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	€	€
Profit before tax	2,587,505	2,183,465
Tax at the UK corporation tax rate of 19% (2018: 19%)	491,626	414,858
Tax effect of expenses/(income) that are not (chargeable)/deductible in determining taxable profit	(14,298)	8,080
Tax effect of rate change	(5,366)	(1,275)
Adjustment in respect of prior years	(57,050)	49,461
Tax expense for the year	414,912	471,124

#### 9. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2019 €	2018 €
Net foreign exchange losses/(gains)	(725,048)	63,015
Research and expenditure costs	887,592	836,026
Depreciation of property, plant and equipment	271,289	344,978
Cost of inventories recognised as expense	56,038,162	65,052,492
Write down of inventories recognised as expense	73,130	100,851
Operating lease rentals (Note 21)	38,036	8,700
Staff costs (see note 6)	4,439,118	4,635,593

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 10. Dividends

	2019 €	2018 €
Interim dividend for the year ended 31 March 2019 equivalent to €0.19 per share (2018: €0.24 per share)	<u>1,938,361</u>	<u>2,331,312</u>

#### 11. Property, plant and equipment

	Buildings €	Plant and machinery €	Fixtures and fittings €	Total €
<b>Cost or valuation</b>				
At 1 April 2018	5,236,227	2,155,489	3,755,127	11,146,843
Additions	92,529	485,601	135,425	713,555
Disposals	-	-	(74,943)	(74,943)
At 31 March 2019	<u>5,328,756</u>	<u>2,641,090</u>	<u>3,815,609</u>	<u>11,785,455</u>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2018	4,814,228	1,682,448	3,198,225	9,694,901
Charge for the year	42,575	96,394	132,320	271,289
Disposals	-	-	(65,141)	(65,141)
At 31 March 2019	<u>4,856,803</u>	<u>1,778,842</u>	<u>3,265,404</u>	<u>9,901,049</u>
<b>Carrying amount</b>				
At 31 March 2019	<u>471,953</u>	<u>862,248</u>	<u>550,205</u>	<u>1,884,406</u>
At 31 March 2018	<u>421,999</u>	<u>473,041</u>	<u>556,902</u>	<u>1,451,942</u>

#### 12. Investment in subsidiaries

	€
<b>Cost and net book value</b>	
At 31 March 2018 and 31 March 2019	<u>5,281,563</u>

The company owns 100% (2018: 100%) of the issued ordinary share capital of Brother Industries (Slovakia) s.r.o., a company incorporated in Slovakia and whose principal activity is the manufacture and recycling of toner cartridges for laser printers. The registered address of Brother Industries (Slovakia) s.r.o. is Ticha 45, 811 02 Bratislava.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 13. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation €	Other €	Total €
At 1 April 2017	50,935	72,367	123,302
Charged/(credited) to the income statement	(5,333)	(54,750)	(60,083)
At 1 April 2018	45,602	17,617	63,219
Charged/(credited) to the income statement	(31,389)	3,487	(27,902)
At 31 March 2019	14,213	21,104	35,317

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 €	2018 €
Deferred tax assets	35,317	63,219

Deferred tax assets relate to accelerated tax depreciation and other timing differences. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2018 and 18% from 1 April 2020. However, the Finance Act 2016, which was substantively enacted in September 2016, included provision to reduce the rate to 17% with effect from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these financial statements.

#### 14. Inventories

	2019 €	2018 €
Raw materials	13,123,560	12,962,069
Finished goods	926,164	1,154,544
	14,049,724	14,116,613

In the opinion of the directors, there is no material difference between the carrying amount of inventories and their replacement cost.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 15. Trade and other receivables

	2019 €	2018 €
Amounts falling due within one year:		
Amount receivable for the sale of goods	1,377,652	568,670
Amounts owed by group undertakings	13,021,109	14,937,212
Prepayments and accrued income	316,052	188,227
Deferred tax assets	35,317	63,219
VAT recoverable	510,001	660,536
Included in current assets	<u>15,260,131</u>	<u>16,417,864</u>

#### 16. Trade and other payables

	2019 €	2018 €
Amounts falling due within one year:		
Trade payables	263,553	140,732
Amounts owed to group undertakings	4,843,907	6,031,309
Other taxation and social security	68,594	70,636
Other payables	341,723	187,856
Accruals	1,219,201	1,296,276
	<u>6,736,978</u>	<u>7,726,809</u>

#### 17. Retirement benefit schemes

##### Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees.

The total cost charged to income of €343,967 (2018: €454,704) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 March 2019, contributions of €26,552 (2018: €28,349) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

#### 18. Called-up share capital

	2019 €	2018 €
Authorised issued and fully paid:		
9,700,000 ordinary shares of €1.3798 each	<u>13,384,060</u>	<u>13,384,060</u>

The company has one class of ordinary shares which carry no right to fixed income.

The other reserve relates to retained exchange reserve.

## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 19. Bank guarantees

The company has a guarantee in place with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC") whereby SMBC guarantee to Her Majesty's Revenue and Customs ("HMRC") the payment of deferred import duty and VAT up to a monthly limit not exceeding €453,800 (2018: €2,169,230).

This charge arises from the deferment of import duty applicable on dutiable goods purchased to support our operation. The charges deferred during one calendar month must be paid as a total sum on the 15th of the next month, or if the 15th is not a working day, on the next working day after it.

#### 20. Related party transactions

##### Trading transactions

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
	€	€	€	€
Brother Industries Limited	1,444,658	1,721,457	3,029,907	3,840,423
Brother International Europe	3,094,635	4,122,278	-	7,790
Brother International Corporation (USA)	266,250	273,636	137,638	792,098
Brother International Canada	-	2,318	-	-
Brother Industries (U.S.A)	104,329	157	-	-
Brother Industries (Slovakia)	268,955	124,943	1,554,179	1,389,570
Brother International Corp.	746	12,849	-	-
Brother Sales Limited	39,152	37,835	-	-
Domino UK	12,240	8,254	-	319
Brother UK	-	-	373	352
Brother International Singapore	-	-	-	30
Brother Finance UK	7,789,965	8,633,485	626	727
Brother Iberia	131	-	-	-
Brother International GMBH	48	-	-	-
Brother New Zealand	-	-	25,131	-
Brother International Brazil	-	-	96,053	-
	<b>13,021,109</b>	<b>14,937,212</b>	<b>4,843,907</b>	<b>6,031,309</b>



## Brother Industries (U.K.) Limited

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 20. Related party transactions (continued)

	2019 €	2018 €
<b>Directors' remuneration</b>		
Emoluments	146,015	241,285
Company contributions to money purchase pension schemes	13,403	23,763
	<u>159,418</u>	<u>265,048</u>
	<b>Number</b>	<b>Number</b>
<b>The number of Directors who</b>		
Are members of a money purchase pension scheme	1	2
	<u>€</u>	<u>€</u>
<b>Remuneration of the highest paid Director</b>		
Emoluments	146,015	127,819
Company contributions to money purchase pension schemes	13,403	13,456
	<u>159,418</u>	<u>141,275</u>

#### 21. Operating lease arrangements

##### The company as lessee

	2019 £	2018 £
Lease payments under operating leases recognised as an expense in the year (Note 9)	<u>38,036</u>	<u>8,700</u>

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	€	€
Within one year	41,505	7,428
In the second to fifth years inclusive	<u>75,458</u>	<u>9,740</u>
	<u>116,963</u>	<u>17,168</u>

Operating lease payments represent rentals payable by Brother Industries UK Limited for certain of cars and forklift trucks. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years with an option to extend for a further two years at the then prevailing market rate.

#### 22. Ultimate controlling party

In the opinion of the Directors, the company's ultimate parent company and ultimate controlling party is Brother Industries Limited, a company incorporated in Japan. This is also the immediate parent company and the largest and smallest group into which Brother Industries (U.K.) Limited is consolidated. Copies of the group financial statements are available from its registered address at: Brother Industries Limited, 15-1 Naeshiro-cho, Mizuho-Ku, Nagoya 467, Japan.