

Registered number: 00153227

# FANUC UK LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



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## COMPANY INFORMATION

<b>Director</b>	T M Bouchier
<b>Company secretary</b>	A J Lumb
<b>Registered number</b>	00153227
<b>Registered office</b>	Sapphire Way Ansty Business Park Coventry CV7 9DR
<b>Independent auditors</b>	Ernst & Young LLP Statutory Auditors No.1 Colmore Square Birmingham B4 6HQ

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report of FANUC UK Limited (the “company”) for the year ended 31 March 2019.

### Business review

The results for the company show a 12.1% increase in turnover to £52.1m (2018: £46.5m). Gross margin increased slightly to 26.8% (2018: 26.6%) despite an average 1% increase in product costs resulting from exchange rates, so gross profit at £14.0m (2018: £12.4m) increased by 13.1%

Total administrative expenses were £8.7m (2018: £10.0m) so the profit on ordinary activities before taxation was £5.3m (2018: £2.4m) for the financial year.

The company has net assets of £35.1m as at 31 March 2019 (31 March 2018: £32.0m).

An interim dividend has been during the year of £1.1m (2018: £nil). The directors do not recommend a final dividend for the current year (2018: £nil).

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

#### Competition:

The company operates in a highly competitive market particularly around price, product availability and quality. However, we believe we can differentiate ourselves from the competition through a combination of the quality and reliability of the product, experience in automation projects and the focus on customer service.

#### Financial risk:

The company's operations expose it to a variety of financial risks that include credit risk, foreign currency risk and interest rate risk. These are discussed further in the Directors' Report.

#### Employees:

The company's performance depends largely on a number of key individuals whose resignation could, if the company was unable to recruit people with the right experience and skills, adversely affect the company's results. To mitigate these issues, the company continues to invest heavily in staff training and development, and has developed a comprehensive employee remuneration and benefits package.

#### Future outlook

For the last 60 years, FANUC has been at the forefront of innovation, continually pushing back the boundaries of automation to increase productivity and drive down costs across a whole range of industries. FANUC products achieve 99.9% reliability, and together with a customer-centric approach, world class service, infinite solutions for automation (industrial robots; CNC systems; lasers; and purpose-built machines for wire cut EDM, electric injection moulding, milling and drilling) and high quality employees, the future outlook remains very positive.

We pride ourselves on our “smart manufacturing systems” which are much more than just collections of compatible components linked together, since the economic benefits of integrated automation far exceed any performance gains available from a single machine or component. “Smart manufacturing systems” equipped with FANUC products incorporate the experience we have gained from engineering and manufacturing systems in the UK for over 30 years. The wealth of experience we have gained from actual practice and the experience of our customers in all areas of manufacturing, combined with immediate feedback of that experience into our engineering operations, is reflected in the excellent reliability and state-of-the-art technologies of our automation solutions. Our goal remains that whenever anyone thinks of factory automation, they think of FANUC first.

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### Principal risks and uncertainties (continued)

#### Future outlook (continued)

We are confident that the above factors, together with the continued introduction of new and improved products and the further development of new and existing markets, will be the foundations to secure the continued growth and profitability of the company.

We expect turnover for the year ending 31 March 2020 to continue to grow compared with the year ending 31 March 2019, but we also expect the current weakness of the GBP currency to continue for some time, so product costs will remain relatively high and gross profit margins will continue to be squeezed ; administrative expenses are expected to increase meaning that operating profits for the year ended 31 March 2020 are expected to be around the same level as for the year ended 31 March 2019.

### Financial key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using "KPI's" is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 16 October 2019 and signed on its behalf by:



Tom Bouchier

Director

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their annual report and the audited financial statements of FANUC UK Limited (the "Company") for the year ended 31 March 2019.

### **Results and dividends**

The profit for the financial year amounted to £4,228,378 (2018: £1,790,928).

A dividend of £1,121,600 was paid during the year (2018: £nil).

### **Directors**

The directors who served during the year and up to the date of signing the financial statements were:

T M Bouchier

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include credit risk, foreign currency risk and interest rate risk. The company has in place a risk management programme that seeks to limit any adverse effects of these risks on the financial performance of the company. The directors have delegated the responsibility for implementation of the policies they set, and for monitoring financial risk management, to the company's finance department.

#### **Credit risk:**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on an ongoing basis by the company's finance department.

#### **Foreign currency risk:**

To mitigate the effect of the currency exposures arising from its foreign currency transactions, the company endeavours to match the value of foreign currency sales with purchases denominated in the same currencies.

#### **Interest rate risk:**

The company's only interest bearing assets and liabilities are cash balances and amounts due to or from the immediate parent company under a cash-pooling agreement. Interest is earned on these assets, or paid on these liabilities, at a variable market rate. The directors keep this policy under review.

### **Future developments**

Future developments are discussed in the Strategic Report.

## **DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 MARCH 2019**

### **Directors' responsibilities statement**

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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

### **Disclosure of information to the auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 16 October 2019 and signed on its behalf by:



Tom Bouchier  
Director

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FANUC UK LIMITED

## Opinion

We have audited the financial statements of FANUC UK Limited for the year ended 31 March 2019 which comprise, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.



# INDEPENDENT AUDITORS' REPORT (CONTINUED)

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

# INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' 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 auditors' 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.



Andrew Merrick (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditors

Birmingham, UK

16 October 2019

**STATEMENT OF COMPREHENSIVE INCOME**

AS AT 31 MARCH 2019

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
		<i>£</i>	<i>£</i>
<b>Turnover</b>	4	52,118,737	46,476,788
Cost of sales		<u>(38,140,928)</u>	<u>(34,116,078)</u>
<b>Gross profit</b>		13,977,809	12,360,710
Total administrative expenses		<u>(8,743,337)</u>	<u>(9,969,193)</u>
<b>Operating profit</b>	5	5,234,472	2,391,517
Interest receivable and similar income	9	32,671	6,980
Interest payable and similar charges	10	<u>-</u>	<u>(4,231)</u>
<b>Profit on ordinary activities before taxation</b>		5,267,143	2,394,266
Tax on profit on ordinary activities	11	<u>(1,038,765)</u>	<u>(603,338)</u>
<b>Profit for the financial year</b>		<u>4,228,378</u>	<u>1,790,928</u>
<b>Total comprehensive income for the financial year</b>		<u>4,228,378</u>	<u>1,790,928</u>

The notes on pages 13 to 27 form part of these financial statements.

**BALANCE SHEET**

AS AT 31 MARCH 2019

	<i>Notes</i>	<i>2019</i> £	<i>2019</i> £	<i>2018</i> £	<i>2018</i> £
<b>Fixed assets</b>					
Intangible assets	12		2,042,366		2,450,839
Tangible assets	13		17,906,275		18,333,196
Investments	14		<u>1</u>		<u>1</u>
			19,948,642		20,784,036
<b>Current assets</b>					
Stocks	15	11,911,041		10,225,744	
Debtors	16	11,835,785		11,854,576	
Cash at bank and in hand	17	<u>5,164,112</u>		<u>11,344,510</u>	
		28,910,938		33,424,830	
<b>Creditors: amounts falling due within one year</b>	18	<u>(12,924,540)</u>		<u>(21,243,692)</u>	
<b>Net current assets</b>			<u>15,986,398</u>		<u>12,181,138</u>
<b>Total assets less current liabilities</b>			35,935,040		32,965,174
<b>Provisions for liabilities</b>					
Deferred taxation	19	(662,672)		(698,600)	
Other provisions	20	<u>(152,737)</u>		<u>(253,721)</u>	
			(815,409)		(952,321)
<b>Net assets</b>			<u>35,119,631</u>		<u>32,012,853</u>
<b>Capital and reserves</b>					
Called up share capital	21		1,402,000		1,402,000
Share premium account	22		16,122,113		16,122,113
Profit and loss account	22		<u>17,595,518</u>		<u>14,488,740</u>
<b>Total shareholders' funds</b>			<u>35,119,631</u>		<u>32,012,853</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 October 2019 by:



Tom Bouchier  
Director

The notes on pages 13 to 27 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 MARCH 2019**

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£
At 1 April 2018	1,402,000	16,122,113	14,488,740	32,012,853
Comprehensive income for the financial year				
Profit for the financial year	-	-	4,228,378	4,228,378
Total comprehensive income for the financial year	-	-	4,228,378	4,228,378
Dividends paid	-	-	(1,121,600)	(1,121,600)
At 31 March 2019	<u>1,402,000</u>	<u>16,122,113</u>	<u>17,595,518</u>	<u>35,119,631</u>

**FOR THE YEAR ENDED 31 MARCH 2018**

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£
At 1 April 2017	1,402,000	16,122,113	12,697,812	30,221,925
Comprehensive income for the financial year				
Profit for the financial year	-	-	1,790,928	1,790,928
Total comprehensive income for the financial year	-	-	1,790,928	1,790,928
At 31 March 2018	<u>1,402,000</u>	<u>16,122,113</u>	<u>14,488,740</u>	<u>32,012,853</u>

The notes on pages 13 to 27 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 1. General information

FANUC UK Limited (the “Company”) is principally engaged in the sale, service and support of all FANUC products and the design, system build, test, project management, installation and commissioning of factory automation systems.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Sapphire Way, Ansty Business Park, Coventry, CV7 9DR.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and the Republic of Ireland” and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of FANUC Europe Corporation as at 31 March 2019 and these financial statements may be obtained from the Company Secretary at FANUC UK Limited, Sapphire Way, Ansty Business Park, Coventry, CV7 9DR.

### 2.3 Consolidation

The financial statements contain information about FANUC UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking is included by full consolidation in the consolidated financial statements of its immediate parent, FANUC Europe Corporation, a company registered in Luxembourg.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 2. Accounting policies (continued)

#### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

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

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

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenues from contracts that contain customer acceptance provisions, other than those with a duration in excess of one year, are deferred until acceptance occurs - these contracts include both goods and services. Where customer acceptance has occurred, but not all contractual obligations have been discharged, revenue is recognised based on the proportion of work completed.

Revenues from contracts whose expected duration is in excess of one year are recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Amounts recoverable on long term contracts which were included in debtors were stated at the net sales value of the work done less amounts received as progress payments on account.

Payments received from customers relating to contracts on which revenue has not been recognised are included within creditors and disclosed separately as payments received on account. The costs incurred on contracts on which revenue has not been recognised are included in work in progress.

#### 2.5 Intangible assets

##### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life of 10 years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 2. Accounting policies (continued)

#### 2.6 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	– 2.5% per annum
Leasehold improvements	– Shorter of the economic life and the lease term
Plant and machinery	– 10% to 25% per annum
Fixtures, fittings and equipment	– 10% to 40% per annum

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on an actual cost basis. Work in progress includes labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.10 Financial instruments

- / The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 2. Accounting policies (continued)

#### 2.10 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.12 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 2. Accounting policies (continued)

#### 2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

#### 2.15 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### 2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 2. Accounting policies (continued)

#### 2.18 Current and deferred taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

#### 2.20 Employee benefits

Employee benefits are recognised as an expense in the period in which they are incurred.

The company operates a non-contractual profit sharing scheme for its employees. The amounts charged to the profit and loss account in respect of the profit sharing scheme are shown as accruals in the balance sheet at the end of the year and are paid in the following financial period. Differences between profit sharing payments accrued and contributions paid are charged to the profit and loss account at the time payments are made.

The company makes a provision for holiday pay which represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence and is included within accruals in the balance sheet.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the Company's financial statements requires the use of certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Any such revisions are recognised in the period in which the estimates are revised and in any future periods affected.

The Company does not consider there to be any critical accounting estimates within the financial statements as, at the time the financial statements were prepared, there was no requirement to make assumptions about matters that were highly uncertain and which could therefore have a material impact on the Company's financial condition or results.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

However, there are items within the financial statements that require estimation, but which would not have a significant impact on the financial statements if alternative assumptions were made in calculating those estimates:

The Company undertakes long-term percentage of completion accounting contracts. Management judgement is required to determine which projects are included as long-term percentage of completion contracts and the percentage of completion on contracts deemed to be long term with reference to the total expected labour hours on the contract and the estimated margin on the contract.

Tangible assets (Note 13) – the value of tangible assets is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The Company calculates depreciation and impairment by assessing the remaining useful lives of tangible assets in accordance with the current technical conditions of the assets and the estimated period during which the assets are expected to earn benefits for the Company. This assessment is re-evaluated on a regular basis.

Stocks (Note 15) – the value of stocks is stated net of any provision for impairment. The Company creates a stock obsolescence provision after assessing all available relevant information (historical and projected usage, ageing, stock quantities, etc.) about each item of stock. This provision is re-evaluated on a regular basis.

Debtors (Note 16) – the value of trade debtors is stated net of any provision for impairment. The Company creates a bad debt provision after assessing all available relevant information (credit rating, account status, other observable data etc.) about each major debtor. This provision is re-evaluated on a regular basis.

Other provisions (Note 20) – the Company creates a provision for product warranties (where the warranty is not provided for by the parent company) using an estimate based on historical information. This estimate is re-evaluated on a regular basis.

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2019	2018
	£	£
Product sales (Contract duration less than 1 year)	28,843,208	30,442,371
Products sales (Contract duration more than 1 year - percentage of completion based revenue)	8,898,613	1,933,691
Parts, training and service	14,376,916	14,100,726
	<u>52,118,737</u>	<u>46,476,788</u>

Analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	46,534,014	39,325,762
Rest of Europe	5,206,151	6,565,690
Rest of the World	378,572	585,336
	<u>52,118,737</u>	<u>46,476,788</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**5. Operating profit**

The operating profit is stated after (crediting)/charging:

	<i>2019</i>	<i>2018</i>
	£	£
Depreciation of tangible assets	595,747	570,259
Amortisation of goodwill	408,473	408,473
Exchange differences	51,300	227,391
Operating lease rentals	550,939	690,835
Impairment of trade debtors	(84,180)	56,864
Impairment of stock	49,528	135,864
	<u>595,747</u>	<u>135,864</u>

**6. Auditors' remuneration**

	<i>2019</i>	<i>2018</i>
	£	£
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<u>30,000</u>	<u>26,375</u>

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	<i>2019</i>	<i>2018</i>
	£	£
Wages and salaries	6,595,551	6,986,565
Social security costs	841,800	904,599
Other pension costs	688,241	592,382
	<u>8,125,592</u>	<u>8,483,546</u>

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

	<i>No.</i>	<i>No.</i>
Management and administration	14	14
Engineering	70	64
Selling and distribution	32	31
	<u>116</u>	<u>109</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**8. Directors' remuneration**

	2019	2018
	£	£
Aggregate directors' emoluments	241,872	211,407
Company contributions to defined contribution pension schemes	41,359	37,731
	<u>283,231</u>	<u>249,138</u>

During the year retirement benefits were accruing to 1 director (2018: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £241,872 (2018: £211,407).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £41,359 (2018: £37,731).

**9. Interest receivable and similar income**

	2019	2018
	£	£
Bank and other interest receivable	<u>32,671</u>	<u>6,980</u>

**10. Interest payable and similar charges**

	2019	2018
	£	£
Other interest payable	<u>-</u>	<u>4,231</u>

**11. Tax on profit on ordinary activities**

	2019	2018
	£	£
<b>Corporation tax</b>		
Current tax on profit for the year	1,076,832	546,300
Adjustments in respect of prior years	<u>(2,139)</u>	<u>(659,262)</u>
<b>Total current tax</b>	<u>1,074,693</u>	<u>(112,962)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(7,302)	54,400
Adjustments in respect of prior years	<u>(28,626)</u>	<u>661,900</u>
<b>Total deferred tax</b>	<u>(35,928)</u>	<u>716,300</u>
<b>Tax on profit on ordinary activities</b>	<u>1,038,765</u>	<u>603,338</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**11. Tax on profit on ordinary activities (continued)**

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	<u>5,267,143</u>	<u>2,394,265</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,000,757	454,910
<i>Effects of:</i>		
Expenses not deductible for tax	146,735	145,790
Adjustments to current tax in respect of prior years	(2,139)	(659,262)
Adjustments to deferred tax in respect of prior years	(28,626)	661,900
Other	(77,962)	-
Total tax charge for the year	<u>1,038,765</u>	<u>603,338</u>

Factors that may affect future tax charges.

The standard rate of corporation tax in the UK was 19% throughout the year. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 19% (2018: 19%).

Further reductions to the UK tax rate have been announced which will reduce the rate to 17% by 1 April 2020. Deferred tax has been recorded at a rate of 17%, being the average rate at which the closing deferred tax balance is expected to reverse.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

### 12. Intangible assets

	<i>Goodwill</i>
	<i>£</i>
Cost:	
At 1 April 2018	<u>4,084,732</u>
At 31 March 2019	<u>4,084,732</u>
Accumulated amortisation:	
At 1 April 2018	1,633,893
Charge for the year	<u>408,473</u>
At 31 March 2019	<u>2,042,366</u>
Net book value:	
At 31 March 2019	<u>2,042,366</u>
At 31 March 2018	<u>2,450,839</u>

### 13. Tangible assets

	<i>Freehold property</i>	<i>Leasehold improvement</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Cost or valuation:					
At 1 April 2018	18,018,679	1,371,815	390,778	890,878	20,672,150
Additions	2,300	-	115,565	127,429	245,294
Disposals	-	(1,371,815)	(114,742)	(96,652)	(1,583,209)
At 31 March 2019	<u>18,020,979</u>	<u>-</u>	<u>391,601</u>	<u>921,655</u>	<u>19,334,235</u>
Accumulated depreciation:					
At 1 April 2018	397,136	1,371,815	108,197	461,806	2,338,954
Charge for the year	411,820	-	58,323	125,604	595,747
Disposals	-	(1,371,815)	(38,274)	(96,652)	(1,506,741)
At 31 March 2019	<u>808,956</u>	<u>-</u>	<u>128,246</u>	<u>490,758</u>	<u>1,427,960</u>
Net book value:					
At 31 March 2019	<u>17,212,023</u>	<u>-</u>	<u>263,355</u>	<u>430,897</u>	<u>17,906,275</u>
At 31 March 2018	<u>17,621,543</u>	<u>-</u>	<u>282,581</u>	<u>429,072</u>	<u>18,333,196</u>



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**14. Investments**

	<i>Trade investments</i>
	£
Cost and net book value:	
At 1 April 2018	<u>1</u>
At 31 March 2019	<u>1</u>

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
FANUC Robomachine UK Limited	UK	Ordinary	100%	Dormant

The registered office of FANUC Robomachine UK Ltd is Sapphire Way, Ansty Business Park, Coventry, England, CV7 9DR.

**15. Stocks**

	2019	2018
	£	£
Work in progress	3,012,042	3,071,098
Finished goods and goods for resale	8,898,999	7,154,646
	<u>11,911,041</u>	<u>10,225,744</u>

Stock recognised in cost of sales during the year as an expense was £34,103,955 (2018: £29,141,021).

An impairment charge of £49,528 (2018: charge of £135,864) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

**16. Debtors**

	2019	2018
	£	£
Trade debtors	10,395,203	9,460,850
Amounts owed by group undertakings	660,051	866,416
Other debtors	222,081	274,952
Prepayments and accrued income	558,450	775,302
Corporation tax	-	477,056
	<u>11,835,785</u>	<u>11,854,576</u>

Amounts owed by group undertakings are unsecured and repayable on demand. This includes a balance of £523,201 (2018: £646,377) on which interest is receivable at the daily Eonia (Euro Overnight Interest Average) rate fixed by the European Central Bank plus 0.125%. All other amounts owed by group undertakings are interest free.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**17. Cash at bank and in hand**

	2019	2018
	£	£
Cash at bank and in hand	<u>5,164,112</u>	<u>11,344,510</u>

**18. Creditors: amounts falling due within one year**

	2019	2018
	£	£
Payments received on account	5,406,347	11,194,421
Trade creditors	1,519,818	2,232,379
Amounts owed to group undertakings	2,640,898	3,439,553
Corporation tax	374,693	-
Other taxation and social security	1,211,426	1,303,931
Accruals and deferred income	1,771,358	3,073,408
	<u>12,924,540</u>	<u>21,243,692</u>

Amounts owed to group undertakings are unsecured, repayable on demand, interest free and relate to normal trade purchases with various agreed payment dates.

**19. Deferred taxation**

The deferred tax liability comprises:

	2019	2018
	£	£
At beginning of year	698,600	(17,700)
(Credited) / charged to the Statement of Comprehensive Income	<u>(35,928)</u>	<u>716,300</u>
At end of year	<u>662,672</u>	<u>698,600</u>

The deferred taxation balance is made up as follows:

	2019	2018
	£	£
Accelerated capital allowances	670,780	707,043
Other short term timing differences	<u>(8,108)</u>	<u>(8,443)</u>
	<u>662,672</u>	<u>698,600</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**20. Other provisions**

	<i>Product Warranties</i>
	£
At 1 April 2018	253,721
Provided in year	86,400
Utilised in year	(45,042)
(Credited) to profit and loss account	(142,342)
At 31 March 2019	<u>152,737</u>

A provision for product warranties has been made to cover the costs of expected warranty claims on product sales. It is expected that this expenditure will be incurred within 2 years of the balance sheet date.

**21. Called up share capital**

	2019	2018
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
1,402 (2018:1,402) Ordinary shares of £1,000 each	<u>1,402,000</u>	<u>1,402,000</u>

**22. Reserves****Share premium account**

The share premium account represents amounts received on the issue of share capital in excess of the nominal value of share capital, less any costs incurred as a result of the issue.

**Profit and loss account**

The Profit and Loss Account represents the accumulated profits, losses and distributions of the company.

**23. Capital commitments**

At 31 March 2019, the Company had capital commitments of £nil (2018: £nil)

**24. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £688,241 (2018: £592,382). Contributions totalling £47,694 (2018: £44,672) were payable to the fund at the balance sheet date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

**25. Commitments under operating leases.**

At 31 March, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<i>2019</i>	<i>2018</i>
	£	£
Not later than 1 year	460,925	433,180
Later than 1 year and not later than 5 year	531,552	441,480
	<u>992,477</u>	<u>874,660</u>

**26. Controlling party**

The immediate parent undertaking is FANUC Europe Corporation, a company incorporated in Luxembourg, which is the parent undertaking of the smallest group to consolidate these financial statements. Copies of FANUC Europe Corporation's consolidated financial statements can be obtained from the Company Secretary at FANUC UK Limited, Sapphire Way, Ansty Business Park, Coventry, CV7 9DR.

The ultimate parent undertaking and controlling party is FANUC Corporation, a company incorporated in Japan, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of FANUC Corporation's consolidated financial statements can be obtained from the Company Secretary at FANUC UK Limited, Sapphire Way, Ansty Business Park, Coventry, CV7 9DR.