

Registered number: 00029301

Brother U.K. Limited

Annual Report and Financial Statements

For the year ended 31 March 2022

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Brother U.K. Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

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Brother U.K. Limited

Officers and professional advisors

DIRECTORS

P S Jones
I Noji (Japanese)
C Marshall

COMPANY SECRETARY

R W Brown

REGISTERED OFFICE

Shepley Street
Guide Bridge
Audenshaw
Manchester
M34 5JD

BANKERS

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

National Westminster Bank
Warrington Street
Ashton-under-Lyne
Lancashire
OL6 6JL

ACTUARY

Buck Business Services LLC
44 Peter Street
Manchester
M2 5GP

AUDITOR

Deloitte LLP
Statutory Auditor
The Hanover Building
Corporation Street
Manchester
M4 4AH
United Kingdom

Brother U.K. Limited

Strategic report

PRINCIPAL ACTIVITY

Brother U.K. Limited ("Brother UK") is a wholly owned subsidiary of Brother International Europe Limited which in turn is wholly owned by Brother Industries Limited of Japan ("the Group"). Brother UK operates entirely from its premises in Tameside, Greater Manchester.

Brother UK is responsible for all demand generation, support and distribution activity for Brother technology products in Great Britain ("GB") principally but also trades in Northern Ireland supporting some key accounts. Key items in the portfolio include printers, all-in-one multi-functional printers, scanners, portable print and electronic labelling devices.

REVIEW OF THE YEAR

Income Statement

During the year Brother UK's revenue reduced by 1.22% to £45.135m from £45.692m in the prior year, the reduction being due to on-going supply chain issues.

The Directors report that the turnover movement was in line with expectations given the continued ripple effects caused by the global COVID-19 pandemic impacting raw materials, labour availability and global logistics. Underlying demand remains strong with a large back-order book.

Gross margin was 43.5% compared with 40.7% (2021). Gross margin was increased through careful management of promotional activities.

Distribution and administration costs were 34.9% of revenue (2021: 34.8%). This was due to a partial return to pre-pandemic spend on advertising and travel, compensated by a reduction in payroll costs from a company-wide reorganisation in late 2021.

The Directors can report a profit before tax of £3.795m (2021: £2.435m).

Balance Sheet

At 31 March 2022 the inventories balance was £8.931m (2021: £5.671m), which represents a movement towards pre-pandemic inventory levels. Amounts owed to group companies were £1.880m (2021: £638k).

As at 31 March 2022 the net assets position of the Company was £28.572m (2021: £33.842m). Amounts receivable for the sale of goods on that date was £5.890m (2021: £6.278m). Amount receivable from group companies on that date was £20,925m (2021: £35.462m). This reduction of £14.537m was as a result of the payment of a dividend of £12.651m. An actuarial gain of £6.085m on the defined benefit pension partially offset the impact of the dividend payment on the net assets position of the Company.

The Company manages its working capital through a continued focus on margin management and operating efficiencies. Working capital is managed across the group for the benefit of both the Company and the group.

The Directors are not aware of any post balance sheet events.

KEY PERFORMANCE INDICATORS

The Directors monitor on at least a monthly basis several financial metrics and key performance indicators (KPIs) for Brother U.K. Limited, including:

- Revenue and Profit Before Interest and Tax
- Market share
- Gross margin
- Staff turnover and sickness absence
- Credit management risk
- Stock days
- Inventory Value/Aged Inventory

The business operates a high-level dashboard where all areas of performance are closely monitored, and this is reviewed monthly by the Directors with resulting action plans then determined.

Brother U.K. Limited

Strategic report (continued)

KEY PERFORMANCE INDICATORS (continued)

By closely monitoring trends and market insight both inside and outside of the specific technology areas we operate in we have been able to continually optimise our organisational shape and overall strategic direction, leading to adaptability in our business operations.

Key performance indicators have been discussed in the business review above.

KEY STRENGTHS

The quality of products, services, relationships and support we offer are Brother UK's key strengths and form a key part of our 'At Your Side' philosophy to our customers. We have a high retention rate with our managed print services contracts and were voted "Printer Vendor of the Year" for the eighth year running by readers of PC Pro.

Providing a portfolio of services including pre and post print audit, technical support, installation and training, consultancy and project management our services proposition continues to expand alongside our transactional print business.

Brother UK is identified as one of the leading employers in the UK, recently becoming the first company in the UK to retain its Investors in People Platinum status for the third time, a Princess Royal Training award (2018, 2020) and a Queens award for Enterprise Sustainable Development (2018-2023).

PRINCIPAL RISKS AND UNCERTAINTIES

The UK economy is now mostly free of COVID-19 restrictions; however, the impacts of the pandemic continue to be felt by businesses with periods of staff isolation, changes in working practices and demand for products and services fluctuating.

Our supply chain can expect continued disruption, mainly from the Far East. Disruption could be experienced with factories in the Asia region experiencing continued component or raw material supply problems.

Shipping costs have been significantly rising, particularly for containers coming from the Far East, and this is expected to stay at a significantly higher rate for the foreseeable future.

We are continuing to experience longer lead time of goods into the UK market as a result of Brexit (Jan 2021) due to delays at UK ports often meaning container clearance is taking around 14 days longer than before Brexit.

In the UK, our outsourced warehouse partner – DHL – has been operating normally and we do not anticipate any major interruptions to their service levels. Deliveries and transportation are also working normally via our logistics partners and there have been no issues post year end.

Currency movements continue to have an impact on our cost of goods and selling prices as we convert back and forth from the euro to pounds sterling.

External conditions, politically, environmentally, societally, and technologically continue to influence many elements of market demand as companies change location, processes, organisational shape or size. The move to hybrid working models will likely change the role of the traditional office and how people access technology, with a tendency to favour more distributed environments and Location Independent Working (LiW).

Brother UK benefits from being part of a pan-European trade credit insurance policy co-ordinated by Brother International Europe Limited. We remain vigilant relating to extending credit to uninsured customers and have not experienced any material bad debt since the start of the pandemic in 2020.

Customer loyalty on original consumables remains a key priority for us to sustain our long-term growth and investment. We have several initiatives in place to protect our intellectual property and to ensure illicit activity within on-line marketplaces is identified and acted upon swiftly.

It is our policy to continue to sell the quality and performance benefits of using genuine Brother products and to encourage the return of empty cartridges for remanufacturing and recycling to our sister company Brother Industries (U.K.) Limited based in Ruabon, North Wales.

The group decided to reorganise manufacturing facilities of consolidated subsidiaries to improve production efficiency. At the same time, the group have undertaken efforts toward stable supply, including the establishment of a system that can produce and supply consumables using several facilities. In addition, construction of additional facilities in Vietnam were completed in January 2022.

The Triennial Funding Valuation of the defined benefit scheme was last performed as at 1 April 2020 and the Company commenced a seven year and four months schedule of contributions to recover the deficit on 1 April 2018.

Strategic report (continued)

SECTION 172 (1) STATEMENT

The Directors of the Company considered the factors identified in section s.172 and determined that the Company's relationship with shareholders, its employees, its suppliers and customers were consistent with their responsibility to act with regard to their wider stakeholders and is in line with our at your side approach and global charter standards to place our customers first everywhere, every time and provide them with superior value building strong lasting relationships and gaining loyalty. The Business Relationships section of the Directors' Report on page 7 gives more detail on this. The Company positively and continuously considers the environmental impact of all aspects of our business operations and the extent to which this is achieved is explained below under Environment on page 5. The Directors and Company respects diversity and provides a working environment that enable our associates to utilise their talents to the fullest please refer to the Employees section on page 4. As the Company moves forward the Board of Directors will ensure that the Company maintains a sterling reputation for high standards of business conduct.

As the Company moves forward the Board of Directors will ensure that the Company maintains high standards of business conduct and governance.

The Directors understand the business and the evolving environment in which we operate. Based on Brother's purpose of being "At your side," we aim to enable people's productivity and creativity, contribute to society, and help protect the earth, the strategy adopted by the Board is intended to strengthen our position as a leading print and solutions provider. In May 2022, the Board adopted a medium-term strategy, CS B2024, to support the Company in achieving its long-term strategy of "At your side 2030". Our focus areas are to become a trusted, invaluable solutions partner and to continue leading print innovation and pioneering new offerings and the Directors have adopted these strategies as they believe they best support Brother's long-term ambitions.

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term. In doing so, our Directors act fairly as between the Company's members taking into consideration the impact on all stakeholders.

EMPLOYEES

Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the Company – this can be done directly, to the HR/OD team, or via our team of Wellbeing Ambassadors, specifically trained to deal with all aspects of wellbeing (including mental health). The team has representatives from across the business, and regularly shares information across a designated TEAMS site. In addition, there is a specific whistleblowing policy, to allow colleagues to raise any concerns in a confidential manner.

The board takes account of employees' interests when making decisions and the employees are informed of the Company's performance on a regular basis. In addition, key information is provided via the Company intranet (The Loop), at annual kick off meetings, quarterly reviews and regular all company briefings.

Brother UK has successfully implemented a permanent hybrid working policy which has been welcomed by qualifying employees and forms an important part of our Organisational Value Proposition (OVP). This assists with recruitment of new colleagues as well as improving working practises for people already within the business.

Staff loyalty to the Company remains very high, with the average length of service now up to 14.4 years (2020/21: 13.75 years). Staff turnover decreased to 11.5% (compared to 14.29% in the same period for FY 2021) with many people opting for new roles post-pandemic, however it remains below the national average of approximately 15%. The Company also enjoys a low level of sickness absence at 1.35% (2.3% if including long term sickness absence) which is higher than last period (2021: 0.45%), but is below the national average of 1.8% (2020 data from the ONS).

As a result of these, and other staff engagement activities, we have retained certifications for the Investors in People Platinum standard, demonstrating the highest level of recognition for business planning and people investment, and subject to annual re-assessment to confirm that continuing improvements are being made.

Brother UK is one of the few UK companies to have this Platinum status, and it is estimated that less than 1% of businesses could meet the standard given the high levels of criteria, recognising the importance we put around aligning our work culture, plus learning and development initiatives, to business performance and outcomes. In 2020 we also added to this accreditation by gaining a Gold status for Investors in Apprentices, in recognition of our Apprentice programme, and our development of those within our organisation. We have also achieved a Gold status for Investing in Wellbeing, in recognition of the emphasis we put on employee wellbeing and providing the right level of support when needed.

Brother U.K. Limited

Strategic report (continued)

EMPLOYEES (continued)

Significant investment continued to be made around mental health & wellbeing, with our newly formed team of wellbeing ambassadors and provision of an employee assistance programme providing support and counselling via our healthcare provider.

Alongside our Pension Quality Mark Plus, this further enhances our reputation as a great place to work and develop.

ENVIRONMENT

Brother UK has continued to demonstrate ethical excellence throughout its operation, by integrating Corporate Responsibility and Sustainable development into the business, taking leadership and guidance from the Brother Group Global Charter, and from the requirements within our ISO 14001 accreditation, which is subject to assessment and audit every six months.

In addition to this, we are following the guidance from our parent Brother Industries Ltd (BIL) Environmental Vision 2050, which is aligned with the United Nations Sustainable Development Goals (SDGs), to create a number of initiatives around reduction of CO2 emissions, Resource Recycling and Biodiversity Conservation. This is achieved by focusing on our top 4 global management priorities supporting specific SDG's:

- Fostering innovations that make customers happy, fuelled by employee's creativity (3,8,9)
- Continuously promoting social contribution activities (3,4,11)
- Making continuous environmental efforts (7,12,13,15)
- Enhancing business partner collaborations to promptly address social demands (8,12)

At global level we have been awarded with a score of 4.1 in the FTSE ESG (Environment, Social and Governance) Rating, a slight decrease from scoring 4.2 in the fiscal year previous (but ahead of our ambition for a score of 3.1).

More details of our responsible business programme, and how we are working towards all 17 of the United Nations Global SDGs can be found at <https://www.brother.co.uk/about-brother/corporate-social-responsibility-hub/sustainable-development-goals>.

We remain committed to making improvements to the Brother UK site through the use of energy efficient technologies and implementation of staff engagement activities. Best practice is employed wherever possible and shared across the business, and with other external partners.

Streamlined energy and carbon reporting

April 2021 to March 2022

SCOPE 1 Fuel consumption

	2022	2021
Vehicle fuel litres	13,776	10,202
Gas kilowatt hours	448,785	284,047
metric tonnes CO2e	113	81

The company supplies the vehicles and purchases the fuel consumed, with employees reimbursing the company for their private mileage use. All conversion rates come from the UK Government website - <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021> (2022) and <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020> (2021). Company cars are used for personal use and business travel, and this business use has increased on the previous year as restrictions were lifted. For the purposes of the calculations the total fuel is split based on 1/3rd for business and 2/3rd for personal use (using Concur mileage as a basis for this assumption).

Strategic report (continued)

ENVIRONMENT (continued)

Streamlined energy and carbon reporting (continued)

SCOPE 2 Electricity

	2022	2021
Kilowatt hours	329,655	311,212
metric tonnes CO ₂ e	77	73
Intensity measure	1.28 kwh per person	0.95 kwh per person

Electricity consumption is for two buildings, Jones House and Bridge House (staff restaurant). The electricity consumption for BUK during 2022 has increased slightly when compared to the previous year, this has been due to the increased site activity levels this year, compared to prior year which included significant periods of pandemic restrictions resulting in lower employee numbers on site, in addition to increasing numbers of fully electric vehicles in our fleet charging up at site. All the energy consumed in 2022 was backed 100% by electricity generated from renewable sources. For the purpose of the calculation of Intensity Measure the average staff number used for 2022 is 149 (163 for 2021).

Calculation method

The carbon emissions above were calculated using the Government Greenhouse Gas Conversion factors for 2021 and 2020.

Brother global greenhouse gas reporting

All Scope 1, 2 and 3 emissions are verified to ISO 14064 and reported to Brother International Europe based on the Company's financial year period. BIE reports the information to BIL, who then calculate the emissions as part of the Global system. The Verification Statement is published on Brother.com. We are providing more information to our customers to ensure they are making full use of our technology to save their own resources. We actively communicate the environmental impact of our products, such as document management through our range of scanners (reducing paper use), and the use of software provided with our printers to reduce unnecessary printing and provide a secure print facility for those customers that require it.

We have continued with installation of LED lighting throughout the site (as part of an ongoing replacement programme), as well as efficient utilisation of space, motion sensor lighting in all office areas, centralisation of heating / lighting controls to prevent users from adjusting, and replacement of key equipment (water heaters, etc..) with more energy efficient models, however lower employee numbers on site during the period of the pandemic (with reduced need for heating, lighting, etc..) mean these figures are not a true comparison year on year.

We continue to monitor and make improvements to our waste management and have maintained our zero-landfill status through independent audit since 2010. 87.1% of all waste is recycled or composted when it leaves site, with the remainder going to refuse derived fuel and energy recovery (as high-quality biomass and flock fuel) or re-use. In addition to this we have made use of our on-site compactor which under normal circumstances would enable us to sell the EPS waste produced on site to a 3rd party, who recycles it into fencing and decking products, however reduced occupancy on site in FY21/22 has meant there is insufficient quantities to allow for this.

Our total waste generated on site has reduced from 38.4 tonnes p.a. in FY20/21 down to 36.8 tonnes p.a. for FY21/22, a reduction of 4.1%, as a result of our continuous improvement drive, and despite increased occupancy.

During the year, we have continued with initiatives to promote the use of EV (Electric Vehicles) in our fleet, and as well as providing eight vehicle charging points on site, we have had a take up of 7 HEV (Hybrid Electric Vehicles) and three BEV (Battery Electric Vehicle, up from two last year, and with another six on order for delivery). This is an increase up to 74% of the total number of vehicles on the fleet, and with the technological advancements being made in these vehicles. With the changing vehicle fleet and more meetings being conducted via video-conferencing platforms we will be able to demonstrate further reductions in CO₂ emissions generated through business travel.

We provide a closed loop system for our customers and resellers to dispose of used consumables via our group's manufacturing site in North Wales, and via an on-line programme we allow customers (both direct and indirect) to return toners and drums and receive a rebate, or donation to Cool Earth (our nominated Pan European environmental charity of over 10 years) in return. The programme now recycles over one million cartridges each year.

Brother U.K. Limited

Strategic report (continued)

ENVIRONMENT (continued)

We continue to provide a take-back service for end-of-life product, as part of the development of a range of new professional services and solutions to the Brother portfolio, going beyond our legal requirements.

This programme has been particularly successful when combined with our management print services (MPS) contracts to provide a complete solution to customers whereby old products are removed and disposed of during a new installation, and consumable take back is arranged throughout the life of the contract.

This is now further extended with an innovative approach to printing for home offices and small businesses (EcoPro). A printer subscription plan that contributes to the circular economy by reducing waste through an incentive if the printer is returned at the end of subscription, and by carbon offsetting.

We have also received support from our headquarters in Japan, who continued to develop relevant environmental credentials for our products during the manufacturing process, with the pursuit of appropriate accreditations (like Blue Angel), and by demonstrating compliance with all relevant environmental legislation (including WEEE, RoHS, Reach and the Battery / Packaging Directives).

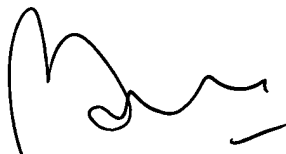
Finally, we have worked closely with our service suppliers to ensure that they are aligned with our environmental objectives and included specific measures within contracts for our key partners as they are renewed (in particular those who provide waste disposal, cleaning, refurbishment, construction and catering services).

For full details of our achievements, and to see our future objectives, refer to the latest Community Engagement report which can be found on our web site at <https://www.brother.co.uk/about-brother/corporate-social-responsibility-hub>.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Directors' Report on page 7.

APPROVED AND SIGNED ON BEHALF OF THE BOARD BY:



.....
R W Brown

Company Secretary

1st July 2022

Brother U.K. Limited

Directors' report

The Directors present the annual report along with the audited financial statements of the Company for the year ended 31 March 2022. There have been no material post balance sheet events.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have assessed on all aspects of the business, focussing specifically on supply chain and cashflows of the Company.

The budget for the fiscal year ahead has been created assuming demand remains stable and an improved production and supply-chain environment. Supply chain issues and material constraints have been considered and factored into the budget preparation process.

The Company shares and benefits from banking and treasury facilities with the group and is considered independent with strong reserves and projected cash flows.

The Directors have also considered the ongoing availability of finance. Even considering the worst reasonably expected downside scenarios there would be no shortages noted in cash flows owing to the cash reserves held. Parent Brother Industries Limited has confirmed its going concern status following enquiries by the Directors.

Based on reviewing these forecasts and sensitivities (and having considered the support of the group/ parent company, if it were ever to be needed) the Directors have concluded that the Company is a going concern and accordingly have prepared the financial statements on this basis.

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

BUSINESS RELATIONSHIPS

The Company highly values its relationships at every level.

We have a complex stakeholder map given our tiered channel business model and place great emphasis on personal contact wherever possible. Our supply model covers direct and indirect channel partners, large enterprise customers as well as supplier relationships of key vendors to Brother UK such as media agencies plus warehousing and logistic providers.

We continue to ensure our suppliers are paid consistently to terms with an average payment time of 33 days (2021: 33 days). Supplier relationships are reviewed regularly to ensure competitiveness and quality of service to our customers.

Our engagement activities with local schools and colleges preparing young people for work have been extremely popular with many individuals attending workshops at the Company or at their place of education as part of our outreach programme.

FUTURE OUTLOOK

The Company anticipates turnover will grow in the coming year as prevailing market conditions and production volumes recover following the global COVID-19 pandemic.

The Directors have considered the Russia/ Ukraine war and expect that it will have no impact of on the future of the Company.

Despite the difficulties being experienced by all businesses, we have a stable market share of installed devices which will continue to provide on-going future revenue from sales of consumable items.

Demand for our digital scanners and labelling devices for home, industrial and business applications remain consistent with a strong back-order book.

Brother is a well-recognised brand in the professional home-office printing sector, and we have significant pent-up demand to fulfil for our high-performance home multi-functional print devices. Market predictions are positive for devices of this type.

Brother U.K. Limited

Directors' report (continued)

FUTURE OUTLOOK (continued)

On the downside, the world shortage of electronic computer chips continues and is common among our competitors and across differing industry sectors.

Parts availability constraints together with global computer chip shortages are leading to some limitations in our global production capability. Our plans are taking these shortages into account and these constraints are being continually reviewed. Our factory has been consistently supplying us with product despite these challenges during the past 12 months.

We will continue to invest in our sales and marketing activities to further develop new sectors in line with our group direction such as vertical industry solutions, specialised printing solutions, consultancy services and managed print services in readiness to meet future demand.

POST-BALANCE SHEET EVENTS

There are no post balance sheet events that the Directors are aware of.

DIVIDENDS

An interim dividend of £12.651m (2021: £2.434m) was paid during the year. No final dividend has been declared for the year (2021: £Nil). The retained profit for the fiscal year of £3.021m (2021: £1.966m) is taken to reserves.

FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's activities expose it to liquidity, foreign exchange and credit risk.

LIQUIDITY

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term intercompany finance from its sister company, Brother Finance (U.K.) plc and trade credit insurance to manage these risks. Credit risk and foreign exchange risk are covered in the Principal Risks and Uncertainties section of the Strategic Report on page 3.

DIRECTORS

The Directors who served during and since the financial year are as follows:

P S Jones

I D Metcalfe (resigned 22 April 2022)

I Noji

C Marshall (appointed 22 April 2022)

DIRECTORS' INDEMNITIES

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

EMPLOYMENT OF DISABLED PERSONS

The Company adopts a positive approach to employees with disabilities, and in accordance with the terms of the Equality Act 2010 makes special provision for any employees who have a physical or mental impairment that has a 'substantial' and 'long-term' negative effect on their ability to do normal daily activities. As part of compliance with the Equality Act 2010 the Company is aware of, and takes into account, all relevant protected characteristics, including: age, disability, gender re-assignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The Company has conducted a full risk assessment, resulting in the adaptation of its premises and facilities to ensure they offer improved access for disabled colleagues and visitors – for example, maintaining ramps at entrances and exits, wide doorways, the maintenance of a passenger lift, and providing large text signage throughout the site.

Brother U.K. Limited

Directors' report (continued)

EMPLOYMENT OF DISABLED PERSONS (continued)

Detailed risk assessments for workstations are also carried out periodically, during induction of new starters, following any extended period of absence, or when a new disability or relevant protected characteristic is notified (for example, pregnancy). This risk assessment is then used to identify any special needs, which have resulted in the implementation of voice recognition software, adapted office furniture (including orthopaedic chairs and stand-up desks), and the provision of specialised pieces of equipment for those colleagues with specific requirements.

We are also mindful of any specific requirements in relation to working hours, and as well as providing for remote and homeworking during the Pandemic, have also made adjustments to the hours worked to ensure that individual circumstances can be accommodated, in particular when long term illness or disability is a factor.

The introduction of Mental Health First Aiders with relevant training has also been implemented, to ensure that there is an understanding of any mental impairment relating to an employee, and so that appropriate knowledge and experience exists within the Company to protect any employee who is affected by mental health issues, including providing specialist counselling services, and an employee assistance programme via our healthcare provider.

Suitable training is arranged for disabled persons, including retraining for alternative work of employees who may become disabled, to continue to promote their career development within the organisation.

Full and fair consideration is also given to applications for employment made by disabled persons having regard to their particular aptitude and abilities, as well as being considered within job descriptions and appraisals.

CHARITABLE DONATIONS

During the year the Company made charitable donations amounting to £6,990 (2021: £3,937), including business and industry donations plus matched funding for employee charitable activity. We continue to support local community initiatives and donations. The Company did not make any political donations in either year.

STATUTORY AUDITOR

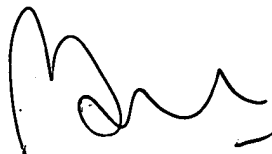
Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

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

APPROVED AND SIGNED ON BEHALF OF THE BOARD BY:



.....
R W Brown,
Company Secretary

1st July 2022

Brother U.K. Limited

Directors' responsibilities statement

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Brother U.K. Limited

Independent auditor's report to the members of Brother U.K. Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Brother U.K. Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Brother U.K. Limited

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

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included FCA, Pension legislation, UK Companies Act, Money Laundering regulations, Data Protection Act, Tax Legislation and Bribery Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Brother U.K. Limited

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

Auditor's responsibilities for the audit of the financial statements (continued)

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- We presume a risk of material misstatement due to fraud related to revenue and evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We have deemed the risk of material misstatement in relation to revenue cut-off to be significant due to possible pressures to meet stakeholder expectations could provide incentives to record revenues where performance obligations have not been satisfied:
 - We obtained an understanding of relevant controls relating to the assessment of revenue cut-off;
 - We have substantively tested a sample of revenue recognised pre and post year-end and agreed to third-party supporting evidence to determine whether appropriate cut-off was applied and that performance obligations have been satisfied.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Brother U.K. Limited

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

Use of our report

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

Carl Acton

Carl Acton BA (Hons), BFP FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

11 July 2022

Brother U.K. Limited

Income statement

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Revenue	4	45,135	45,692
Cost of sales		(25,484)	(27,108)
Gross profit		19,651	18,584
Administrative and distribution expenses		(15,755)	(15,997)
Operating profit		3,896	2,587
Other income	7	20	5
Finance costs	8	(119)	(157)
Profit before taxation		3,797	2,435
Tax	9	(776)	(469)
Profit for the financial year attributable to owners of the Company	10	3,021	1,966

Revenue and operating profit are derived from continuing operations.

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

Brother U.K. Limited

Statement of comprehensive income

As at 31 March 2022

	Note	2022 £'000	2021 £'000
Profit for the year		3,021	1,966
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gain/ (loss) on the defined benefit plan	20	6,085	(538)
Income tax relating to items that will not be reclassified subsequently to profit or loss	9	(1,097)	102
Other comprehensive income/ (expense) for the year net of tax		4,988	(436)
Total comprehensive income for the year attributable to the owners of the Company		8,009	1,530

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

Brother U.K. Limited

Balance sheet

As at 31 March 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	11	35	81
Property, plant and equipment	12	620	717
Retirement benefit assets	20	1,573	-
Deferred tax assets	13	35	1,382
Investments in affiliates	14	1	1
		<u>2,264</u>	<u>2,181</u>
Current assets			
Inventories	15	8,931	5,671
Trade and other receivables	16	28,171	42,531
Current tax receivable		530	222
Cash and bank balances		87	66
		<u>37,719</u>	<u>48,490</u>
Total assets		<u>39,983</u>	<u>50,671</u>
Current liabilities			
Trade and other payables	17	(9,754)	(8,819)
Lease liabilities	21	(178)	(218)
Provisions	19	(235)	(168)
		<u>(10,167)</u>	<u>(9,205)</u>
Net current assets		<u>27,552</u>	<u>39,285</u>
Total assets less current liabilities		<u>29,816</u>	<u>41,466</u>
Non-current liabilities			
Lease liabilities	21	(117)	(134)
Provisions	19	(393)	(237)
Contract liabilities	18	(107)	(179)
Retirement benefit obligations	20	-	(7,075)
		<u>(12,549)</u>	<u>(16,830)</u>
Total liabilities		<u>(12,549)</u>	<u>(16,830)</u>
Net assets		<u>29,199</u>	<u>33,841</u>

Brother U.K. Limited

Notes to the financial statements (continued)
For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Called-up share capital		17,400	17,400
Share premium account		24	24
Revaluation reserve		100	100
Retained earnings		11,675	16,317
Equity attributable to owners of the Company		29,199	33,841

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

The financial statements of Brother U.K. Limited (registered number 00029301) were approved by the board of Directors and authorised for issue on 1st July 2022. They were signed on its behalf by:

DocuSigned by:

.....
39EEFFF8B3F1472
P S Jones, Director

Brother U.K. Limited

Statement of changes in equity For the year ended 31 March 2022

	Called-up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2020	17,400	24	100	17,211	34,735
Profit for the year	-	-	-	1,966	1,966
Other comprehensive expense for the year	-	-	-	(436)	(436)
Total comprehensive income for the year	-	-	-	1,530	1,530
Dividends	-	-	-	(2,424)	(2,424)
Balance at 31 March 2021	17,400	24	100	16,317	33,841
Profit for the year	-	-	-	3,021	3,021
Other comprehensive expense for the year	-	-	-	4,988	4,988
Total comprehensive income for the year	-	-	-	8,009	8,009
Dividends	-	-	-	(12,651)	(12,651)
Balance at 31 March 2022	17,400	24	100	11,675	29,199

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

The revaluation reserve of £100,000 is for the own share purchase of 100,000 preference shares in May 2005, paid for from the distributable profits of the Company.

Brother U.K. Limited

Notes to the financial statements

For the year ended 31 March 2022

1. General information

Brother U.K. Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company has taken advantage of the exemption given in s401 of the Companies Act 2006 from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Brother Industries Limited. The group financial statements of Brother Industries Limited are available to the public and can be obtained at the registered office address, 15-1, Naeshiro-cho, Mizuho-Ku, Nagoya 467-8561, Japan.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 March 2022 the financial statements have been prepared in accordance with the FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions including certain disclosures under IFRS 15 'Revenue' and IFRS 16 'Leases'.

Where relevant, equivalent disclosures have been given in the group financial statements of Brother Industries Limited. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Compliance with accounting standards

New and amended IFRS Standards that are effective for the current year

Brother UK has not adopted any new accounting standards in the year.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 (including the June 2020 Amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Financial Standard, IFRS 9 Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Compliance with accounting standards (continued)

Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IFRS 16 Leases

The Annual Improvements include amendments to three Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1 D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated. The principal accounting policies adopted are set out below.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future performance and position are set out in the Strategic Report on pages 2 to 6. The financial position of the Company and its liquidity position are also described in the Strategic Report on pages 2 to 6. The Company's associated risks are described in the Directors' Report on page 3. The Company's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within its current facility levels.

The Directors have assessed the impact of the current uncertainty around COVID-19, supply chain issues and raw material constraints on all aspects of the business, focussing specifically on operations and cashflows of the Company as well as multiple scenarios for sales performance including historical forecast accuracy and insights from industry analysts. The Company shares and benefits from banking and treasury facilities with the group and is considered independent with strong reserves and projected cash flows. Assessment of the ability of the entity to continue as a going concern has been performed at local level. This stress-testing included assessing the levels of cash and available finance within the Company assuming a significant reduction in turnover on the basis of reduced trade and expected operational constraints. This has been offset by factoring in identified and actioned savings in operational expenditure, and a review of uncommitted capital expenditure.

The Directors have also considered the ongoing availability of finance. Even considering the worst reasonably expected downside scenarios there would be no shortages noted in cash flows owing to the cash reserves held. Parent Brother Industries Limited has confirmed its going concern status following enquiries by the Directors and supplied a letter of support. Based on reviewing these forecasts and sensitivities (and having considered the support of the group/ parent company, if were ever to be needed) the Directors have concluded that the Company is a going concern and accordingly have prepared the financial statements on this basis.

Revenue recognition

The Group recognises revenue based on the following five-step model:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The company received income from the sale of goods and the provision of services.

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

For sales of goods, revenue is recognised when control of the goods has transferred, this varies across the customer base depending on the International Commercial terms. Following the transfer of control the customer has full discretion over the manner of distribution and price to sell the goods and has the primary responsibility when on-selling the goods and bears the risks of loss in relation to the goods.

For the provision of services, revenue is recognised when and is measured based on the consideration to which the company expects to be entitled in a contract with a customer. If performance bonus's form part of the contract revenue is recognised when the performance metric achievement has been agreed with the customer.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Revenue recognition (continued)

Sales Commission

Commission income received from Brother International Europe Limited in respect of Great Britain sales made through the European Supply Centre ("ESC") is measured as the fair value of the consideration due for the related services provided by Brother UK.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Rendering of services

The majority of revenue from the Company's managed print services ("MPS") is invoiced quarterly on a pay per page basis at a pre-set contractual rate. The usage and invoiced amount are reported automatically from networked printers; these same figures are used to calculate accurate accruals of revenue in the months between invoicing.

On non-networked printers, where usage figures cannot be reported, the agreed cost of the contract is invoiced on a straight-line basis ("level pay"). Where periodic contract reviews with the customer identify significant variances from expected usage, the amounts invoiced are adjusted. The amounts involved are currently considered to be immaterial.

Leases

The Company as Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Foreign currencies

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

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The Company participates in a group defined benefit scheme which is the legal responsibility of the Company as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the income statement.

The Company has a defined benefit scheme under which the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Income Statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Taxation

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

Current tax

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

Deferred tax

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

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

Current tax and deferred tax for the year

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

Property, plant and equipment

Freehold land is not depreciated.

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

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

Buildings	10%
Fixtures and fittings	12.5% - 50%

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

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

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over 3 years (33.3%).

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

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

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

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

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies.

Apart from those involving estimations (which are dealt with separately below), in the opinion on the Directors there are no critical judgements that have a significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

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

Pension provision

The Directors of the Company have taken appropriate advice from their actuary, Buck Business Services LLC to set the assumptions to be used for the purposes of IAS 19. The assumptions are unbiased and mutually compatible and lead to the best estimate of future cash flows that will arise in respect of the Scheme's liabilities. The actuarial assumptions used are based on 31 March 2022 market conditions. The financial assumptions have been determined by reference to market yields at the accounting date (see note 20).

Rebate accruals

Accruals for rebate sales promotions are calculated using the most accurate and up to date sell out data from our sales partners, but in some cases, estimations have to be made of the likely take up of such promotions.

Inventory provision

The value of inventory is reduced by a provision for obsolescent stock, where a product's net realisable value is estimated as being lower than its cost value. These are usually end of line items and provision is made in the month where the obsolescence becomes apparent. In addition, there are full quarterly reviews by Commercial & Business Planning and Sales departments. All provisions are authorised at Director level before being made.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

4. Revenue

An analysis of the Company's revenue is as follows:

	2022 £'000	2021 £'000
Continuing operations		
Sales of goods	32,533	32,313
ESC sales commission	12,569	13,333
Property rental income	33	46
	<u>45,135</u>	<u>45,692</u>

An analysis of the Company's sales of goods revenue by class of business is set out below.

	2022 £'000	2021 £'000
Revenue:		
Printers	22,616	23,624
Labelling and Solutions	8,193	6,827
Scanners	1,724	1,862
	<u>32,533</u>	<u>32,313</u>

An analysis of the Company's sales of goods revenue by geographical market is set out below.

	2022 £'000	2021 £'000
Revenue:		
United Kingdom	31,270	31,947
European Union	1,263	367
	<u>32,533</u>	<u>32,313</u>

5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £57,700 (2021: £50,450). There were no non-audit fees from Deloitte LLP for either year.

6. Staff costs

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

	2022 Number	2021 Number
Sales and distribution	120	141
Administration	29	22
	<u>149</u>	<u>163</u>

Brother U.K. Limited

Notes to the financial statements (continued) For the year ended 31 March 2022

6. Staff costs (continued)

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	6,052	6,680
Social security costs	657	779
Other pension costs	1,086	1,188
	<u>7,795</u>	<u>8,647</u>

Disclosure of Directors' remuneration is included in note 23.

7. Other income

	2022 £'000	2021 £'000
Interest income on loans to related parties	<u>20</u>	<u>5</u>

8. Finance costs

	2022 £'000	2021 £'000
Net interest on net defined benefit liability	115	154
Interest on lease liabilities	<u>4</u>	<u>3</u>
Total interest payable	<u>119</u>	<u>157</u>

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

9. Tax

	2022 £'000	2021 £'000
Corporation tax:		
- UK corporation tax	526	384
Adjustments in respect of prior years		
- UK corporation tax	-	20
	<u>526</u>	<u>404</u>
Deferred tax (note 13)	250	65
	<u>776</u>	<u>469</u>

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year.

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

	2022 £'000	2021 £'000
Profit before tax	3,797	3,382
Tax at the UK corporation tax rate of 19% (2021: 19%)	721	643
Effects of:		
Expenses that are not deductible in determining taxable profit	4	46
Rate change	51	(6)
Adjustment in respect of prior years	-	6
	<u>776</u>	<u>689</u>

In addition to the amount charged to income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Charge/ (credit) arising in relation to retirement benefit obligations	1,097	(102)
Total income tax charge/ (credit) recognised in other comprehensive income	<u>1,097</u>	<u>(102)</u>

Legislation was introduced in Finance Act 2021 to increase the main rate of UK corporation tax, from 19% to 25%, from 1 April 2023. As the changes had been substantively enacted at the balance sheet date, the deferred tax balances as at 31 March 2022 have been remeasured at a rate of 25%.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

10. Profit for the year

Profit for the year has been arrived at after charging:

	2022 £'000	2021 £'000
Net foreign exchange losses	58	197
Amortisation of intangible assets	46	42
Depreciation of land and buildings	24	42
Depreciation of fixtures, fittings and equipment	66	87
Depreciation on right of use assets	322	320
Cost of inventory expensed	24,216	26,678
Staff costs (see note 6)	7,795	8,647
Impairment loss recognised on trade receivables	3	22

11. Intangible assets

	IT software £'000
Cost or valuation	
At 1 April 2021 and 31 March 2022	210
Accumulated depreciation and impairment	
At 1 April 2021	129
Charge for the year	46
At 31 March 2022	175
Carrying amount	
At 31 March 2022	35
At 31 March 2021	81

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

12. Property, plant and equipment

	Land and buildings £'000	Fixtures and fittings £'000	Right-of-use motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2021	3,397	1,715	376	5,488
Additions	-	59	256	315
Disposals	-	-	(107)	(107)
At 31 March 2022	3,397	1,774	525	5,696
Accumulated depreciation				
At 1 April 2021	3,122	1,629	20	4,771
Charge for the year	24	66	322	412
Disposals	-	-	(107)	(107)
At 31 March 2022	3,146	1,695	235	5,076
Carrying amount				
At 31 March 2022	251	79	290	620
At 31 March 2021	275	86	356	717

All land and buildings are held on a freehold basis.

13. Deferred tax

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

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 April 2020	(17)	1,329	33	1,345
Credit/ (charge) to income statement	30	(90)	(5)	(65)
Credit to other comprehensive income	-	102	-	102
At 31 March 2021	13	1,341	28	1,382
Credit/ (charge) to income statement	15	(257)	(8)	(250)
Charge to other comprehensive income	-	(1,097)	-	(1,097)
At 31 March 2022	28	(13)	20	35

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

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

13. Deferred tax (continued)

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

	2022 £'000	2021 £'000
Deferred tax assets	35	1,382
	<u>35</u>	<u>1,382</u>

14. Investments in affiliates

In the financial year 2019, as part of the Brother Holding (Europe) Limited reorganisation, Brother UK purchased from Brother International Europe Limited 0.016% of the entire limited share capital of Brother Limited Liability Company, Schepkina Street 33, Moscow 129090 at a cost of £525. This was to comply with Russian regulations which require a minimum of two shareholders.

15. Inventories

	2022 £'000	2021 £'000
Finished goods	8,931	5,671
	<u>8,931</u>	<u>5,671</u>

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

16. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amount receivable for the sale of goods	5,890	6,278
Amounts owed by group undertakings	20,925	35,462
Prepayments and other debtors	979	509
Contract assets (Note 18)	377	282
	<u>28,171</u>	<u>42,531</u>

Trading balances owed by group undertakings are settled within the following month. At 31 March 2022 the balance stood at £1,321,563 (2021: £1,292,053). Group pooling deposits do not have a settlement date. The interest rate changes each month. The interest rate for the year ended 31 March 2022 was set at the overnight SONIA minus 0.05%. The minimum rate applied is 0.01%. At 31 March 2022 the balance stood at £19,603,102 (2021: £34,170,255).

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

17. Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	1,066	769
Amounts owed to the parent	1,880	635
Amounts owed to fellow group undertakings	-	3
Accrued expenses	5,887	5,712
Taxation and social security	601	1,488
Contract liabilities (Note 18)	320	212
	<u>9,754</u>	<u>8,819</u>

Amounts owed to parent and group undertakings are settled within the following month and no interest is charged on the amounts owed.

18. Contract balances

Contract assets:

	2022	2021
	£'000	£'000
Current	377	282
	<u>377</u>	<u>282</u>

Contract assets comprises of income on managed print contracts which have not been invoiced at the end of the financial year.

Contract liabilities:

	2022	2021
	£'000	£'000
Current	320	212
Non-current	107	179
	<u>427</u>	<u>391</u>

Contract liabilities comprises of income from managed print services packs and extended warranties.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

19. Provisions

	2022 £'000	2021 £'000
Current	235	168
Non-current	393	237
	<u>628</u>	<u>405</u>
		Warranty provision £'000
At 1 April 2021		405
Additional provision in the year		628
Utilisation of provision		(405)
		<u>628</u>
At 31 March 2022		<u>628</u>

The warranty provision represents management's best estimate of the Company's liability under both the standard 12-month warranties and the extended three-year warranties granted on electrical products, and is based on detailed analysis of known failure rates and average repair rates applied to the number of machines in the field.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income of £843,382 (2021: £884,284) represents contributions payable to these schemes by the Company rates specified in the rules of the schemes. As at 31 March 2022, contributions of £nil (2021: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Brother International Europe Limited, in conjunction with Brother U.K. Limited and Brother Sewing Machines Europe Limited, operate a funded defined benefit pension scheme for its employees. The pension costs and provisions are assessed on the advice of a professionally qualified actuary using the Projected Unit method. The latest actuarial assessment of the scheme was as at 1 April 2020.

The funding policy of the scheme is for the employer to pay level percentage contributions to the scheme each year as recommended by the actuary. The pension contribution for the year ended 31 March 2022 amounted to £2,736,401 (2021: £627,002).

The main assumptions used in the 2020 actuarial valuation are:

- (i) The long-term yield which may be expected to be earned on new investments over a considerable period in the future, allowing for both income and capital appreciation, will exceed the general rate of RPI by 0.75% per annum.
- (ii) Pensions in payment will increase at 3.40% per annum.

The actuarial valuation of the Company's defined benefit pension scheme was prepared as at 1 April 2020 by Buck Consultants as appointed by the schemes' respective trustees. The Company commenced a seven-year four month schedule of contributions to recover the deficit in April 2018.

Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the scheme's assets at their 31 March 2022 market values.

Description of risks to which the scheme exposes the Company:

If scheme assets underperform the discount rate a deficit results and so to mitigate this, the scheme holds 55% growth assets. As the scheme matures, the trustees intend to reduce the level of investment risk by investing in LDI and corporate bonds.

Some of the benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place that protect against extreme inflation).

Increases in life expectancy will increase scheme liabilities, the inflation-linkage of the benefits also means that inflationary increases result in a higher sensitivity to increases in life expectancy.

Assumptions

The most recent actuarial valuations of the plan assets and the present value of the defined benefit liability were carried out as at 1 April 2020 by Mr. Andrew Staddon, Fellow of the Institute of Actuaries. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. Retirement benefit schemes (continued)

Assumptions (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2022	2021
Key assumptions used:		
Discount rate(s)	2.70%	2.00%
Average longevity at retirement age for current pensioners (years)*		
Males	21.0	21.0
Females	22.3	22.5
Average longevity at retirement age for current employees (future pensioners) (years)*		
Males	22.6	22.3
Females	24.1	24.4
RPI Inflation	3.65%	3.25%
CPI Inflation	2.95%	2.55%
Pension increases (RPI max 5%)	3.40%	3.15%

* Assumptions regarding post retirement mortality for non-pensioners in 2022 are based on 117% S3PMA/ 131% S3PFA YOB CMI 2020 projection from 2013 with 1.25% p.a. long term trend, parameter A = 0.25%. Assumptions regarding post retirement mortality for pensioners in 2021 are based on 106% S3PMA/118% S3PFA YOB CMI 2020 projection from 2013 with 1.25% p.a. long term trend, parameter A = 0.25%. (2021: 117% S3PMA/ 131% S3PFA YOB CMI 2019 projection from 2013 with 1.25% p.a. long term trend, parameter A = 0.25%). Assumptions regarding post retirement mortality for pensioners in 2021 are based on 106% S3PMA/118% S3PFA YOB CMI 2019 projection from 2013 with 1.25% p.a. long term trend, parameter A = 0.25%.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2022	2021
	£'000	£'000
Service cost:		
Net interest expense	115	154
Components of defined benefit costs recognised in profit or loss	115	154

The net interest expense has been included within finance costs (see note 8). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income are as follows:

	2022	2021
	£'000	£'000
Actual return less expected return on assets	2,178	5,411
Experience (losses) and gains on liabilities	486	(183)
Actuarial (losses) and gains arising from changes in financial assumptions	3,991	(6,967)
Actuarial gains and (losses) arising from changes in demographic assumptions	(570)	1,201
Remeasurement of the net defined benefit liability	6,085	(538)

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. Retirement benefit schemes (continued)

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2022	2021
	£'000	£'000
Present value of defined benefit obligations	(43,794)	(49,070)
Fair value of plan assets	45,367	41,995
	<hr/>	<hr/>
Funded status	1,573	(7,075)
	<hr/>	<hr/>
Net liability arising from defined benefit obligation	1,573	(7,075)
	<hr/>	<hr/>

Movements in the present value of defined benefit obligations in the year were as follows:

	2022	2021
	£'000	£'000
Opening defined benefit obligation	49,070	43,265
Interest cost	959	982
Remeasurement losses/ (gains):		
Actuarial (gains)/ losses arising from changes in financial assumptions	(3,990)	6,969
Actuarial losses / (gains) arising from changes in demographic assumptions	570	(1,201)
Experience (gains)/ losses on liabilities	(486)	183
Benefits paid	(2,387)	(1,128)
Past service cost	57	-
	<hr/>	<hr/>
Closing defined benefit obligation	43,793	49,070
	<hr/>	<hr/>

Movements in the fair value of plan assets in the year were as follows:

	2022	2021
	£'000	£'000
Opening fair value of plan assets	41,995	36,256
Remeasurement gain/(loss):		
The return on plan assets (excluding amounts included in net interest expense)	843	828
Contributions from the employer	2,736	627
Benefits paid	(2,387)	(1,129)
Actuarial gains/(losses)	2,178	5,413
	<hr/>	<hr/>
Closing fair value of plan assets	45,367	41,995
	<hr/>	<hr/>

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. Retirement benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2022 £'000	2021 £'000
Cash and equivalents	1,167	86
UK Equities	3,551	3,189
Overseas Equities	9,383	8,653
Property	-	-
Private Debt	5,585	6,071
UK Corporate Bonds	5,867	3,412
Diversified Growth Funds	11,097	10,196
Liability driven investment	8,716	10,388
Total	45,367	41,995

The actual gain on plan assets was £3,021,666 (2021: £6,239,565).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate were 0.5% higher, the defined benefit obligation would decrease by £3,564,788.

If the RPI inflation rate assumption increased by 0.5% (with corresponding increases to CPI inflation, pension increase assumptions) the defined benefit obligation would increase by £2,117,521.

If the post-retirement life mortality rate were reduced by one year for both men and women, the defined benefit obligation would increase by £1,961,566.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

There has been no change in the processes used by the Group to manage its risks from prior periods.

Description of any asset-liability matching strategies

The Trustees ensure that the investment positions are managed within an ALM framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Trustees objective is to match assets to the pension obligations by investing in return enhancing assets to match deferred liabilities and risk reducing assets to match pensioner liabilities.

Effect of the scheme on the Company's future cash flows

Description of any funding arrangements and funding policy that effect future contribution:

The latest valuation done was dated 1st April 2020.

This Recovery Plan is based on an updated estimate of the funding position at 31 May 2021 which showed a funding shortfall of £2,900,000. The financial position has been reviewed again by the Scheme Actuary as at 31 July 2021 and does not invalidate the Trustees' reliance on updated estimate at 31 May 2021 for the purposes of agreeing this Recovery Plan.

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. Retirement benefit schemes (continued)

To eliminate the funding shortfall at 31 May 2021 and continue to support the Scheme's overall funding and investment strategy, the Trustees and the Sponsor have agreed that contributions will be paid to the Scheme by the Sponsor as set out in the table below. It has been agreed that the Sponsor will continue to make payments until 31 March 2026:

Payment date	Amount
By 31 March 2022	£2,736,401
In period from 1 April 2024 to 31 March 2026	£912,134 per annum payable monthly.

Period over which the deficit will be recovered

The funding shortfall at 31 May 2021 is expected to be eliminated in 2 years from 1 April 2020, which is by 31 March 2022.

Employer's estimate of contributions to be paid over following year	£0
Duration of the liabilities	17 years

21. Lease liabilities

The Company as lessee

	2022 £'000	2021 £'000
Maturity analysis:		
Less than one year	178	218
One to two years	117	110
Two to five years	-	24
	<u>295</u>	<u>352</u>
Analysed as:		
Current	178	218
Non-current	117	134
	<u>295</u>	<u>352</u>

Brother U.K. Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

22. Related party transactions

The Company has taken advantage of the exemptions included in the IAS 24 for wholly owned subsidiaries not to disclose transactions with entities that are part of the Brother International Europe Limited group of Companies.

Only one Director received remuneration in the year. The Director's remuneration, analysed under the headings required by Company law is set out below.

	2022 £'000	2021 £'000
Director's remuneration:		
Emoluments	185	181
Company contributions to money purchase pension schemes	36	35
	<u>221</u>	<u>216</u>
	2022 Number	2021 Number
The number of Directors who:		
Are members of a money purchase pension scheme	1	1
	<u>2022 £'000</u>	<u>2021 £'000</u>
Remuneration of the highest paid Director:		
Emoluments	185	181
Company contributions to money purchase schemes	36	35
	<u>221</u>	<u>216</u>

23. Ultimate parent company and controlling party

In the opinion of the Directors, the Company's ultimate parent company and ultimate controlling party is Brother Industries Limited, a Company incorporated in Japan. The parent undertaking of the largest group, which includes the Company and for which group financial statements are prepared, is Brother Industries Limited, a company incorporated in Japan. The parent undertaking of the smallest such group is Brother Industries Limited. The registered address of Brother Industries Limited is 15-1, Naeshiro cho, Mizuho Ku, Nagoya 467 8561, Japan. Copies of the group financial statements of Brother Industries Limited are available from 15-1, Naeshiro cho, Mizuho Ku, Nagoya 467 8561, Japan. The Company's immediate controlling party is Brother International (Europe) Limited.

24. Post-balance sheet events

There are no post balance sheet events that the Directors are aware of.