Panasonic Manufacturing U.K. Limited

Annual report and financial statements

Registered number 1174086

Year ended 31 March 2019

Contents

Strategic report

Principal activities and business review

The company is a wholly owned subsidiary of Panasonic Europe BV Netherlands and operates as part of the Panasonic Corporation group's European division.

The company's principal activities are the manufacture, sale and design of electronic consumer products, (mainly microwave ovens), the configuration and sale of laptop and handheld computers and computer accessories, the provision of business services solutions and research and development activity into fuel cell technology. Customers comprise the Panasonic sales companies and non-group companies. Sales are made primarily in Europe. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 9, turnover has decreased from £241.6 million in 2018 to £238.8 million (-1.1%) in 2019 due to contraction in the home appliance market during the second half of the financial year and marginally increased total sales value with computer products against the backdrop of a continuing competitive pricing environment. Profit before tax has increased from £5.5 million in 2018 to £9.1 million in 2019. The profit movement reflects a curtailment benefit of £5.5m from the closure of the company's defined benefit pension scheme to future accrual, netted off by an allowance for Guaranteed Minimum Pension (GMP) charges of £3.0m, plus increased profit margins across key product lines of £1.1m.

Microwave Oven

The Microwave Oven business sales witnessed a decline in the second half of the year yet attained business plan profit position as a result of reduced overall material costs; however, the business results were hampered by exchange rates which reduced the sector's financial performance.

Computer Products

The Computer Products Division reported revenue in line with the prior year and exceeded Business Plan, and due to planned overhead cost reduction and an increase in Out of Warranty repairs the profit level exceeded Business Plan. The business continues to develop associated revenue streams contributing to the healthy diversity in business operations at Panasonic Manufacturing U.K. Ltd.

Television Design Centre Europe

The operation provides Internet and Digital TV protocol support and development within the UK and Ireland to the Panasonic Group business.

The balance sheet on page 10 of the financial statements shows the company's financial position at the year end.

The company continues to invest in fixed assets to enhance its operational capabilities. Total capital expenditure for the year amounted to £1.0 million (2018: £0.5 million) and is shown in note 8 to the financial statements.

Net Current Assets of £69.5m (2018: £96.4m) have reduced as a result of reclassification of contract liabilities of £14.2m under IFRS15 (as per note 20) and reduction in cash of £10.1m driven by dividend payment of £22.5m netted off by positive trading cash-flow of £14.4m.

Principal risks and uncertainties

The main risks that the company faces are exposure to foreign exchange fluctuations and commodity cost pressures, although most recently the Brexit question has introduced uncertainty. To plan for this and reduce potential impacts, the Company is continuing to work with the assistance of Panasonic Europe's tax department to construct models of potential trading positions, allowing the Directors to determine business strategy with the relevant supporting data.

At the time of signing the Directors report no agreement has yet been reached as to the terms of the UK exit from the EU, and hence there are still risks that at this stage are difficult to quantify reliably. There are still a number of possible outcomes for Brexit, all of which have the potential to change the risk profile of the Company. Although the UK government continue to state that the risk of 'no deal' is not their preference they have stated that the UK will leave the EU. Prudence therefore requires the Company to consider the risk of a 'no-deal' Brexit and plans for appropriate mitigation. Every business in the UK continues to face similar risks and the main ones are as follows:

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

1. With regard to disruption to supply chains the risk in particular is that goods imported from the EU may be subject to additional Customs formalities. If, for example, goods are delayed in clearing customs this could have a knock-on effect on production if the necessary inventory is not readily available. This in turn could have a knock-on effect when shipping finished goods to end customers. In response to that risk the Company continues to communicate with key customers and suppliers to ensure supply continuity by looking at how to manage orders during this potential period of disruption.
2. With regard to people, the Company employs some EU nationals in the UK but does not anticipate significant disruption to the operations in the event that restrictions are introduced limiting the ability of EU Nationals to work in the UK.

Also, the business continues to reduce its currency exposure through the group treasury function.

Key performance indicators

The key performance indicators of the company are turnover, profit and free cash flow. The turnover for the year ended 31 March 2019 of £239 million was slightly ahead of the planned position due to Computer Products exceeding plan by 6% at £181m (as a result increased sales of accessories and other non-unit items), compensating for the market decline in Microwave Ovens during the second half of the year.

Continued development and deployment of key profit improvement measures - which were driven by senior management – have led to the business delivering its profit targets. Cash positions were also increased across the business and senior management have continued to drive balance sheet improvement controls across all sectors of the business.

Health and Safety is also a core aspect for Panasonic Manufacturing U.K. Ltd and the actual incident data is shown below which shows continued advances in the reducing accidents as the business continues to drive improvements in this area:

	Reportable Incidents 2019	**Reportable Incidents 2018**
Riddor Hours basis (Industry Standard 2018 - 181)	2	0
Accident Frequency rate Hours basis	1.21	1.46

As a result of the highly competitive markets in which the Company operates it manages key customer accounts very closely and offers a flexible, highly responsive approach to its account management. The company continues to invest in research and development across all business areas which is essential to its product development plans and is a critical element of future material cost down targets.

Group risks are reviewed by analysis of risk assessment reports submitted to Panasonic Europe BV by all group companies. This information is discussed in the group's Annual Report which does not form part of this report.

Y Morito

Y Morimoto
Managing Director

Wyncliffe Road
Pentwyn Industrial Estate
Pentwyn
Cardiff
CF23 7XB

11th December 2019

Directors' report

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

Dividends

A dividend of £22.5 million was paid during the year *(2018: £5.8 million)*. The directors propose the payment of a final dividend for the year of £4.4 million.

Directors

The directors who served during the year and subsequently up to the date of this report were as follows and all of the directors had qualifying indemnities:

C J S Bermingham-McDonogh	(resigned 31 March 2019)
K Jones	
Y Morimoto	(Japanese)
T Yashima	(Japanese)
M Sasage	(Japanese)
L Abadie	(French) (resigned 31 March 2019)
J Suzuki	(Japanese) (appointed 1 April 2019)
R M Blowers	(appointed 2 June 2019)

Going concern

The company made a profit for the year of £7,284,000 *(2018: £4,170,000)* and at the year end had net assets of £51,086,000, including cash of £68,457,000. In view of the performance, the strong balance sheet and the continuing positive position shown in both the short term forecasts and the medium term business plan, the directors consider it appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

Employees

The maintenance of a highly skilled and stable workforce is key to the future of the company. Health, safety, training and welfare matters are given special attention by the directors and it is their policy to ensure that wherever possible continued employment is offered to employees who become temporarily or permanently disabled.

The group recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

The company keeps its employees informed about its performance through regular meetings with representatives of the workforce. Employees are actively encouraged to identify continued operating efficiencies.

Research and development

The company recognises the importance of research and development in the technology market in which it operates. Extensive research and development activity is undertaken across Panasonic Manufacturing U.K. Ltd.

Environmental policy statement

The company is engaged in the manufacture of high quality consumer electronic products.

It is recognised that in pursuance of industry best practice standards, respect and concern for the environment plays a fundamental role in the company's business strategy.

The company is thus cognisant of its responsibility to perform its business activities such that impact upon the environment is reduced to a minimum, and that management and employees share complementary objectives in regard to environmental protection.

Directors' report *(continued)*

Environmental policy statement *(continued)*

This policy is founded on:

- meeting the requirements of applicable legislation and regulations;
- reduction/elimination of significant environmental effects;
- promotion of environmental policy awareness to employees, suppliers and contractors;
- regular reviews of company activities to ensure continued improvement and the prevention of pollution at all levels; and
- policies and objectives available on request by the public and other interested parties.

In pursuance of its corporate objectives, the company has implemented an effective environmental management system, based on the requirements of ISO14001, and this has been integrated into all of the company's functional activities.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

In the forthcoming years the business will further develop the home appliance offering and expand the solutions capability of its computer products and audio-visual sectors to create robust platforms allowing the company to achieve its mid-term plan objectives.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Y Morimoto
Managing Director

Wyncliffe Road
Pentwyn Industrial Estate
Pentwyn
Cardiff
CF23 7XB

11th December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASONIC MANUFACTURING U.K. LIMITED

Opinion

We have audited the financial statements of Panasonic Manufacturing U.K. Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as recoverability of the deferred tax asset, assumptions made within the defined benefit pension plan and estimation of the warranty provision and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASONIC MANUFACTURING U.K. LIMITED *(continued)*

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANASONIC MANUFACTURING U.K. LIMITED *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

12 December 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	*2*	**238,840**	241,585
Cost of sales		**(197,971)**	(206,234)
Gross profit		**40,869**	35,351
Distribution costs		**(22,101)**	(24,546)
Administrative expenses		**(11,116)**	(9,751)
Other operating income/(expense)	*3*	**1,209**	4,295
Operating profit		**8,861**	5,349
Interest receivable and similar income	*6*	**444**	302
Interest payable		**(192)**	(138)
Profit before taxation	*2-6*	**9,113**	5,513
Tax on profit	*7*	**(1,829)**	(1,343)
Profit for the financial year		**7,284**	4,170

Other Comprehensive Income

Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit asset	*17*	**(7,350)**	2,270
Deferred tax thereon	*7*	**1,250**	(386)
Other comprehensive income /(expense) for the year, net of tax		**(6,100)**	1,884
Total comprehensive income for the year		**1,184**	6,054

Turnover and operating profit relate entirely to continuing operations.

Balance sheet
at 31 March 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible assets	8		2,570		2,879
Intangible assets	9		220		709
			2,790		3,588
Current assets					
Stocks	10	10,121		10,543	
Debtors (including £4,635,000 *(2018: £4,413,000)* which is due in more than one year)	11	42,391		32,774	
Cash at bank and in hand		68,457		78,601	
		120,969		121,918	
Creditors: amounts falling due within one year	12	(47,525)		(25,548)	
Net current assets			73,444		96,370
Total assets less current liabilities			76,234		99,958
Provisions for liabilities					
Other provisions	13		(17,038)		(25,262)
Pension (liability)/asset	17		(7,760)		(1,940)
Non-current liabilities			(350)		(350)
Net assets			51,086		72,406
Capital and reserves					
Called up share capital	15		4,128		4,128
Profit and loss account			46,958		68,278
Shareholders' funds			51,086		72,406

These financial statements were approved by the board of directors on 11th December 2019 and were signed on its behalf by:

Y Mato

Mr Y Morimoto
Managing Director

Statement of Changes in Equity
for the year ended 31 March 2019

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 April 2017	4,128	68,032	72,160
Total comprehensive income for the period			
Profit or loss	-	4,170	4,170
Other comprehensive income			
Remeasurements of defined benefit asset	-	2,270	2,270
Tax on other comprehensive income	-	(386)	(386)
Total comprehensive income for the period	-	6,054	6,054
Transactions with owners, recorded directly in equity			
Dividends	-	(5,808)	(5,808)
Total contributions by and distributions to owners	-	(5,808)	(5,808)
Balance at 31 March 2018	**4,128**	**68,278**	**72,406**

	Called up Share capital	Profit and loss account	Total equity
	£000	**£000**	**£000**
Balance at 1 April 2018	4,128	68,278	72,406
Total comprehensive income for the period			
Profit or loss	-	7,284	7,284
Other comprehensive income			
Remeasurements of defined benefit asset	-	(7,350)	(7,350)
Tax on other comprehensive income	-	1,250	1,250
Total comprehensive income for the period	-	1,184	1,184
Transactions with owners, recorded directly in equity			
Dividends	-	(22,504)	(22,504)
Total contributions by and distributions to owners	-	(22,504)	(22,504)
Balance at 31 March 2019	**4,128**	**46,958**	**51,086**

Notes

(forming part of the financial statements)

1 Accounting policies

Panasonic Manufacturing U.K. Limited (the "Company") is a private company limited by shares, incorporated and domiciled in Wales in the UK and registered in England and Wales in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Panasonic Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Panasonic Corporation are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 1006 Kadoma, Kadoma City, Osaka, Japan.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Panasonic Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis, except for assets and liabilities which FRS 101 requires to be stated at their fair value.

Going concern

The company made a profit for the year of £7,284,000 *(2018: £4,170,000)* and at the year end had net assets of £51,086,000, including cash of £68,457,000. In view of the performance, the strong balance sheet and the continuing positive position shown in both the short term forecasts and the medium term business plan, the directors consider it appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies using the quarterly contracted corporate rates as set by Panasonic Corporation. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency using the quarterly contracted corporate rates as set by Panasonic Corporation. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Included in cash at bank and in hand are intercompany balances with Panasonic Finance as part of a cash pooling arrangement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	15 to 25 years
Plant and equipment	2 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

Software

Expenditure on software with an initial cost over £1,000 is capitalised. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets, as follows:

Capitalised software costs	3 years

Any ongoing service costs in relation to software are expensed in the period in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Development expenditure is capitalised when the criteria for capitalisation are met. The criteria include whether the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event 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 stocks 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.

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating 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, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest 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 net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

The company provides a warranty for sales of its products to third parties. Warranty agreements are typically one to three years (but can be up to five years) from the date of supply to the external customer. The company's policy is to recognise future warranty costs based upon the experience of past returns, warranty information and quality reports.

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue Recognition

The company earns revenue from the manufacture and sale, excluding value added tax and net of returns, of built-in Microwave Ovens, Induction Hobs and Computer Products.

In addition, the company earns revenue from the sale of spare parts for microwave ovens & induction hobs, the provision of services relating to the sale of warranties for computer products, servicing and repair of computer products and the development & provision of services for projection and digital video camera applications.

This revenue is recognised when title to the product and risk of loss transfers to the customer which is generally when the goods are despatched or when the entity expects to be entitled to recognise revenue for fulfilling its performance obligations to customers.

IFRS 15 principles are applied to revenue recognition using the following 5 step process:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Performance Obligations

The main performance obligations to customers are satisfied when the supply of goods (e.g. Microwave Ovens, Induction Hobs and Computer Products) or services (e.g. servicing and repair of computer products and development & provision of services for projection and digital video camera applications) have transferred to the customer and the customer has control of these.

For performance obligations relating to the sale of spare parts for microwave ovens and induction hobs, revenue is recognised at the point of time that the customer obtains control of the spare parts.

For performance obligations related to computer product warranties (i.e. extended and accidental damage warranties), revenue is recognised as follows:

- Accidental Damage Warranty is released in the month it matures – whether that be a 3, 4, or 5-year warranty. Claims under these warranties do not follow a pattern that would allow revenue recognition other than at the time of maturity as until that point the performance obligation has not been fulfilled.
- Extended Warranties are released equally over the extension period beyond the standard product warranty (i.e. the period of extension over and above the standard 3-year warranty).

Standard warranties are offered on computer products for a period of 3 years after sale. Standard warranties are accounted for in line with the company's accounting policy on provisions.

Contract Assets

Where goods or services are transferred to the customer before the customer either pays consideration or before payment is due, contract assets are recognised. Contract assets are included in the balance sheet and represent the right to consideration for products or services delivered.

Contract receivables (advances and loans) are recognised in the balance sheet when the company's right to consideration becomes unconditional. Right to consideration is recognised when the company has satisfied its performance obligations as per above.

Classification of contract assets and receivables (loans and advances) as current or non-current is based on the normal operation cycle of the company and are assessed for impairments at each reporting date.

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue Recognition (continued)

Contract Liabilities

Contract Liabilities and customer deposits are recognised in the balance sheet when the company has received consideration but still has an obligation to deliver products / services and meet performance obligations for that consideration.

Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at the balance sheet date to the extent that they are declared prior to the year end.

1.1 Change in accounting policy

In the current year the company has adopted the following new accounting standards:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers

An explanation of the impact of the adoption of these new standards is included in note:

- Note 20 with regards to IFRS 9
- Note 2 and Note 20 with regards to IFRS 15

Notes *(continued)*

2 Turnover from contracts with customers

(i) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

	2019	2018
	£000	£000
Primary geographical markets		
Domestic Sales – United Kingdom	**33,840**	37,051
European Sales	**203,064**	201,612
Rest of World	**1,936**	2,922
Total	**238,840**	241,585

	2019
Timing of transfer of goods or services	
Products and services transferred at a point in time	**237,020**
Products and services transferred over time	**1,820**
Total	**238,840**

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 1 April 2018.

	Note	2019	2018
		£000	£000
Contract assets		**-**	-
Contract liabilities	*12*	**14,166**	-

The contract liabilities relate to the advance consideration received from customers for extended and accidental damage warranties for computer products which will be realised up to seven years from the original contract.

The amount of revenue recognised in the current period from performance obligations (or partially satisfied) in previous periods was £1,820,000.

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Notes *(continued)*

3 Expenses and auditor's remuneration

	2019 £000	2018 £000
Included in profit/loss are the following:		
Amortisation of intangible fixed assets	**494**	840
Depreciation and other amounts written off tangible fixed assets – owned	**983**	955
Hire of plant and machinery – rentals payable under operating leases	**51**	52
Hire of other assets held under operating leases	**137**	155
Research and development expensed as incurred	**3,988**	5,353
Foreign exchange (gains)/losses	**1,199**	(83)
Other operating income		
Out of warranty repair income	**(1,210)**	(4,278)
Net (gain)/loss on disposal of tangible fixed assets	**1**	(17)

Auditor's remuneration:

	2019 £000	2018 £000
Amounts receivable by the auditor and their associates in respect of:		
- Audit of these financial statements	**60**	43
- Tax compliance	**27**	13
- Other services relating to taxation	**20**	12

Notes *(continued)*

4 Remuneration of directors

	2019 £000	2018 £000
Emoluments of UK resident directors employed by the company	**279**	261
Company contributions to defined benefit schemes	**47**	47
	326	308
Emoluments of UK resident directors employed by the parent undertaking	**268**	273

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2019	2018
Defined benefit schemes	**2**	2

The aggregate emoluments of the highest paid director employed by the Company were £194,000 *(2018: £173,000)* and pension contributions of £30,600 *(2018: £30,600)* were made to the defined benefit scheme on their behalf. They are a member of a defined benefit scheme, under which their accrued pension at the year end was £360,000 *(2018: £360,000)*.

In relation to non-resident directors, no charge is received for those employed by Panasonic Corporation, and for those employed by Panasonic Europe an apportionment of costs is charged within the Panasonic Europe recharge. This is not displayed in directors' salaries, but in administration expenses in the Profit and Loss Account, as the director remuneration element is not separately identifiable.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2019	2018
Management and administration	**89**	85
Production	**338**	344
	427	429

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**13,545**	15,511
Social security costs	**1,177**	1,188
Expenses related to defined benefit plans	**2,920**	2,900
	17,642	19,599

Notes *(continued)*

6 Interest

	2019 £000	2018 £000
Interest income on deposits with Panasonic Finance	**444**	302
Interest paid	**(192)**	(138)
	252	164

7 Taxation

Recognised in the Profit and Loss Account

	2019 £000	2018 £000
Current tax		
UK corporation tax on profit for the year	**801**	526
Adjustments in respect of prior periods	**-**	-
Total current tax	**801**	526
Deferred tax (see note 14)		
Origination and reversal of temporary differences	**1,010**	640
Adjustments in respect of prior periods	**18**	177
Total deferred tax	**1,028**	817
Tax on profit	**1,829**	1,343

Income tax recognised in Other Comprehensive Income

	2019 £000	2018 £000
Remeasurements of defined benefit liability/asset	**(1,250)**	386

Reconciliation of effective tax rate	2019 £000	2018 £000
Profit for the year	**7,284**	4,170
Total tax expense	**1,829**	1,343
Profit excluding taxation	**9,113**	5,513
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**1,731**	1,047
Effects of:		
Expenses not deductible for tax purposes	**80**	88
Utilisation of losses for which no deferred tax asset was recognised	**(552)**	(593)
Derecognition of previously recognised losses	**526**	553
Effect of change in tax rate	**26**	71
Adjustment in respect of prior periods	**18**	177
Total tax	**1,829**	1,343

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and Equipment £000	Under Construction £000	Total £000
Cost				
At beginning of year	16,309	21,515	156	37,980
Additions	-	568	410	978
Transfers	-	149	(149)	-
Disposals	(88)	(1,104)	(305)	(1,497)
At end of year	16,221	21,128	112	37,461
Depreciation				
At beginning of year	14,424	20,677	-	35,101
Charge for the year	300	683	-	983
Disposals	(88)	(1,105)	-	(1,193)
At end of year	14,636	20,255	-	34,891
Net book value				
At 31 March 2019	**1,585**	**873**	**112**	**2,570**
At 31 March 2018	1,885	838	156	2,879

Freehold land and buildings includes non-depreciable land at a cost of £316,000 *(2018: £316,000)*.

9 Intangible assets

	Software £000	Total £000
Cost		
At beginning of year	3,511	3,511
Additions	5	5
Disposals	(1)	(1)
At end of year	3,515	3,515
Amortisation		
At beginning of year	2,802	2,802
Charge for the year	494	494
Disposals	(1)	(1)
At end of year	3,295	3,295
Net book value		
At 31 March 2019	**220**	**220**
At 31 March 2018	709	709

Notes *(continued)*

10 Stocks

	2019	2018
	£000	£000
Raw materials and consumables	**9,821**	9,351
Work in progress	**141**	862
Finished goods	**159**	330
	10,121	10,543

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £197,971,000 *(2018: £206,234,000).*

11 Debtors

	2019	2018
	£000	£000
Trade debtors	**10,266**	11,475
Amounts owed by group undertakings	**23,834**	14,004
Other debtors	**2,534**	1,302
Prepayments	**1,122**	1,580
Deferred tax asset (note 14)	**4,635**	4,413
	42,391	32,774

Included in the above figures are the following amounts due after more than one year:

	2019	2018
	£000	£000
Deferred tax asset	**4,635**	4,413

In addition to the amounts showing as owed by group undertakings there is also £68,457,000 *(2018: £78,601,000)* of deposits held by a sister company as part of a cash pooling arrangement, which is classified as cash in the balance sheet.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**6,150**	6,540
Amounts owed to group undertakings	**17,358**	12,134
Other creditors	**1,031**	528
Contract liabilities	**14,166**	-
Accruals	**8,820**	6,346
	47,525	25,548

13 Other provisions

	Project Support £000	Warranty £000	Total £000
At beginning of year	-	25,262	25,262
IFRS 15 Opening Balance Adjustment	-	(11,180)	(11,180)
Provisions made during the year	3,962	742	4,704
Provisions used during the year	-	(1,748)	(1,748)
At end of year	**3,962**	**13,076**	**17,038**

The price support provision is calculated based on committed contract pricing levels for new business tenders. The provision is expected to be utilised over the next 1-3 years.

The warranty provision is calculated by considering warranty costs incurred in the current year and the remaining life of all current warranties. The provision is expected to be utilised over the next 2-5 years.

Notes *(continued)*

14 Deferred tax assets and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	**(2,395)**	(2,637)	**-**	-	**(2,395)**	(2,637)
Employee benefits	**(1,319)**	(330)	**-**	-	**(1,319)**	(330)
Loss carry-forwards	**(921)**	(1,446)	**-**	-	**(921)**	(1,446)
	(4,635)	(4,413)	**-**	-	**(4,635)**	(4,413)

Movement in deferred tax during the year

	1 April 2018	**Recognised in income**	**Recognised in equity**	**31 March 2019**
	£000	**£000**	**£000**	**£000**
Tangible fixed assets	(2,637)	242	-	**(2,395)**
Employee benefits	(330)	261	(1,250)	**(1,319)**
Tax value of loss carry-forwards utilised	(1,446)	525	-	**(921)**
	(4,413)	1,028	(1,250)	**(4,635)**

Movement in deferred tax during the prior year

	1 April 2017	Recognised in income	Recognised in equity	31 March 2018
	£000	£000	£000	£000
Tangible fixed assets	(3,075)	438	-	(2,637)
Employee benefits	(542)	(174)	386	(330)
Tax value of loss carry-forwards utilised	(1,999)	553	-	(1,446)
	(5,616)	817	386	(4,413)

The company also has losses with a tax value of £8,869,000 (at 17%) for which deferred tax has not been recognised due to uncertainty over recoverability *(2018: tax value of £9,241,000 at 17%).*

Notes *(continued)*

15 Capital and reserves

Share capital	**2019**	2018
	£000	£000
Allotted, called up and fully paid		
4,128,000 ordinary shares of £1 each	**4,128**	4,128

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.

Dividends

The following dividends were recognised during the period:

	2019	2018
	£000	£000
Paid in the year	**22,504**	5,808

After the balance sheet date dividends of £4.4 million were proposed by the directors. The dividends have not been provided for.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	Other	Other
	£000	£000
Within one year	**145**	85
In the second to fifth years inclusive	**182**	60
	327	145

The operating leases all relate to motor vehicles, Fork-Lift Trucks and office equipment.

17 Employee benefits

The information disclosed below is in respect of the whole of the plans (being final salary defined benefit plans) for which the Company is the sponsoring employer throughout the years shown. The plan has no minimum funding requirements and is invested in a diverse portfolio of assets. There are no risks specific to the plan disclosed below.

	2019	2018
	£000	£000
Total defined benefit asset	**176,540**	171,940
Total defined benefit (liability)	**(184,300)**	(173,880)
Net defined benefit (liability)/asset	**(7,760)**	(1,940)

Notes *(continued)*

17 Employee benefits *(continued)*

Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 April	**(173,880)**	(170,320)	**171,940**	167,130	**(1,940)**	(3,190)
Included in profit or loss						
Current service cost	**(2,920)**	(2,900)	**-**	-	**(2,920)**	(2,900)
Curtailments	**5,500**	-	**-**	-	**5,500**	-
GMP Equalisation	**(3,000)**	-	**-**	-	**(3,000)**	-
Interest (cost)/income	**(5,010)**	(5,100)	**5,010**	5,100	**-**	-
Administration expenses	**-**	-	**(40)**	(110)	**(40)**	(110)
Included in OCI	**(5,430)**	(8,000)	**4,970**	4,990	**(460)**	(3,010)
Remeasurement loss/(gain):						
Actuarial loss (gain) arising from						
- Change in financial assumptions	**(7,780)**	940	**-**	-	**(7,780)**	940
- Return on plan assets excluding interest income	**-**	-	**430**	1,330	**430**	1,330
	(7,780)	940	**430**	1,330	**(7,350)**	2,270
Other						
Contributions paid by the employer	**-**	-	**1,990**	1,990	**1,990**	1,990
Benefits paid	**2,790**	3,500	**(2,790)**	(3,500)	**-**	-
Balance at 31 March	**(184,300)**	(173,880)	**176,540**	171,940	**(7,760)**	(1,940)

Plan assets

	2019	2018
	£000	£000
Equities	**48,890**	46,450
Diversified Growth Funds	**2,990**	9,010
Bonds	**47,700**	46,360
Property	**29,350**	29,050
Infrastructure	**18,850**	18,140
Other	**28,760**	22,930
Total	**176,540**	171,940

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Notes *(continued)*

17 Employee benefits *(continued)*

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2019	2018
Discount rate at 31 March	**2.80%**	2.90%
RPI	**3.40%**	3.20%
CPI	**2.40%**	2.20%
Future CARE increases	**N/A**	3.10%
Future pension increases	**2.40%**	2.20%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.3 years (male), 22.3 years (female).
- Future retiree upon reaching 65: 21.6 years (male), 23.7 years (female).

Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The extent to which the judgment will impact the profit & loss account and increase liabilities has currently been estimated at £3m.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.1%.

	2019	2018
	£000	£000
Discount rate	**3,900**	3,800
Inflation (RPI, CPI)	**2,200**	2,100

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2019 would have increased by £4,600,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 6 April 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 22 years *(2018: 22 years)*.

Notes *(continued)*

17 Employee benefits *(continued)*

Scheme Closure

The Scheme closed to new entry and future accrual on 31 March 2019. As a result, the company will not be paying any further direct contributions in the coming year.

Following completion of a statutory consultation process, it was agreed that the Scheme will cease accrual of all benefits on 31 March 2019. From this date, active members will receive a deferred pension increasing in line with the Scheme Rules. This gave rise to a curtailment gain at the time of Scheme closure amounting to £5,500,000.

18 Ultimate parent undertaking

The company is a wholly-owned subsidiary of Panasonic Europe BV, whose registered office is Zuidplein 136, Tower H, 16th Floor, 1077 XV Amsterdam, The Netherlands.

The ultimate parent undertaking is Panasonic Corporation, a company incorporated in Japan. The only group in which the results of the company are consolidated is that headed by Panasonic Corporation. The consolidated financial statements of Panasonic Corporation are available to the public and can be obtained from its registered office: Panasonic Corporation, 1006 Kadoma, Kadoma City, Osaka, Japan.

Related parties

As 100% of the company's voting rights are controlled within the group headed by Panasonic Corporation, the company has taken advantage of the exemption contained in FRS 101 and has, therefore, not disclosed transactions or balances with other wholly owned entities which form part of the group.

19 Accounting estimates and judgements

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year are considered to be the following:

Deferred tax asset

The recoverability of the deferred tax asset has been assessed by the Directors via the preparation of financial forecasts spanning three years. This shows the company to be profitable over that period and that the recognised deferred tax asset is fully recoverable. A longer forecast horizon has not been used as this would introduce numerous uncertainties especially technological advance and currency movements, and therefore no deferred tax asset is recognised on the grounds of uncertainty of recoverability in relation to timescales exceeding three years.

Defined benefit plan assumptions

The defined benefit plan assumptions were estimated with the assistance of the scheme actuary by reviewing market data and assessing the demographics of members within the scheme. The sensitivity of these assumptions can be seen within note 17, and the accuracy of these estimates will only become clear in the long term as actual market performance is seen.

Warranty provisions

The Directors have made an estimate for the warranty provision based on the best information available to them. In order to calculate the warranty provision the Company has calculated the level of warranty repairs over a 30 month period (2 year warranty period plus approximately 6 months in storage). This information is then used to forecast the likely warranty costs to be incurred based on units sold and still within the warranty period.

Notes *(continued)*

20 Change in significant accounting policies

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are mandatorily effective from January 2018. The company has adopted both for the first time in this accounting period which has result in changes to the accounting policies. The nature and effect of these changes are described below.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

The adoption of IFRS 9 has resulted in changes to the accounting policies and adjustments to the amounts recognised in the financial instruments. Combining the three aspects, classification and measurement, impairment; and hedge accounting.

The company adopted IFRS 9 Financial Instruments with effect from 1 April 2018. No transition adjustments were required on adoption of IFRS 9 and the transition had no material impact on the financial statements of the company.

IFRS 15 Revenue from Contracts with Customers became mandatorily effective on 1 January 2018. The company has applied this for the first time in this accounting period. This has resulted in changes to the accounting policies of the company, the effect and nature of which are described below:

The adoption of IFRS 15 has resulted in changes to the company's accounting policies for recognition and measurement of revenue.

IAS 18 Revenue and related interpretations has been superseded by IRFS 15 which has introduced a five-step approach to revenue recognition applying to all revenue arising from contracts with customers. This is explained in more detail in the Revenue Recognition accounting policy.

The following tables summarise the quantitative impact of adopting IFRS 15 on the Company's financial statements for the year ending 31 March 2019.

	Impact of adoption of IFRS 15		
	As reported	**Adjustments**	**Balances without IFRS15 adoption**
	£000	**£000**	**£000**
Balance sheet			
Contract Liabilities	14,166	(14,166)	-
Deferred Income	-	14,166	14,166
Statement of profit or loss and other comprehensive income			
Turnover	238,840	(1,820)	237,020
Administration Expenses	(11,116)	1,820	(9,296)

Notes *(continued)*

20 Change in significant accounting policies *(continued)*

The adjustment to revenue is in respect of measuring the progress of the performance obligations related to computer product warranties (i.e. extended and accidental damage warranties) over time under IFRS 15 as specified in the accounting policies.

Under the adoption of IFRS 15, the recognition of revenue associated with fulfilled performance obligations is made according to the following methods:

- Accidental Damage Warranty is released in the month it matures – whether that be a 3, 4, or 5-year warranty. Claims under these warranties do not follow a pattern that would allow revenue recognition other than at the time of maturity as until that point the performance obligation has not been fulfilled.
- Extended Warranties are released equally over the extension period beyond the standard product warranty (i.e. the period of extension over and above the standard 3-year warranty).

Consideration already received for performance obligations to be recognised over time for extended and accidental damage warranties has been evaluated using these methods and is included on the balance sheet as contract liabilities.