Sharp Electronics (Europe) Limited

Annual report and financial statements

Registered number 08060689

31 March 2019

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Strategic report

Review of performance

For UK Statutory Accounts purposes, these audited accounts represent the activities of Sharp Electronics (Europe) Ltd in the UK together with Sharp Electronics (UK) Manufacturing activities and those of the branch Sharp Electronics (Europe) Ltd, Sucursal en Espana.

Sharp Electronics (Europe) Ltd ('the Company') is a wholly owned subsidiary of Sharp Corporation and operates as the European headquarters for Sharp Corporation's European Division.

The Company was established in order to re-shape Sharp in Europe, to regenerate business and create a sustainable future. The Company holds strategic oversight of the markets and supply chain, key European Management Master Distributor (MD) and the Entrepreneur of the Business products into Europe together with process and routine shared service responsibility as well as being the support. Sharp Electronics (Europe) Ltd, Sucursal en Espana continues business systems operations selling to primarily dealer businesses across Spain. Sharp Electronics (UK) Manufacturing continues its OEM activities, primarily focused on microwave manufacturing and sales to third parties. As shown on page 11, the Company's turnover of €55,112,000 (2018: €63,288,000). The reduction in turnover is mainly due to a decrease in the variable strategic management fee of €11,070,000 (2018: €19,800,000) This fee compensates Sharp Electronics (Europe) Ltd for the functions and risks it undertakes as the European Master Distributor and is dependent on the results of the European business. Turnover for Sharp Electronics (Europe) Ltd, Sucursal en Espana of €13,463,000 (2018: €12,783,000) and Sharp Electronics (UK) Manufacturing of €30,676,000 (2018: €29,987,000) remains stable and consistent with the prior year.

The loss before tax was €27,838,000 (2018: €11,012,000 profit) mainly driven by investment impairment of €25,910,000. The impairment relates to the investment in Sharp Electronics France S.A. and is the result of a business reorganisation decision which includes the transfer of their investment in Sharp Business Systems France to another Sharp group company. Excluding this amount, the loss before tax was €1,928,000. 2018 profit included €6,925,000 related the profit on disposal of tangible fixed assets and €6,015,000 relating to the profit on disposal of investments to another Sharp group company. Excluding these amounts, the loss before tax was €1,928,000. The net assets attributable to ordinary shareholders reduced by €31,618,000 to €73,215,000 (2018: €104,833,000), which was related to the combined result of the loss for the year and remeasurement losses on the defined benefit pension scheme.

The net current liabilities increased by €10,681,000 to €40,229,000 (2018: €29,548,000), this was mainly driven by a reduction in debtor and cash balances in the year.

Gross profit margin in the year was 40.9% (2018: 52.4%) with the reduction mainly due to the decrease in the variable strategic management fee outlined above.

The monthly average number of employees in the Company was 213 (2018: 200).

For going concern purposes, it is recognised that continued funding support is required from Sharp Corporation and its subsidiaries. Sharp Corporation have confirmed that the Company continues to be an important investment in Europe and will continue to provide support to enable the company to continue to meet its liabilities as they fall due for 12 months from the approval of these accounts.

Principal risks and uncertainties

The Directors are aware of risks and uncertainties which may affect the Company. The Company's principal risks are twofold. Firstly, our ability to deliver technologically advanced products, ahead of our competitors, that can deliver a profitable margin. Secondly, we have to minimise production costs and selling expenses to cope with the continued price erosion we experience in all sectors as margins continue to decline and mature markets stagnate or reduce in terms of volume opportunities. The negative effects of these risks and uncertainties are being mitigated through strategic planning, investment in research and development and product marketing together with operational efficiency improvements and strong controls.

Strategic report (continued)

Principal risks and uncertainties (continued)

The uncertainty of exchange rate movements continues to be a risk for Sharp Electronics Europe Ltd. These risks are being managed through the Treasury techniques implemented by the European treasury hub, Sharp International Finance (U.K.) Plc. Examples include setting up foreign exchange contracts to hedge against anticipated currency exposures and operational netting which involves the consolidated settlement of receivables, payables and debt with the same entity and in the same currency.

While the nature of the UK's future trading relationship with the EU post Brexit is still to be determined we remain mindful of the challenges presented by Brexit and the ongoing uncertainty surrounding its eventual implementation. We have a dedicated internal team who monitor and consider the impact of relevant European legal changes that could impact the European Sharp business, there are periodic updates communicated to the company's pan European Senior Management team to ensure there is proper understanding of the potential change impact. To date we have seen no material impact on financial performance from the decision.

The Company, including its division Sharp Electronics (UK) Manufacturing and branch Sharp Electronics (Europe) Ltd, Sucursal en Espana, have undertaken a review of the potential impact on its relevant business flows, this includes EU supplies in and out of the UK; in case of a 'No Deal' scenario, the price impact on the businesses is unlikely to be significant and the impact on import cost is currently expected be immaterial due to the nature of goods imported and their assigned tariff codes. As a counter measure we have started to increase stock levels at our UK warehouses where necessary to protect ourselves against delayed supply chain flows. We expect any additional working capital support which may be required to be available with the support of Sharp Corporation. Other additional measures have also been taken by the company to ensure there is smooth flow of goods through UK customs, this includes the continued use of its CFSP (customs freight simplified procedure) status. The Company has also been awarded 'Authorised Economic Operator' status in anticipation of import material delays following on from possible post Brexit port bottlenecks. As further details of the terms of our departure from the EU emerge, we will continue to assess and monitor the potential risks and impacts and take appropriate measures.

The Company is committed to ensuring that all personal data (employees, customers or any other) which it either holds or processes is stored in a safe and secure manner and only used for the purpose for which it is needed. In order to achieve this the Company continuously reviews its organisation, systems, processes and security taking action to address any shortcomings which may put this commitment at risk. In particular the Company is committed to putting in place the necessary means so that personal data is only used for the strict purpose for which it has been provided, training employees to understand their responsibility and legal requirements when it comes to the storage, processing and use of personal data, working with its third party suppliers to ensure they also meet this commitment to the use, storage and security of personal data, continually reviewing and improving its internal data security systems and operations to minimise the risk of breach and cyber-attacks, Offering products and services to its customers which meet or exceed their expectations when it comes to data protection and security.

The Company will also continuously review its organisation, systems, processes and security taking action to address any shortcomings which may put this commitment at risk. The Directors remain focused on protecting Sharp's interests in all remaining markets while ensuring overall Sharp Corporation strategy is achieved.

Objectives and future developments in the business

The Company continues to address issues of complexity, duplication in processes and sales distribution models in order to improve efficiency. Following investment by Hon Hai Precision Industry Co. Ltd (trading as "Foxconn"), the European Business has continued to benefit from improvements in investment decision making as well as opportunities in product collaboration and sharing of business practices.

As part of a wider reorganisation to simplify the group structure, the directly held subsidiary Sharp Electronics France S.A. has transferred their investment in Sharp Business Systems France. Disposal proceeds will be utilised to create business growth through the acquisition, advancing efforts aimed at synergistic, collaborative growth.

Strategic report (continued)

Objectives and future developments in the business (continued)

Sharp Electronics (UK) Manufacturing have recently released new models for all customers and an increase in orders is expected. To meet this additional demand a new sub-assembly supplier has been engaged which will enable the Company to significantly increase production capacity. Sharp Electronics (Europe) Ltd, Sucursal en Espana continues business systems operations selling to primarily dealer businesses across Spain.

Environment

Sharp Electronics (Europe) Ltd operates in regards to all EU and UK applicable laws and relevant regulations. Sharp Corporation has implemented a worldwide strategy focusing on the importance of protecting the environment and commits the Corporation to minimise the impact it and its products have on the environment.

By order of the board

J Ashida | **S Nomura**

Director | *Director*

4 Furzeground Way

Stockley Park

Uxbridge

UB11 1EZ

3rd October 2019

Company registered number: 08060689

Directors' report

Directors
The directors who held office during the year and up to the date of signing these financial statements were as follows:

J Ashida
S Nomura

Proposed Dividend
The directors do not recommend the payment of a dividend *(2018: €nil)*.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors. These provisions were made during the year and remain in force.

Research & Development
The Company incurred Research and Development costs during the year at the branch Sharp Electronics (Europe) Ltd, Sucursal en Espana of which €730,000 *(2018: €648,000)* which were recharged to relevant Sharp subsidiaries.

Financial risk management objectives and policies
The Company is exposed to a number of financial risks including price, credit, cash flow, liquidity and currency risk. The Company has processes and procedures in place to address these risks.

Price risk
Sharp has experienced price deflation due to tough market conditions. This has been managed by maintaining optimum stock lead times for the demand levels and avoiding over-stocking in the supply chain.

Credit risk
The Company's principal financial assets are bank balances, cash, cash pooling, trade and other receivables and investments. The majority of the Company's third party receivables are insured using credit insurance. In situations where normal credit insurance is unavailable, the Company seeks to obtain bank guarantees, letters of credit or ultimate customer guarantees for large projects or top-up premiums if appropriate.

Cash flow and Liquidity risk
Cash forecasts are prepared monthly for the parent company Sharp Corporation. The Company requires all units to optimise their cash positions and transfer available cash into a cash pooling arrangement for the benefit of the European operations. The cash pooling arrangement ensures that sufficient funds are available for ongoing operations and future development.

Currency risk
Currency exposure risks are managed by the Company's treasury function, taking out currency contracts in line with Sharp Corporate policy and reflecting gains or losses through the profit and loss account.

Employee policies
Details of the number of employees and related costs can be found in note 4. All employees are encouraged to participate in training to develop their abilities.

Employee involvement
The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors (financial and economic) affecting the performance of the Company. This is achieved through formal and informal meetings, intranet, email and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Directors' report *(continued)*

Equality and diversity
The Company seeks to create a working environment free from unfair and unlawful discrimination and harassment. It is the Company's policy to promote equal treatment for all employees and potential employees and the Company is committed to equality of opportunity. In assessing applicants for employment the Company undertakes to assess people on their ability, competence and performance in their job roles. No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, age, religious belief, language, political or other opinion affiliation, connections with a national minority, property, birth or other status, gender, gender reassignment, sexual orientation, marital status, family connections, membership or non-membership of a trade union or disability. By doing so the Company believes that it can maximise each individual's potential to achieve corporate goals by adding value to the business through capitalising on these diverse talents and their abilities. We seek to foster an atmosphere in which our employees' diversity and individuality are valued, and in which they can fully demonstrate their skills and abilities. We will also strive to actively develop human resources.

Disabled employees
It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue, wherever possible, the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

Health and safety
The Company aims to ensure that all employees work in a safe and healthy environment, free from accident, illness and injury at work.

Harmony with the Community
It is the Company's policy to contribute to global development and understanding by conducting business activities in a manner that respects the cultures and customs of all countries and regions. As a good corporate citizen, the Company is committed to work to coexist harmoniously with the local communities where we live and work, by actively developing social contribution programs in the fields of the environment, education and social welfare.

Contribution to the Conservation on the Global Environment
The Company is committed to further contribute to global environmental conservation by strengthening our development of proprietary technologies for protecting the global environment, and by carrying out business activities in an environmentally conscious manner.

Disclosure
In accordance with section 414(c) of the Companies Act 2006 certain information required to be disclosed in the Directors' Report has been included in the Strategic Report. This includes information about important events subsequent to year end and an indication of the likely future development of the business.

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

Independent auditors
The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Directors' report *(continued)*

By order of the board

J Ashida

Director

S Nomura

Director

4 Furzeground Way

Stockley Park

Uxbridge

UB11 1EZ

3rd October 2019

Company registered number: 08060689

Statement of directors' responsibilities in respect of the financial statements

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Independent auditors' report to the members of Sharp Electronics (Europe) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sharp Electronics (Europe) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 31 March 2019; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Independent auditors' report to the members of Sharp Electronics (Europe) Limited *(continued)*

Reporting on other information *(continued)*

Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the annual report and the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Sharp Electronics (Europe) Limited
(continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Daniel Dennett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

3rd October 2019

Statement of Comprehensive Income

for year ended 31 March 2019

	Note	2019 €000	2018 €000
Turnover	2	**55,112**	63,288
Cost of sales		**(32,549)**	(30,132)
Gross profit		**22,563**	33,156
Other operating expenses	3,4	**(25,128)**	(34,130)
Operating loss before exceptional items and impairments	5	**(2,565)**	(974)
Restructuring cost provision		**593**	(140)
Profit on disposal of tangible fixed assets		**3**	6,925
(Loss) / profit on disposal of investments		**(50)**	6,015
Investment impairment loss		**(25,910)**	-
Pension GMP equalisation	17	**(397)**	-
Operating (loss) / profit after exceptional items and impairments		**(28,326)**	11,826
Interest payable and similar charges	6	**(1,582)**	(3,401)
Interest receivable and similar income	7	**382**	590
Income from shares in group undertakings		**1,688**	1,997
(Loss) / profit on ordinary activities before taxation		**(27,838)**	11,012
Tax on (loss) / profit on ordinary activities	8	**(794)**	(3,984)
(Loss) / profit for the financial year		**(28,632)**	7,028

Other comprehensive (expenses) / income		2019 €000	2018 €000
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain recognised in the pension scheme		**(3,651)**	23,505
Deferred tax arising on employee benefits	16	**32**	(9,108)
Foreign exchange on pension		**-**	216
Items that may be reclassified to profit or loss			
Exchange gain/ (loss) on translation of foreign operation		**633**	(176)
Total other comprehensive (expense) / income		**(2,986)**	14,437
Total comprehensive (expense) / income for the year		**(31,618)**	21,465

Balance Sheet
at 31 March 2019

	Note	2019 €000	2018 €000
Fixed assets			
Intangible assets		-	1
Tangible assets	9	2,004	2,260
Investments	10	95,113	121,131
		97,117	123,392
Current assets			
Stocks	11	4,174	2,786
Debtors	12	60,618	67,498
Cash at bank and in hand		13,038	19,508
		77,830	89,792
Creditors: amounts falling due within one year	13	(118,059)	(119,340)
Net current liabilities		(40,229)	(29,548)
Total assets less current liabilities		56,888	93,844
Creditors: amounts falling due after more than one year	13	(206)	(405)
Provisions for liabilities	14	(14,714)	(16,798)
Net assets excluding pension asset		41,968	76,641
Pension asset	17	31,247	28,192
Net assets		73,215	104,833
Capital and reserves			
Called up share capital	18	80,469	80,469
Share premium		30,824	30,824
Capital surplus		65,516	65,516
Profit and loss account		(103,594)	(71,976)
Shareholders' funds		73,215	104,833

The accompanying notes are an integral part of these financial statements. The financial statements on pages 11 to 36 were approved by the board of directors on 3rd October 2019 and were signed on its behalf by:

J Ashida
Director

S Nomura
Director

Company registered number: 08060689

Statement of Changes in Equity

	Called up share capital €000	Share premium account €000	Capital surplus €000	Profit and loss account €000	Total equity €000
Balance at 1 April 2017	80,469	30,824	65,516	(93,441)	83,368
Total comprehensive income for the period					
Profit for the financial year	-	-	-	7,028	7,028
Other comprehensive income	-	-	-	14,437	14,437
	-	-	-	21,465	21,465
Balance at 31 March 2018	**80,469**	**30,824**	**65,516**	**(71,976)**	**104,833**
Balance at 1 April 2018	80,469	30,824	65,516	(71,976)	104,833
Total comprehensive expense for the period					
Loss for the financial year	-	-	-	(28,632)	(28,632)
Other comprehensive expense	-	-	-	(2,986)	(2,986)
	-	-	-	(31,618)	(31,618)
Balance at 31 March 2019	**80,469**	**30,824**	**65,516**	**(103,594)**	**73,215**

Notes
(forming part of the financial statements)

1 Accounting policies

Sharp Electronics Europe Ltd is a company incorporated and domiciled in England. The company registered office address is 4 Furzeground Way, Stockley Park, Uxbridge, Middlesex UB11 1EZ, United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

The Company's ultimate parent undertaking, Sharp Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Sharp Corporation are available to the public and may be obtained from http://sharp-world.com/corporate/ir/index.html.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosure in respect of the compensation of Key Management Personnel
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- Disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are new accounting standards that are effective for the year ended 31 March 2019. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 15 replaces the provisions of IAS 18 that govern revenue recognition criteria. The Company has fully adopted these new standards in the year to 31 March 2019. Adoption of these standards did not result in any changes to reported financial performance. Given the Sharp Electronics (UK)

Notes *(continued)*

1 Accounting policies *(continued)*

Manufacturing division of the Company manufacture and supply products in accordance with specific design pre-defined by their customers, there is no substantial obligation after the goods are collected by the customer. The branch Sharp Electronics (Europe) Ltd, Sucursal en Espana sells to dealers and the performance obligation is considered to be fulfilled once the goods are delivered to the customers. Variable management fee revenue which compensates Sharp Electronics (Europe) Ltd for the functions and risks it undertakes as the European Master Distributor will also continue to be accounted for on the same basis and no changes to the revenue recognition basis were required on adoption of IFRS 15. In respect of IFRS 9 the Company's main financial assets are trade and other receivables which are all collected within one year. As such the expected credit loss arising on trade receivables was insignificant. As such while the Company has fully adopted these two new standards there has been no impact on current or prior year results.

(b) New standards and interpretations not yet adopted
The following standards or amendments to published standards are mandatory for accounting periods beginning on or after 1 April 2019, and have not been early adopted.

– IFRS 16, 'Leases'. This new accounting standard requires lessees to recognise almost all lease contracts on the balance sheet; the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard will also influence the income statement, because a lessee now has to recognise interest expense on the lease liability (obligation to make lease payments) and depreciation on the 'right-of-use' asset. Due to this, for lease contracts previously classified as operating leases the total amount of expenses at the beginning of the lease period will be higher than under IAS 17. For both, lessees and lessors IFRS 16 adds significant new, enhanced disclosure requirements. The standard is effective for periods beginning on or after 1 January 2019.

The Company will adopt the standard as at 1 April 2019 by assessing the operating leases in place at that date under current accounting standards.

The Company plans to apply the "modified retrospective approach" to existing operating leases so that the new standard is adopted retrospectively. In other words, existing operating leases will be capitalised with the cumulative effect recognised at the date of application as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements.

It is expected that the Company will also take advantage of the following exemptions permitted by IFRS 16:

- Exclude short-term leases (with 12 months or less remaining at the date of adoption) and low value leases from being brought onto the balance sheet. These will continue to be expensed directly to the income statement.

- The lease liability will be measured at 1 April 2019 as the present value of the future lease payments discounted using the interest rate implicit in the lease or the appropriate incremental borrowing rate.

The impact of transition to IFRS 16 on the Company's 1 April 2019 balance sheet is expected to be an increase in liabilities of €7,388,000 and an increase in right of use assets of €3,999,000 The interest rate implicit in the lease applied to the Group's lease liabilities to be recognised in the balance sheet at 1 April 2019 is 1.75%. The incremental borrowing rate applied to the Group's lease liabilities to be recognised in the balance sheet at 1 April 2019 is 3%. The lease liability of €7,388,000 will be included as a liability on the balance sheet as at 1 April 2019.

The majority of the Company's leases are either property leases or motor vehicle leases. The Company maintains a central register of property leases. Motor vehicle leases are generally shorter leases of up to 4 years and these are reviewed on an annual basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Contracts signed after 1 April 2019 will be assessed in line with the criteria under IFRS 16 and this will increase or decrease the lease liability and right of use asset figures for future reporting periods.

Effect on EBITDA

EBITDA as reported in the strategic report will increase in future reporting periods as the operating lease cost is currently charged against EBITDA under IAS 17 whereas under IFRS 16 the charge will be included within depreciation and interest expense and therefore excluded from EBITDA. Short-term leasing costs, low value asset leasing costs and non-lease components will continue to be charged against EBITDA.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going Concern

The Company has net current liabilities of €40,229,000. The ultimate parent undertaking Sharp Corporation, 1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan. has confirmed its intention to provide any financial support required by the Company or its subsidiaries, including not seeking repayment of amounts currently made available by Sharp Corporation or other of its subsidiaries, for each Company to meet its financial obligations as they are due as long as they remain within the Sharp Group for 12 months from the approval of these accounts.

For the reasons explained, the Directors consider that Sharp Corporation has the ability and intention to continue to support the Company and therefore deem it appropriate to adopt the going concern basis in preparing the accounts.

Foreign currency transactions

Transactions in foreign currencies are translated to functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The division of the Company, Sharp Electronics (UK) Manufacturing, operates under a functional currency of Sterling. The company's policy is to translate profit and loss items to the Company's functional currencies at the foreign exchange rate using an average of monthly exchange rates for the year. Balance sheet items are translated at the foreign exchange rate ruling at that date. The resulting exchange differences are recognised in other comprehensive income

Tangible assets

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

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

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

Tangible assets costs include the purchase cost and any costs incurred to bring the asset to the location and condition needed for it to operate in the manner intended by management.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible assets costs include the purchase cost and any costs incurred to bring the asset to the location and condition needed for it to operate in the manner intended by management.

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

Freehold land and buildings	20 - 25 years or life of Lease
Vehicles and equipment	4 - 10 years
Tool, fixtures and fittings	5 – 10 years

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

Stocks

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

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset). The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements. The Company's employees are members of a group wide defined benefit pension plan. The net defined benefit cost of the plan is charged to participating entities on the following basis: share of the assets and liabilities in the scheme based on an allocation of liabilities performed by the scheme's actuaries. The contributions payable by the participating entities are determined on the following basis: as per the share of the schemes liabilities allocated to the entity.

Provisions

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

Turnover

The Company operates in five key revenue streams, digital document systems, audio-visual and communication equipment, health and environment systems, business solutions and variable strategic management fee, classified as other revenue. All turnover is stated net of VAT and trade discounts. Digital document systems, audio-visual and communication equipment, health and environment systems, business solutions turnover is recognised after the significant risks and rewards of ownership has been transferred to the buyer, the amount of revenue and associated costs can be measured reliably and the economic benefits associated with the transaction is probable, in line with relevant International Commercial Terms and relevant accounting standards. Variable strategic management fee turnover is recognised at the end of the financial year once results have been reviewed and finalised.

Dividend income

Subsidiaries of the company may on occasion issue dividends to the Company. The Company defines dividend income as the distribution of profits and as such recognises this income as dividend income in the profit and loss, in accordance with IAS 18.5c. Distributions from subsidiaries other than that of distribution of profits, example being capital reduction distributions, the Company chooses not to recognise as dividend income; such distributions will be recognised as repayment of the initial investment.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

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

Trade and other creditors

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

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

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

Expenses

Operating lease payments

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

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Capital Management

The Company's capital consists of share capital, share premium, capital surplus and retained earnings totalling €73,215,000 (31 March 2018: €104,833,000). The Company's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

All funding required for working capital purposes is financed from existing cash resources where possible.

Notes *(continued)*

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised upon delivery of the products or provision of services. The turnover presented below contains sales to both Sharp Group Entities as well as third party entities.

The analysis of the Company's turnover is as follows:

	2019	2018
	€000	€000
By activity		
Digital Document systems	**11,886**	11,330
Audio-visual and communication equipment	**726**	1,067
Health and Environment systems	**30,677**	30,219
Business solutions	**876**	1,066
Other	**10,947**	19,606
	55,112	63,288

Other turnover represents the variable strategic management fee which compensates SEE for the functions and risks it undertakes as the European Master Distributor.

	2019	2018
	€000	€000
By geographical market		
UK	**4,312**	5,189
France	**11,773**	20,549
Germany	**12,759**	13,702
Sweden	**3,746**	3,550
Poland	**1,055**	17
Netherlands	**794**	1,016
Spain	**12,229**	12,056
Switzerland	**88**	48
Czech Republic	**-**	(7)
Hungary	**1,011**	983
Italy	**817**	831
Norway	**-**	(1)
Belgium	**-**	(5)
Other	**6,528**	5,360
	55,112	63,288

Notes *(continued)*

3 Information regarding directors and employees

Directors' emoluments

	2019	2018
	€000	€000
Emoluments	**583**	**563**
	583	**563**
Remuneration of highest paid director	**297**	**179**

4 *Staff costs during the year (including directors)*

	2019	2018
	€000	€000
Wages and salaries	**12,313**	12,409
Social security costs	**1,245**	1,199
Pension costs	**546**	606
Other	**-**	22
	14,104	14,236

Average monthly number of persons employed

	2019	2018
	No.	No.
Production and service	**129**	114
Administration	**65**	70
Sales	**19**	16
	213	200

5 Operating (loss)/profit

	2019	2018
	€000	€000
Operating (loss)/profit is stated after charging:		
Depreciation of owned tangible fixed assets	**583**	411
Depreciation of leased tangible fixed assets	**4**	32
Operating lease rentals – Land and Buildings	**742**	757
Research and development costs	**730**	648

Notes *(continued)*

5 Operating (loss)/profit (continued)

Auditors' Remuneration

Across the Sharp Electronics (Europe) Limited and Subsidiaries, audit and non-audit fees amounted to:

	2019	2018
	€000	€000
Audit of these financial statements	**111**	198
Audit of financial statements of subsidiaries pursuant to legislation	-	223
Tax compliance services	-	80
Tax advisory services	-	285
Corporate finance services	-	57
Other assurance services	-	21
	111	864

6 Interest payable and similar charges

	2019	2018
	€000	€000
Net pension interest and similar charges	**6**	1,087
Net exchange gains and losses	**940**	1,375
Cash pooling interest due to group undertakings	**614**	911
Other	**22**	28
	1,582	3,401

7 Interest receivable and similar income

	2019	2018
	€000	€000
Bank interest	**88**	24
Cash pooling interest from group undertakings	**294**	566
Other	-	-
	382	590

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account	2019 €000	2018 €000
Prior year losses surrendered by way of group relief	**307**	1,538
Release of tax asset no longer considered recoverable	**-**	(1,286)
Total current tax	**307**	252
Deferred tax (see note 16)		
Reduction in estimated recoverable losses	**-**	(1,961)
Difference to rate applied to pension surplus	**(1,101)**	(2,275)
Total deferred tax	**(1,101)**	(4,236)
Total tax	**(794)**	(3,984)

Income tax recognised in other comprehensive income	2019 €000	2018 €000
Deferred and withholding tax arising on employee benefits	**32**	(9,108)

Reconciliation of effective tax rate	2019 €000	2018 €000
(Loss)/profit for the year	**(27,838)**	11,012
Corporation tax rate of 19% *(2017: 20%)*	**5,289**	(2,092)
Effect of:		
Expenses not deductible for tax purposes	**(4,830)**	(307)
Difference to rate applied to pension surplus	**(1,101)**	(2,275)
Reduction in estimated recoverable losses	**-**	(1,961)
Prior year losses surrendered by way of group relief	**307**	1,538
Release of tax asset no longer considered recoverable	**-**	(1,286)
Tax exempt income	**321**	1,963
Current year losses carried forward for which no deferred tax asset was recognised	**(2,168)**	(2,312)
Pension contribution deduction for tax purposes	**1,388**	2,748
Total tax expense	**(794)**	(3,984)

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

The deferred tax at 31 March 2019 has been calculated based on these rates. The deferred tax on employee benefits which represents the amount which would be withheld at a rate of 35% from any refund due under pension regulations.

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and buildings €000	Tools, fixtures and fittings €000	Vehicles and equipment €000	Assets for Lease /Rental/Under construction €000	Total €000
Cost					
At 1 April 2018	8,855	5,196	4,442	2,320	20,813
Additions	-	135	-	203	338
Disposal	-	(85)	(8)	(1,743)	(1,836)
Transfer	-	691	-	(691)	-
Translation adjustment	135	(60)	58	4	137
At 31 March 2019	8,990	5,877	4,492	93	19,452
Accumulated depreciation					
At 1 April 2018	7,899	4,530	4,386	1,738	18,553
Charge for the year	113	466	14	4	597
Disposals	-	(74)	(8)	(1,742)	(1,824)
Translation adjustment	131	(67)	58	-	122
At 31 March 2019	8,143	4,855	4,450	-	17,448
Net book vale					
At 31 March 2019	**847**	**1,022**	**42**	**93**	**2,004**
At 31 March 2018	956	666	56	582	2,260

The company has granted a fixed charge over the building and long leasehold land to the trustees of the Sharp Electronics (U.K.) Pension Scheme as security in respect of the obligations and liabilities of certain companies which are party to that pension scheme to make payments up to a maximum of their aggregate amount as at 21 March 2014.

Notes *(continued)*

10 Fixed asset investment

	Shares in subsidiaries €000
Cost	
At 1 April 2018	121,309
Adjustments	(108)
At 31 March 2019	121,201
Provisions	
At 1 April 2018	(178)
Impairment	(25,910)
At 31 March 2019	(26,088)
Net book value	
At 31 March 2019	95,113
At 31 March 2018	121,131

Adjustments in the year relate to the deferred consideration on the acquisition of Midshire Business System Limited and Midshire Business System (Northern) Limited.

The impairment within the year relates to the investment in Sharp Electronics France S.A. and is the result of a business reorganisation decision which included the transfer of its investment in Sharp Business Systems France on 30 July 2019.

Notes *(continued)*

Directly held Subsidiaries

Company	Class/%	Principal Activity	Country of Incorporation/ principal place of business
Sharp Business Systems UK PLC	Ordinary/100%	Sale of Copiers	Northern House Wakefield WF3 2EE Great Britain
Sharp Electronics France S.A.	Ordinary/100%	Sale of Consumer Electronics and Copiers	22 Avenue des Nations Villepinte, 93420 France
Sharp Laboratories of Europe Ltd	Ordinary/100%	Research & Development	Edmund Halley Road Oxford OX4 4GB Great Britain
Midshire Business System Ltd	Ordinary/100%	Sale of Copiers	Midshire House West Midlands B71 4LT Great Britain
Midshire Business System (Northern) Ltd	Ordinary/100%	Sale of Copiers	Midshire House West Midlands B71 4LT Great Britain
Sharp Communication Compliance Limited	Ordinary/100%	Dormant	15 Canada Square London E14 5GL Great Britain
Sharp Telecommunications of Europe Ltd	Ordinary/100%	Dormant	15 Canada Square London E14 5GL Great Britain
Sharp Manufacturing France S.A.	Ordinary/100%	Manufacture & sales of office equipment	Route Bollwiller Soultz, 68360 France

Notes *(continued)*

Indirect holdings

Company	**%**	**Country of incorporation**	**Status**
Copifax Limited	100%	Northern House Moor Knoll Lane Wakefield WF3 2EE Great Britain	Dormant
Sharp Business Systems France	100%	12 rue courtois de viçose BAT3 Portes Sud, 31100 Toulouse France	Trading
Gascogne Bureautique	100%	85 avenue charles de gaulle 32500 Fleurance France	Trading

11 Stocks

	2019	2018
	€000	€000
Raw materials and consumables	**3,720**	2,439
Spare parts	**78**	80
Finished goods	**376**	267
	4,174	2,786

The directors believe there is no material difference between the balance sheet value of stocks and their replacement cost.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €57,091,967 (2018: €36,234,481).

Notes *(continued)*

12 Debtors

	2019	2018
	€000	€000
Trade debtors	**12,000**	11,128
Amounts owed by group undertakings	**13,813**	24,066
Short term loans receivable by group undertakings	**32,137**	27,025
Other debtors and prepayments	**591**	1,817
Deferred tax asset (note 15)	**1,523**	1,523
VAT receivable	**554**	1,939
	60,618	67,498

The deferred tax assets above fall due after more than one year.

13 Creditors

	2019	2018
	€000	€000
Amounts falling due within one year		
Trade creditors	**1,063**	1,071
Amounts owed to group undertakings	**3,457**	4,138
Short term loans payable to group undertakings	**105,761**	102,138
Deferred consideration on Midshire acquisition	**-**	315
Other creditors	**1,120**	1,463
Accruals	**6,658**	10,215
	118,059	119,340

	2019	2018
	€000	€000
Amounts falling due greater than one year		
Long-term loans payable	**206**	597

The fair value of trade creditors, amounts owed to group undertakings, and other creditors approximate their carrying value due to short term maturities. Short term loans payable to group undertakings include €97,628,000 of unsecured short term intercompany cash positions with an interest rate of 0.551% and €8,133,000 with an interest rate of 0.6250% on which interest is incurred based on daily rates provided by Sharp group treasury centre Sharp International Finance (U.K.) Plc, and payable on demand.

Notes *(continued)*

14 Provisions for liabilities

	Deferred tax €000	Product warranties €000	Restructuring €000	Residual value €000	Total €000
At 1 April 2018	9,867	444	5,038	1,449	16,798
Additions/increase in the year	1,070	224	-	-	1,294
Provisions used during the year	-	(119)	(1,810)	(1,449)	(3,378)
At 31 March 2019	**10,937**	**549**	**3,228**	**-**	**14,714**

The Company continues to hold the warranty risk for microwave products calculated with reference to the level of sales and actual warranty costs incurred in remedying claims for the microwave product category.

The restructuring provision relates to the restructuring of the Consumer Electronics Divisions within the Europe region. The closing provision includes facilities and warehouse charges based on legally binding obligations and a warranty provision for discontinued product categories. The greatest uncertainty in estimating the provision is the estimation of future product returns for products still under warranty which is based on historic sales information and product return trends.

15 Contingencies

	Assets		Liabilities		Net	
	2019 €000	2018 €000	**2019 €000**	2018 €000	**2019 €000**	2018 €000
Contingent assets	**1,608**	-	**-**	-	**1,608**	-
Net contingent assets	**1,608**	-	**-**	-	**1,608**	-

In June 2015 Sharp Electronics (Europe) Ltd, Sucursal en Espana made an appeal to the assessment proposal of tax on the increase in value of urban land before the Regional Court of Barcelona. Despite challenging the tax assessment the Company made a payment to the authorities for property tax of €1,396,349 in order to avoid the cost of suspension of tax collection during the appeal. The Superior Court of Cataluña has now made a decision regarding the assessment in the Company's favour and have confirmed that the tax authorities are required to make a repayment of €1,608,097 (€1,396,349 tax plus €211,747 interest), The tax authorities made this repayment on 10 July 2019.

The asset was considered to be contingent as at 31 March 2019 and as such has been recognised in these financial statements.

Notes *(continued)*

16 Deferred taxation

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	€000	€000	**€000**	€000	**€000**	€000
Employee benefits	**-**	-	**(10,937)**	(9,867)	**(10,937)**	(9,867)
Tax value of loss carry-forwards	**1,523**	1,523	**-**	-	**1,523**	1,523
Net tax assets/(liabilities)	**1,523**	1,523	**(10,937)**	(9,867)	**(9,414)**	(8,344)

The tax rate used for the deferred tax assets is 17%. The deferred tax on employee benefits represents the amount which would be withheld at a rate of 35% from any refund due under pension regulations.

The Company recognised Deferred Tax on Losses carried forward using a forecast model of expected returns over a 10 year period, unrecognised Tax losses amounted to €21,406,000 (2018: €28,958,000).

Movement in deferred tax during the year

	1 April 2018 €000	Recognised in income €000	Recognised in equity €000	Foreign exchange €000	31 March 2019 €000
Employee benefits (2018 reversal)	(9,867)	-	9,867	-	-
Employee benefits (2019 mov't)	-	(1,101)	(9,904)	68	(10,937)
Tax value of loss carry-forwards utilised	1,523	-	-	-	1,523
	(8,344)	(1,101)	(37)	68	(9,414)

Deferred tax arising on employee benefits in the year recognised is equity is €32,000 (€9,904,000 movement, €68,000 foreign ex recognised in income of €1,101,000 plus €9,867,000 2018 reversal)

Movement in deferred tax during the prior year

	1 April 2017 €000	Recognised in income €000	Recognised in equity €000	Foreign exchange €000	31 March 2018 €000
Employee benefits (2017 reversal)	1,516	-	(1,516)	-	-
Employee benefits (2018 mov't)	-	(2,275)	(7,555)	(37)	(9,867)
Tax value of loss carry-forwards utilised	3,484	(1,961)	-	-	1,523
	5,000	(4,236)	(9,071)	(37)	(8,344)

Notes *(continued)*

17 Pension commitments

Composition of the scheme

The Company participates in a group defined benefit scheme in the UK. The scheme is governed by the scheme Trustees in accordance with the Pension Scheme regulations. The Company accounts for its share of the assets and liabilities in the scheme based on an allocation of liabilities performed by the scheme's actuaries.

The policy for charging net defined benefit costs and determining the contribution to be paid by the entity is based on the Recovery Plan dated 27 March 2018 and using the valuation of the scheme updated as at 31 March 2017. The Company's share is not necessarily the same as its potential liability under the Debt on Employer regulations. The directors consider that the assets and liabilities in the scheme are split between the participating employers on a consistent and reasonable basis.

The scheme was closed to future accruals on 30 September 2010.

Contributions to the scheme were made in accordance with advice from the Actuary and in accordance with the Schedule of Contributions in place during the year. The results of an actuarial valuation updated as at 31 March 2017 have been updated to 31 March 2019 for accounting purposes. For figures as at 31 March 2019 it has been assumed that members will retire at their normal retirement age of 65.

The Company made contributions of €6,478,000 in the year (payable monthly).

***Net* surplus for the Company**	**2019** **€000**	2018 €000
Share of defined benefit asset	**251,481**	232,131
Share of defined benefit liabilities	**(220,234)**	(203,939)
Pension asset	**31,247**	28,192

The information disclosed below is in respect of the whole of the plans for which the Company has been allocated a share of costs under an agreed group policy throughout the periods shown. Amounts have been rounded to the nearest £1,000.

The Pensions scheme is denominated in Sterling. The below provides the **Euro value** of the total Scheme:

	2019 **€000**	2018 €000
Total defined benefit assets	**288,416**	266,643
Total defined benefit liability	**(253,622)**	(234,682)
Defined benefit pension asset/(liability)	**34,794**	31,961

Uncertainty and Sensitivity analysis on the total scheme was performed, results are outlined below:

	2019	2018
Discount rate before and after retirement decreased by 0.1% pa	**+4,600**	+4,449
Inflation increased by 0.1% pa	**+3,800**	+3,658
Members are assumed to live 1 year longer	**+8,400**	+7,316

The Company agrees contributions following triennial valuation of the scheme. The last triennial valuation was performed in March 2017, which commits the following contributions for the company up to March 2023 – payable by March 2018 £6.65m, April 2018 – March 2020 £6.0m, April 2020 – March 2023 £5.5m.

Notes *(continued)*

17 Pension commitments *(continued)*

Movements in net defined benefit asset/liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability) asset	
	2019	2018	**2019**	2018	**2019**	2018
	€000	€000	**€000**	€000	**€000**	€000
Balance at 1 April	(234,682)	(261,412)	266,643	252,440	31,961	(8,972)
Included in profit or loss						
Administration costs incurred during the period	-	-	(915)	(1,168)	(915)	(1,168)
Interest (cost)/income	(5,987)	(6,504)	6,897	6,455	910	(49)
Past service (cost) and settlements	(397)	-	-	-	(397)	-
Foreign exchange (loss)/gain on pension	(4,096)	6,394	4,800	(6,107)	704	287
Included in OCI						
Remeasurements (loss)/gain						
Actuarial (loss)/gain arising	(18,841)	10,212	10,490	7,458	(8,351)	17,670
Experience (loss)/gain on defined benefit obligation	(2,474)	6,106	-	-	(2,474)	6,106
Changes in demographic assumptions for valuation of liabilities	6,550	3,296	-	-	6,550	3,296
Other						
Contributions paid by the employer	-	-	6,806	14,791	6,806	14,791
Benefits paid	6,306	7,227	(6,306)	(7,227)	-	-
Balance at 31 March	(253,621)	(234,681)	288,415	266,642	34,794	31,961

Plan assets

	2019	2018
	€000	€000
Equity instruments	**44,460**	95,433
Corporate Bonds	**46,864**	-
Absolute returns fund	**26,357**	22,737
DGFs	**39,022**	35,880
LDI	**77,737**	76,010
Property fund	**21,829**	20,068
Cash and cash equivalents	**32,146**	16,514
Total	**288,415**	266,642

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

Notes *(continued)*

17 Pension commitments *(continued)*

Actuarial assumptions

	2019	2018
Discount rate at 31 March	**2.4%**	2.6%
Future pension increases	**3.1%**	2.9%

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

- Current pensioner aged 65: 22.3 years (male), 24.3 years (female)
- Future retiree upon reaching 65: 23.8 years (male), 25.8 years (female)

The €397,000 Past service (cost) and settlements of relates to the estimated cost of removing GMP inequalities following the Lloyds Bank case on GMP inequalities. The actual cost of equalising GMPs remains highly uncertain due to legal uncertainty, political uncertainty, historical data which is unavailable at this stage, and future trustee decisions. The ultimate cost will only be known in some years once the trustees have completed an exercise to equalise benefits, and could be significantly different to the allowance made here.

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to €404,100 *(2018: €697,998)*.

18 Called up share capital

	2019	2018
	€000	€000
Authorised, called up, allotted and fully paid		
80,469,437 ordinary shares of €1 each	**80,469**	80,469

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019	2018
	€000	€000
Less than one year	**1,396**	1,375
Between one and five years	**4,802**	4,919
More than five years	**1,595**	2,743
	7,793	9,037

The Company leases a number of offices under operating leases. During the year €1,361,348) was recognised as an expense in the profit and loss account in respect of operating leases *(2018: €1,368,610)*.

Notes *(continued)*

20 Related party transactions

The Company has taken advantage of the exemption in FRS 101 not to disclose details of transactions with other wholly owned group undertakings since the consolidated financial statements of Sharp Corporation, in which the Company is included, are publicly available at the address given in note 21.

21 Ultimate Parent company

The Company is a wholly-owned subsidiary undertaking of Sharp Corporation, a company incorporated in Japan.

The largest and smallest group in which Sharp Electronics (Europe) Limited is a member and for which group financial statements are drawn up is that headed by Sharp Corporation, whose principal place of business is at 1 Takumi-cho, Sakai-ku, Sakai City, Osaka 590-8522, Japan. The consolidated financial statements of this group are available to the public.

22 Accounting estimates and judgements

The preparation of financial statements in conformity with Financial Reporting Standard 101 reduced Disclosure Framework requires management to make judgement, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The company believe the principal accounting estimates, assumptions and uncertainties employed in the preparation of these financial statements are:

Pension assumptions

Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefit expenses and liabilities. These factors include assumptions with respect to interest rates, rates of future compensation increases, turnover rates and life expectancy.

Recoverability of deferred tax asset

The recognition of deferred tax assets is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits against which to utilise assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available forecasts. Prior to recording deferred tax assets for tax losses, relevant tax law is considered to determine the availability of losses to offset against future taxable profits.

Residual Value

For Sharp distributors, residual value is a legally binding contractual commitment to a financial institution or end customer to buy back the machine in field at the end of the contract. A liability should be recognized for expected refunds to customers. Management applied analytical procedures and trend analysis to ensure the residual value calculated was stated fairly. The greatest uncertainty in estimating the provision is the timing of the costs as contracts can be prolonged or shortened with direct impact on unwinding the provision.

Notes *(continued)*

Accounting estimates and judgements *(continued)*

Restructuring Provisions

The restructuring provision relates to consumer electronics business which was restructured throughout Europe during 2015. A provision was set up based on a range of legal obligations including warranty provisions for discontinued business and product categories. The greatest uncertainty with estimating the provision lies with future product returns still under warranty, the provision estimate is determined using historical sales and product return trends.

23 Subsequent Events

Dormant directly held subsidiaries, Sharp Telecommunications of Europe Ltd and Sharp Communication Compliance Limited were dissolved on 5 April 2019 and 22 April 2019 respectively.

In June 2015 Sharp Electronics (Europe) Ltd, Sucursal en Espana made an appeal to the assessment proposal of tax on the increase in value of urban land before the Regional Court of Barcelona. Despite challenging the tax assessment the Company made a payment to the authorities for property tax of €1,396,349 in order to avoid the cost of suspension of tax collection during the appeal. The Superior Court of Cataluña made a decision regarding the assessment in the Company's favour and the tax authorities subsequently made a repayment of €1,608,097 (€1,396,349 tax plus €211,747 interest) on 10 July 2019. The asset was considered to be contingent as at 31 March 2019 and as such has been recognised in these financial statements.

As part of a wider reorganisation to simplify the group structure, the directly held subsidiary Sharp Electronics France S.A. has transferred its investment in Sharp Business Systems France to Sharp Electronics (Europe) GmbH on 30 July 2019. On 31 July 2019, the Company used the transfer proceeds to subsequently acquire a business which specialises in IT services support.