

BROTHER FINANCE (U.K.) PLC
Financial statements
for the year ended 31 March 2018

Registered number: 02445127



BROTHER FINANCE (U.K.) PLC

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BROTHER FINANCE (U.K.) PLC

STRATEGIC REPORT

Principal activities

The Company's principal activity is to provide cash management services to its ultimate parent company, Brother Industries, Ltd., (the "Parent Company") and other subsidiaries around the world.

The primary service provided is cash pooling and the Company also provides a service to arrange settlement of inter-company payments among the parent company and its subsidiaries.

Business review

The directors are satisfied with the results for the year which are set out on page 9 and the position as at 31 March 2018 which is set out on page 10-11.

During the year ended 31 March 2018 Brother Finance (U.K.) PLC (the Company) continued to provide its cash management services to other companies within the Brother Industries, Ltd. group (the "Group" or "Group Companies"). The Company operates a cash pooling system for Group Companies and maintained a short-term loan service to Brother Industries, Ltd. in Japan and to other Group Companies. The Company also provides an inter-company settlement service and foreign exchange function. The Company uses currency swap contracts and forward foreign exchange contracts as a hedging mechanism against its borrowing and lending activities.

The Company utilised its surplus funds and borrowed funds from third-party banks to satisfy the Parent Company's and other Group Companies' cash requirement. The loan balance to other Group Companies increased to £371.8 million (£346.1 million for the year ended 31 March 2017). The balance of "Amounts owed by group undertakings" decreased to £76.1 million (£103.7 million for the year ended 31 March 2017) because of the Parent Company's decreased cash requirement and reduced Group Companies' requirements. As a result, the cash balance of £309.8 million (£256.0 million for year ended 31 March 2017) was significantly increased. The balance of bank borrowing was £7.2 million at the close of the year (£2.9 million for year ended 31 March 2017).

"Amounts owed by group undertakings"	£76.1 million as of 31 March 2018
	£103.7 million as of 31 March 2017
"Amounts owed to group undertakings"	£371.8 million as of 31 March 2018
	£346.1 million as of 31 March 2017
"Profit on Ordinary Activities after Taxation"	£334,033 for the year ended 31 March 2018
	£560,220 for the year ended 31 March 2017

The Company's interest income decreased to £1.1 million for the year ended 31 March 2018 (£1.4 million for the year ended 31 March 2017). The interest expense was £1.2 million for the year ended 31 March 2018 (£0.6 million for the year ended 31 March 2017). As a result of the increased interest expense the resulting profit after taxation of £334,033 (£560,220 year ended 31 March 2017) decreased.

Principal risks and uncertainties

The Company has identified the principal risks and uncertainties could arise from: currency risk, reliance on continued support from Group Companies and credit risk of Group Companies. The Company is exposed to currency risk and hedges these exposures using currency swap and forward contract deals to eliminate such currency risk. The Company regularly monitors the credit ratings of its banks. Credit facilities are granted to Group Companies only after consideration of any credit risk and authorisation by the Board of Directors. The Company holds sufficient credit facilities with its banks in order to effectively manage its business and therefore considers liquidity risk to be minimal. The Company is reliant on the support from Group Companies; however it is the policy of the Group to utilise funds within the Group through the Company in order to reduce external costs and therefore benefit the group as a whole. Since surplus Group funds are used to lend to other Group companies the Company is not exposed to cash flow risk. The Company is not materially exposed to interest rate risk as transactions are between inter-company entities only and any interest rate fluctuations are passed onto those Group Companies.

Future developments

The directors expect the general level of activity to remain consistent with the year ended March 2018 in the forthcoming year. This is as a result of efficient utilisation of Group funds to satisfy Group Companies' cash requirements and the Parent Company's continuing increased requirement for cash funding for investment for business expansion purposes. The Company does not anticipate any events beyond its control which would have a significant impact in the future.

Events after the balance sheet date

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

BROTHER FINANCE (U.K.) PLC

STRATEGIC REPORT (continued)

Approval

Approved by the Board and signed on its behalf by:

八木 賢一 印

K Yagi, Director

1 May 2018

Registered Office
Brother House,
1 Tame Street,
Audenshaw,
Manchester
M34 5JE

BROTHER FINANCE (U.K.) PLC

DIRECTORS' REPORT

The directors present their annual report with the audited financial statements of the Company for the year ended 31 March 2018.

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 2 of the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash, and other debtors.

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

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of short-term group funds surpluses and short-term debt finance.

Dividends

The directors do not recommend the payment of a final dividend (2017: £504,198). There have been no dividends paid post year-end.

Directors

The directors, who served throughout the year and thereafter except as noted, were as follows:

Isao Noji (Japanese) (appointed 25 May 2017)
Yuichi Tada (Japanese) (resigned 25 May 2017)
Toshihiro Ito (Japanese)
Yoshihiro Ogawa (Japanese)
Kaoru Nakano (Japanese)
Kenichiro Yagi (Japanese)

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.

Auditor

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

BROTHER FINANCE (U.K.) PLC

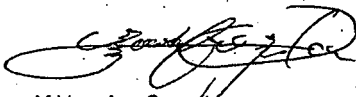
DIRECTORS' REPORT (continued)

- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Y Uezuka, Secretary

1 May 2018

Registered Office
Brother House,
1 Tame Street,
Audenshaw,
Manchester
M34 5JE

BROTHER FINANCE (U.K.) PLC FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report including 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 Financial Reporting Standard 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 accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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.

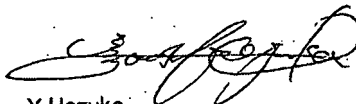
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

Signed on behalf of the Board of Directors

八木 賢一 印

K Yagi
Director

1 May 2018



Y Uezuka
Secretary

1 May 2018

BROTHER FINANCE (U.K.) PLC

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROTHER FINANCE (U.K.) PLC

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 31st March 2018 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 Finance (U.K.) PLC (the 'Company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- 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".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) (ISAs(U.K.)) 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 (U.K.) 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.

Brother Finance (U.K.) PLC

Independent auditor's report (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 (U.K.) 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. This description forms part of our auditor's report.

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.

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.

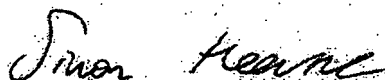
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.



Simon Hearne FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, United Kingdom
Date: 1 May 2018

BROTHER FINANCE (U.K.) PLC

Profit and loss account for the year ended 31 March 2018

PROFIT AND LOSS ACCOUNT

The notes are an integral part of the financial statements.

	Note	2018 £	2017 £
Interest income	4	1,070,190	1,371,120
Interest expense	9	(1,208,593)	(561,358)
Net Interest Expense		(138,403)	809,762
Other operating income	8	1,078,799	412,947
Administrative expenses		(553,533)	(521,676)
Profit on ordinary activities before tax		386,863	701,033
Tax on profit of ordinary activities	10	(52,830)	(140,813)
Profit for the year	5	334,033	560,220
Profit for the year		334,033	560,220

Statement of Comprehensive Income for the year ended 31 March 2018

	Total 2018 £	Total 2017 £
Profit for the year	334,033	560,220
Other comprehensive income	-	-
Total comprehensive income for the year	334,033	560,220

BROTHER FINANCE (U.K.) PLC

Balance sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	-	-
Tangible fixed assets	12	-	-
Current assets			
Debtors	13	76,138,563	103,664,091
Cash at bank and in hand		309,820,496	256,027,677
Derivative financial instruments	18	670,913	229,980
Total current assets		386,629,972	359,921,748
Total assets		386,629,972	359,921,748
Creditors: Amounts falling due within one year:			
Amounts owed to group undertakings		(371,837,572)	(346,102,701)
Other creditors including taxation and social security	14	(7,384,398)	(3,014,470)
Accruals		(70,761)	(74,299)
Derivative financial instruments	18	(498,928)	(3,721,800)
Total current liabilities		(379,791,659)	(352,913,270)
Net current assets		6,838,313	7,008,478
Total assets less total current liabilities		6,838,313	7,008,478
Capital and reserves			
Called up share capital	16	2,500,000	2,500,000
Profit and loss account		4,338,313	4,508,478
Total shareholder's funds		6,838,313	7,008,478

The financial statements of Brother Finance (U.K.) PLC (registered number 02445127) were approved by the board of directors and authorised for issue on 1 May 2018. They were signed on its behalf by:

川本 賢一 印

Kenichiro Yagi, Director

BROTHER FINANCE (U.K.) PLC**Statement of changes in equity for the year ended 31 March 2018**

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2016	2,500,000	4,292,925	6,792,925
Profit for the year	-	560,220	560,220
Prior year dividend paid	-	(344,667)	(344,667)
Balance at 31 March 2017	<u>2,500,000</u>	<u>4,508,478</u>	<u>7,008,478</u>
Profit for the year	-	334,033	334,033
Prior year dividend paid	-	(504,198)	(504,198)
Balance at 31 March 2018	<u>2,500,000</u>	<u>4,338,313</u>	<u>6,838,313</u>

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements For the year ended 31 March 2018

1. General information

Brother Finance (U.K.) PLC is a private company limited by shares incorporated in the England and Wales under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2-3.

These financial statements are separate financial statements. The Company is included in the Group accounts of Brother Industries, Ltd. The financial statements of Brother Industries, Ltd. are available to the public and can be obtained as set out in note 21.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Brother Industries, Ltd. The group accounts of Brother Industries, Ltd are available to the public and can be obtained as set out in note 21.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 pages 2 to 3.

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.

The directors, having assessed the responses of the directors of the Company's parent Brother Industries, Ltd. to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group 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, Ltd., 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 FINANCE (U.K.) PLC

Notes to the financial statements (continued) For the year ended 31 March 2018

2. Significant accounting policies (continued)

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of 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.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

The financial statements are presented in pounds sterling, 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.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

All bank borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 profit and loss account 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 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. Significant accounting policies (continued)

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.

Tangible fixed assets

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

Depreciation is recognised on all tangible fixed assets so as to write off the cost or valuation of each asset less their estimated residual value over their useful lives, using the straight-line method, on the following bases:

Fixtures and equipment 25% - 33¹/₃%

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.

An item of 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.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortisation is recognised so as to write off the cost or valuation of assets less their estimated residual values over their useful lives, using the straight-line method, on the following bases:

Computer Software 33¹/₃%

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Financial instruments (continued)

(other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 19.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued) For the year ended 31 March 2018

2. Significant accounting policies (continued)

Loans and receivables (continued)

method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued) For the year ended 31 March 2018

2. Significant accounting policies (continued)

Financial liabilities at FVTPL (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 19.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and to credit risk. The Company uses forward exchange contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are presented as current assets or current liabilities.

Provisions

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

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

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

Liability for staff termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises and related restructuring costs.

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.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued) For the year ended 31 March 2018

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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, and sources of estimation uncertainty, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Company adheres to internal accounting policies and to the Group Accounting Policy as managed and monitored by the parent company. All policies are constantly updated and monitored for efficiency.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Fair value measurements and valuation processes

Certain of the Company's assets and liabilities, principally derivative financial instruments, are required to be measured on the balance sheet at fair value. The Company uses its derivative financial instruments to hedge its exposure to foreign exchange risks arising from operating activities. The Company does not hold or issue derivative financial instruments for trading purposes.

The directors identify the main risk to be exchange rate fluctuations impacting on the fair value measurement of derivative financial instruments. A valuation model, determined by the directors, is used to calculate the fair value based on the maturity value of the contract. Valuation assumptions are based on observable market data. The directors report the valuation findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

4. Interest income

An analysis of the Company's interest income is as follows:

	Year ended 2018 £	Year ended 2017 £
Interest income:		
Interest receivable from other group companies	1,061,576	1,364,306
Other interest receivable	8,292	17
Bank interest receivable	322	6,797
	<u>1,070,190</u>	<u>1,371,120</u>

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

	2018 £	2017 £
Interest income:		
United Kingdom	198,900	42,382
Other European countries	71,865	37,546
USA	488,590	583,035
Far East	310,835	708,157
	<u>1,070,190</u>	<u>1,371,120</u>

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued) For the year ended 31 March 2018

5. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 2018 £	Year ended 2017 £
Depreciation of tangible fixed assets	-	2,563
Release of termination cost provision	-	30,928
Staff costs (see Note 7)	240,173	214,017

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £18,500 (2017: £18,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

No non-audit fees were paid to Deloitte during the year (2017: £nil)

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Administration	4	4

Their aggregate remuneration comprised:

	Year ended 2018 £	Year ended 2017 £
Wages and salaries	226,751	203,245
Social security costs	7,651	5,912
Other pension costs	5,771	4,860
	240,173	214,017

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

8. Other operating income

	Year ended 2018 £	Year ended 2017 £
Service commissions	12,648	12,133
Change in the fair value of derivative assets and liabilities classified as held for trading	1,066,151	400,814
	<u>1,078,799</u>	<u>412,947</u>

9. Interest expense and similar charges

	Year ended 2018 £	Year ended 2017 £
Interest payable on bank overdrafts and loans	24,562	84,823
Interest payable to group companies	1,143,653	438,377
Other	40,378	38,158
Total interest payable	<u>1,208,593</u>	<u>561,358</u>

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

10. Tax

	Year ended 2018 £	Year ended 2017 £
Corporation tax:		
UK corporation tax	85,484	136,965
Adjustments in respect of prior years		
- UK corporation tax	276	-
Total current tax	85,760	136,965
Deferred tax (note 15)	(32,930)	3,848
Total tax on profit on ordinary activities	52,830	140,813

Corporation tax is calculated at 19 per cent (2017: 20 per cent) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year ended 2018 £	Year ended 2017 £
Profit before tax on continuing operations	386,862	701,033
Tax at the UK corporation tax rate of 19% (2017: 20%)	73,504	140,207
Tax effect of expenses that are not deductible in determining taxable profit	1,294	(2,265)
Other timing differences	10,686	(977)
Adjustment in respect of prior years	276	-
Tax for the year	85,760	136,965

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Intangible assets

	Computer Software Total £
Cost	
At 1 April 2017	118,500
At 31 March 2018	118,500
Amortisation	
At 1 April 2017	118,500
At 31 March 2018	118,500
Carrying amount	
At 31 March 2018	-
At 1 April 2017	-

12. Tangible fixed assets

	Fixtures and fittings Total £
Cost or valuation	
At 31 March 2018	22,058
Accumulated depreciation and impairment	
At 1 April 2017	22,058
Charge for the year	-
Carrying amount	
At 31 March 2018	-
At 1 April 2017	-

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	76,016,331	103,557,788
Other debtors	49,409	18,515
Prepayments and accrued income	72,823	87,788
Amounts falling due within one year:	<u>76,138,563</u>	<u>103,664,091</u>

14. Other creditors including taxation and social security

	2018 £	2017 £
Taxation and social security	71,040	86,710
Other creditors	7,165,646	2,873,418
Interest payable	147,712	54,342
	<u>7,384,398</u>	<u>3,014,470</u>

15. 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.

At 1 April 2017	£ (13,954)
Revaluation of financial assets	
Credit to profit or loss	32,930
At 31 March 2018	<u>18,976</u>

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:

	2018 £	2017 £
Deferred tax liabilities	-	(13,954)
Deferred tax assets	18,976	-
	<u>18,976</u>	<u>(13,954)</u>

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

16. Called-up share capital & dividends

	2018 £	2017 £
Authorised: 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
Number allotted: 2,500,000 ordinary shares of £1 each		
Aggregate nominal value	2,500,000	2,500,000

Non-redeemable ordinary shares conferring on each member (or any proxy of such member) the right to vote on a show of hands and one vote per share on a poll with full, equal and unfettered rights to participate in dividends and capital distributions, whether on a winding up or otherwise.

Dividends:	2018 £	2017 £
Final dividend for the year ended 31 March 2018 was nil (2017: 20.17p)	-	504,198

The directors have not recommended the payment of a dividend for the year ended 31 March 2018.

17. Operating lease arrangements

	2018 £	2017 £
Lease payments under operating leases recognised as an expense in the year	50,271	58,454

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:

	2018 £	2017 £
Within one year	37,540	36,017
In the second to fifth years inclusive	54,308	70,080
	91,848	106,097

Operating lease payments represented rentals payable by the Company for its office property, staff accommodation and car leases.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Financial instruments

	2018 £	2017 £
Financial assets at fair value		
Fair value through profit and loss (FVTPL)	670,913	229,980
Financial liabilities at fair value		
Fair value through profit and loss (FVTPL)	498,928	3,721,800

As at 31 March 2018 there are a total of eleven outstanding currency swaps deals as follows:

Currency Swaps:

Buy:			Sell:		
Currency	Total nominal	Total Maturity	Currency	Total nominal	Total Maturity
GBP	17,558,270	17,561,478	GBP		
USD	86,340,680	86,467,898	USD		
EUR	274,854,779	274,881,834	EUR	90,000,000	90,000,000
JPY			JPY	36,000,000,000	36,006,916,472

The fair value of these currency swaps deals in Sterling is £171,985 (31 March 2017: £3,491,821).

All the above deals mature within 12 months

As at 31 March 2017 there were a total of ten outstanding currency swaps deals as follows:

Currency Swaps:

Buy:			Sell:		
Currency	Total nominal	Total Maturity	Currency	Total nominal	Total Maturity
GBP	45,085,403	45,093,636	GBP		
USD			USD		
EUR	270,591,666	270,631,804	EUR	23,000,000	23,000,000
JPY			JPY	36,300,000,000	36,305,205,230

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The use of financial derivatives is governed by the Company's policies approved by the Managing Director, which provides written principles on the use of financial derivatives. The Company is not exposed to price risk (no market value) or liquidity risk (no investments plus there is a significant cash balance). The Company is exposed to currency risk and hedges these exposures by using currency swap contracts.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Financial instruments (continued)

Significant assumptions used in determining fair value of financial assets and liabilities

Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts to equal 100 per cent of the exposure generated.

Group Undertakings

The Company enters into loan positions with group companies and the management believes the fair values of the Company's financial assets and liabilities are approximately equal to their carrying amounts.

Valuation techniques

Future cash flows for derivative financial instruments are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable for the asset or liability.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets held for risk management	-	670,913	-	670,913
	-	670,913	-	670,913
Liabilities				
Derivative assets held for risk management	-	498,928	-	498,928
	-	498,928	-	498,928

Capital management

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns by providing liquidity to other group entities rather than by maximising their own returns. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of net debt (Group borrowings as detailed in note 14 offset by Group deposits, cash and bank balances) and equity of the Company (comprising issued capital, reserves and retained earnings as detailed in note 16).

The Company is not subject to any externally imposed capital requirements. The Company's risk management committee reviews the capital structure of the Company on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

BROTHER FINANCE (U.K.) PLC

Notes to the financial statements (continued)

For the year ended 31 March 2018

19. Events after the balance sheet date

There were no events after the balance sheet date.

20. Related party transactions

The directors' remuneration, analysed under the headings required by Company law is set out below.

	2018 £	2017 £
Directors' remuneration		
Emoluments	143,200	138,000
	<u>Number</u>	<u>Number</u>
The number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	-	-
	<u>2018</u>	<u>2017</u>
	£	£
Remuneration of the highest paid director:		
Emoluments	143,200	109,300

The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

The highest paid director is not a member of the Company's defined benefit pension scheme.

21. Controlling party

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Brother Industries Ltd., a Company incorporated in Japan. The parent undertaking of the largest group, which includes the Company and for which group financial statements are prepared, is Brother Industries Ltd., a Company incorporated in Japan. The parent undertaking of the smallest such group is Brother Industries Ltd., a Company incorporated in Japan. The registered address of Brother Industries Ltd. is 15-1 Naeshiro-cho, Mizuho-ku, Nagoya 467-8561, Japan.

22. Off balance-sheet arrangements

There were no off balance-sheet arrangements.