

## **Furuno (UK) Limited**

### **Annual report and financial statements For the Year ended 31 December 2017**

Registered number: 01400252



# **Furuno (UK) Limited**

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# **Furuno (UK) Limited**

## **Summary information**

### **Directors**

M Koike  
Y Furuno  
S Ametani  
K Kubo  
J Williams

### **Company Secretary**

P D King

### **Registered office**

West Building  
Penner Road  
Havant  
Hampshire  
PO9 1QY

### **Bankers**

Clydesdale Bank plc  
Riverside Branch  
19 North Esplanade West  
Aberdeen  
AB11 5RJ

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
Abbots House  
Abbey Street  
Reading, United Kingdom  
RG1 3BD

# **FURUNO (UK) LIMITED**

## **STRATEGIC REPORT**

The directors present their Strategic report and the affairs of the Group for the year ended 31 December 2017.

### **STRATEGIC REVIEW**

The principal activity of the Group continues to be the marketing, installation, leasing and servicing of marine electronic equipment in the United Kingdom. There have not been any significant changes in the Group's principal activities in the year under review. The directors are not aware, at the date of this report of any likely changes in the group's activities in the forthcoming year.

The directors were encouraged by the level of business gained in 2017. We achieved an overall increase in turnover of 18.8%, which included a 23.6% increase in equipment sales, 30% in spares sales and a 25% increase in servicing income over 2016. However, due to exchange rates, increased raw material costs and various other expenses, we saw a drop in our overall profits. We have a current backlog of orders totalling nearly £3m for delivery in 2018, together with excellent prospects of further new building fishing vessel orders being placed in early 2018. Considering the above, the directors look forward to a continuing good business in 2018.

The directors report a consolidated profit before tax of £827,835 (2016: £1,268,933). Whilst down on 2016, this was largely due to increased raw material cost from Japan and currency losses compared to significant gains in 2016. This was further compounded by an increase in inventory provisions for old and slow moving items. Further details of the Group's performance are given in the consolidated income statement on page 11 and the related notes from pages 17 to 44. The position of the group at the year-end is set out in the consolidated statement of financial position on page 12 and in the related notes on pages 17 to 44. The financial position of the Company at the year-end is set out in the Company statement of financial position on page 13 and in the related notes on pages 17 to 44.

The Group's key measurements of the effectiveness of its operations are gross profit margin and the operating margin. The Group achieved a gross margin of 12.7% (2016: 29.5%) and an operating margin of 6.7% (2016: 12.7%). Although sales were up on 2016 overall, the underlying cost of raw materials from Japan and the associated currency fluctuations contributed to the drop in margins.

### **Dividends**

The directors recommend that no dividend be paid to ordinary shareholders (2016: 250p).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group operates in a highly competitive market which is a continuing risk to the company. The Group manages this risk by providing value added services to its customers and delivering high quality products to its customers.

The Group sources products primarily from Europe and Japan and is exposed to movements in the Euro Yen, and US Dollar exchange rates. Given the market uncertainty the company does not currently use financial hedging, and aims to minimise any fluctuation through purchasing currency at the best possible spot rate to settle future purchases commitments. The Group aims to hold enough Yen for 3 months purchases.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

#### **Cash flow risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge these exposures.

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

# **FURUNO (UK) LIMITED**

## **STRATEGIC REPORT**

### **Credit risk**

The Group's principal financial assets are bank balances and cash, trade and other receivables, operating lease receivables and investments.

The Group's credit risk is primarily attributable to its trade and operating lease receivables. The amounts presented in the statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

### **Liquidity risk**

The Group does not hold any long or short-term debt finance and manages its liquidity risk by frequent review of cash flow forecasts and use of different terms money market deposit accounts.

### **Price risk**

The Group is exposed to commodity price risk. The Group does not manage its exposure to commodity price risk due to cost benefit considerations.

## **FUTURE PROSPECTS**

The Group has considerable financial resources and together with Group prospects for the financial year 2017, which include long term contracts in its leasing operations with a number of customers across the marine sector operations, the directors believe that the Group is well prepared for further growth:

The company currently has over 754 live contracts (2016: 925) running at a standard contract period of 5 years and has obtained new equipment during 2017 to satisfy additional contract requirements.

Although the number of live contracts has decreased in 2017, there are over half a dozen significant potential Pelagic vessel new builds scheduled over the next 3 years. The company has been successful in obtaining firm orders for two new builds which will complete in 2018, and is actively seeking consideration for the remaining vessels as the opportunities arise.

New products will be introduced in 2018 encompassing the fishing, leisure and deep-sea sectors. The Electronic Chart Display and Information System (ECDIS) implementation will continue on dry cargo ships of the merchant fleets which must be completed by July 2018. We are continuing with refits of older bridge equipment including Voyage Data Recorders (VDR's), which will see a continuing good level of deep sea business.

The fishing sector will continue to provide significant scanning sonar sales and new vessel orders will continue during 2018. We are confident that as the market leader in this sector, we can expect an extremely good level of orders in 2018.

The leisure sector continues to be challenging but our equipment continues to be chosen for the larger production yachts and bespoke luxury yachts, built and refitted in the UK.

We also expect to see growth in our Special Projects sector, with more coastal monitoring systems supplied. We are also looking forward to significant sales in the marine automation sector due to a partnership with a premier manufacturer.

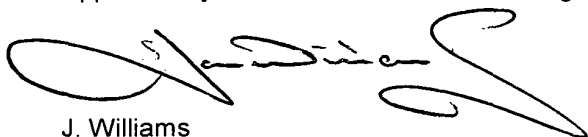
# **FURUNO (UK) LIMITED**

## **STRATEGIC REPORT**

### **Brexit impact**

The future impact of Brexit will continue to be monitored closely. While the impending divorce from the European Union, may unlock further revenue streams for the UK fishing sector, and therefore additional potential revenues for the Company, the economic effect of trade barriers and a weakening pound could impact upon Company profitability.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'J. Williams', with a large, stylized flourish at the end.

J. Williams

Director  
West Building, Penner Road, Havant, Hampshire, PO9 1QY  
6 March 2018

## **Furuno (UK) Limited**

### **Directors' report**

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2017.

An indication of likely future developments in the business of the Group and details of development activities are included in the strategic report.

Details of the Group's objectives for financial risk management are contained within the strategic report on page 2.

#### **Going concern**

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

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

#### **Directors**

The directors who served during the entire year and up to the date of signing of the financial statements, unless otherwise stated, were as follows:

M Koike  
Y Furuno  
S Ametani  
K Kubo (appointed 27 February 2017)  
J Williams  
C W Oliver (resigned 1 April 2017)

All the directors were also directors of the subsidiary undertaking, Furuno Leasing Limited.

#### **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.

#### **Political contributions**

There were no political donations made in either financial year.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

# **Furuno (UK) Limited**

## **Directors' report**

### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

### **Auditor**

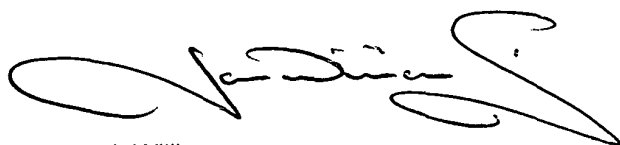
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,



J. Williams

Director  
West Building, Penner Road, Havant, Hampshire, PO9 1QY  
6 March 2018



## **Furuno (UK) 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 financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.



# **Independent auditor's report to the members of Furuno (UK) Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Furuno (UK) Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# **Independent auditor's report to the members of Furuno (UK) Limited**

## **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **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 group's and the parent 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 group or the parent 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

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

# **Independent auditor's report to the members of Furuno (UK) Limited**

## **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.

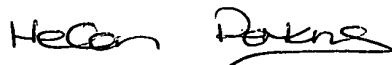
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Helen Perkins, ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom  
6 March 2018

**Furuno (UK) Limited**  
**Consolidated income statement**  
**For the year ended 31 December 2017**

|                               | Note | Year ended<br>2017<br>£ | Year ended<br>2016<br>£ |
|-------------------------------|------|-------------------------|-------------------------|
| Revenue                       | 4    | 11,401,477              | 9,724,080               |
| Cost of sales                 |      | (8,830,743)             | (6,857,234)             |
| <b>Gross profit</b>           |      | <b>2,570,734</b>        | <b>2,866,846</b>        |
| Distribution costs            |      | (665,298)               | (605,353)               |
| Administrative expenses       |      | (1,143,524)             | (1,024,388)             |
| <b>Operating profit</b>       |      | <b>761,912</b>          | <b>1,237,105</b>        |
| Investment revenue            | 9    | 73,657                  | 39,342                  |
| Finance costs                 | 10   | (7,734)                 | (7,514)                 |
| <b>Profit before taxation</b> |      | <b>827,835</b>          | <b>1,268,933</b>        |
| Taxation                      | 11   | (146,055)               | (260,697)               |
| <b>Profit for the year</b>    | 5    | <b>681,780</b>          | <b>1,008,236</b>        |

All results are derived from continuing operations.

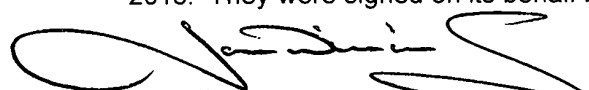
All gains and losses have been recognised in the income statement for both the current year and the prior year and as such represent Total Comprehensive Income of the Group.

In both the current year and the prior year, the only movement in shareholders' funds has been the profit retained in the year.

**Furuno (UK) Limited**  
**Consolidated Statement of financial position**  
As at 31 December 2017

|  | Note | 2017<br>£         | 2016<br>£         |
|--|------|-------------------|-------------------|
| <b>Non-current assets</b>                        |      |                   |                   |
| Property, plant and equipment                    | 13   | 4,107,808         | 5,072,738         |
| Deferred tax assets                              | 17   | 50,489            | 20,576            |
|  |      | <hr/>             | <hr/>             |
| <b>Current assets</b>                            |      |                   |                   |
| Inventories                                      | 15   | 2,772,529         | 2,280,529         |
| Trade and other receivables                      | 16   | 5,601,920         | 4,641,507         |
| Cash and cash equivalents                        | 22   | 5,199,899         | 4,581,906         |
|  |      | <hr/>             | <hr/>             |
|  |      | 13,574,348        | 11,503,942        |
|  |      | <hr/>             | <hr/>             |
| <b>Total assets</b>                              |      | <u>17,732,645</u> | <u>16,597,256</u> |
| <b>Current liabilities</b>                       |      |                   |                   |
| Trade and other payables                         | 18   | (1,099,584)       | (603,214)         |
| Current tax liabilities                          | 18   | (85,583)          | (171,762)         |
| Provisions                                       | 19   | (97,000)          | (81,000)          |
| Accruals and deferred revenue                    | 18   | (1,305,663)       | (695,710)         |
|  |      | <hr/>             | <hr/>             |
|  |      | (2,587,830)       | (1,551,686)       |
|  |      | <hr/>             | <hr/>             |
| <b>Net current assets</b>                        |      | <u>10,985,516</u> | <u>9,952,256</u>  |
| <b>Non-current liabilities</b>                   |      |                   |                   |
| Accruals and deferred revenue                    | 18   | (28,561)          | (111,096)         |
|  |      | <hr/>             | <hr/>             |
| <b>Net assets</b>                                |      | <u>15,116,254</u> | <u>14,934,474</u> |
| <b>Equity</b>                                    |      |                   |                   |
| Share capital                                    | 20   | 200,000           | 200,000           |
| Retained earnings                                | 21   | 14,916,254        | 14,734,474        |
|  |      | <hr/>             | <hr/>             |
| <b>Equity attributable to the company owners</b> |      | <u>15,116,254</u> | <u>14,934,474</u> |

The financial statements were approved by the board of directors and authorised for issue on 6 March 2018. They were signed on its behalf by:

  
J. Williams Director

**Furuno (UK) Limited**  
**Company Statement of financial position**  
As at 31 December 2017

|  | Note | 2017<br>£          | 2016<br>£          |
|--|------|--------------------|--------------------|
| <b>Non-current assets</b>                        |      |                    |                    |
| Property, plant and equipment                    | 13   | 2,063,127          | 2,222,821          |
| Investments in subsidiaries                      | 14   | 100,000            | 100,000            |
| Deferred tax assets                              | 17   | 22,175             | -                  |
|  |      | <u>2,185,302</u>   | <u>2,322,821</u>   |
| <b>Current assets</b>                            |      |                    |                    |
| Inventories                                      | 15   | 2,772,529          | 2,280,529          |
| Trade and other receivables                      | 16   | 5,114,900          | 4,335,570          |
| Cash and bank balances                           | 22   | 5,199,897          | 4,581,904          |
|  |      | <u>13,087,326</u>  | <u>11,198,003</u>  |
| <b>Total assets</b>                              |      | <u>15,272,628</u>  | <u>13,520,824</u>  |
| <b>Current liabilities</b>                       |      |                    |                    |
| Trade and other payables                         | 18   | (8,769,572)        | (6,589,987)        |
| Current tax liabilities                          | 18   | (31,512)           | (77,712)           |
| Provisions                                       | 19   | (97,000)           | (81,000)           |
| Accruals and deferred revenue                    | 18   | (547,575)          | (520,214)          |
|  |      | <u>(9,445,659)</u> | <u>(7,268,913)</u> |
| <b>Net current assets</b>                        |      | <u>3,641,667</u>   | <u>3,929,090</u>   |
| <b>Non-current liabilities</b>                   |      |                    |                    |
| Deferred tax liability                           | 17   | -                  | (4,738)            |
|  |      | <u>-</u>           | <u>(4,738)</u>     |
| <b>Net assets</b>                                |      | <u>5,826,969</u>   | <u>6,247,173</u>   |
| <b>Equity</b>                                    |      |                    |                    |
| Share capital                                    | 20   | 200,000            | 200,000            |
| Retained earnings                                | 21   | 5,626,969          | 6,047,173          |
| <b>Equity attributable to the company owners</b> |      | <u>5,826,969</u>   | <u>6,247,173</u>   |

The financial statements of Furuno (UK) Limited (registered number 01400252) were approved by the board of directors and authorised for issue on 6 March 2018. They were signed on its behalf by:

  
J. Williams

Director



**Furuno (UK) Limited**  
**Consolidated Statement of changes in equity**  
As at 31 December 2017

**Equity attributable to equity holders of the Group**

|                                    | <b>Note</b> | <b>Share<br/>Capital<br/>£</b> | <b>Retained<br/>Earnings<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------------|-------------|--------------------------------|------------------------------------|--------------------|
| <b>Balance at 1 January 2016</b>   |             | 200,000                        | 14,226,238                         | 14,426,238         |
| Profit for the year                |             | -                              | 1,008,236                          | 1,008,236          |
| Dividends                          | 12          | -                              | (500,000)                          | (500,000)          |
| <b>Balance at 31 December 2016</b> |             | 200,000                        | 14,734,474                         | 14,934,474         |
| Profit for the year                |             | -                              | 681,780                            | 681,780            |
| Dividends                          | 12          | -                              | (500,000)                          | (500,000)          |
| <b>Balance at 31 December 2017</b> |             | 200,000                        | 14,916,254                         | 15,116,254         |

**Furuno (UK) Limited**  
**Company Statement of changes in equity**  
As at 31 December 2017

**Equity attributable to equity holders of the Company**

|                                    | <b>Note</b> | <b>Share<br/>Capital<br/>£</b> | <b>Retained<br/>Earnings<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------------|-------------|--------------------------------|------------------------------------|--------------------|
| <b>Balance at 1 January 2016</b>   |             | 200,000                        | 6,083,933                          | 6,283,933          |
| Profit for the year                |             | -                              | 463,240                            | 463,240            |
| Dividends                          | 12          | -                              | (500,000)                          | (500,000)          |
| <b>Balance at 31 December 2016</b> |             | 200,000                        | 6,047,173                          | 6,247,173          |
| Profit for the year                |             | -                              | 79,796                             | 79,796             |
| Dividends                          | 12          | -                              | (500,000)                          | (500,000)          |
| <b>Balance at 31 December 2017</b> |             | 200,000                        | 5,626,969                          | 5,826,969          |

**Furuno (UK) Limited**  
**Consolidated cash flow statement**  
For the year ended 31 December 2017

|   | Note | Year ended 2017<br>£    | Year ended 2016<br>£    |
|---|------|-------------------------|-------------------------|
| <b>Net cash from operating activities</b>                   | 22   | <u>1,502,545</u>        | <u>853,873</u>          |
| <b>Investing activities</b>                                 |      |                         |                         |
| Interest received   |      | 42,976                  | 39,342                  |
| Interest paid   |      | (7,734)                 | (7,514)                 |
| Proceeds on disposal of property, plant and equipment       |      | 1,076,748               | 459,732                 |
| Purchases of property, plant and equipment                  | 13   | <u>(918,322)</u>        | <u>(1,468,549)</u>      |
| <b>Net cash used in investing activities</b>                |      | <u>193,568</u>          | <u>(976,989)</u>        |
| <b>Financing activities</b>                                 |      |                         |                         |
| Dividends paid  |      | (500,000)               | (500,000)               |
| Increase in loan to parent company                          |      | <u>(500,000)</u>        | <u>-</u>                |
| <b>Net cash used in financing activities</b>                |      | <u>(1,000,000)</u>      | <u>(500,000)</u>        |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | 696,113                 | (623,116)               |
| <b>Cash and cash equivalents at beginning of year</b>       |      | 4,581,906               | 4,798,298               |
| Effect of foreign exchange rate changes                     |      | (78,120)                | 406,724                 |
| <b>Cash and cash equivalents at end of year</b>             |      | <u><u>5,199,899</u></u> | <u><u>4,581,906</u></u> |

# **Furuno (UK) Limited**

## **Notes to the financial statements**

For the year ended 31 December 2017

### **1. General information**

Furuno (UK) Limited (the Company) is a private company, limited by shares and incorporated in England, United Kingdom under the Companies Act. The address of the registered office is given on page 1. The principal activities of the Company and its subsidiary (the Group) and the nature of the Group's operations are set out in note 4 and in the strategic report on pages 2 to 4.

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

### **2. Significant accounting policies**

#### **Basis of accounting**

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group consolidated financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Application of Financial Reporting Requirements) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

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 goods and services.

The policies set out below have been applied consistently throughout the period to items considered material to the financial statements.

The financial statements have reclassified the bonus provision as an accrual. This reclassification had nil effect on the profit, balance sheet total, or current liabilities total within the prior year. The prior year amounts have been regrouped to better reflect the nature of the underlying liability.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and total comprehensive income of Furuno Leasing Limited is wholly attributed to Furuno (UK) Limited. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the entities are eliminated in full on consolidation.

**Company only Statement of Comprehensive Income**

Section 408 of the Companies Act 2006 provides an exemption from the requirement to publish a company only Statement of comprehensive income, and accordingly no such statement is included within these financial statements. The profit attributable to the Company in the financial year was £68,426 (2016: £463,240).

**Going concern**

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

**Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Investments**

Shares in Furuno Leasing Limited are stated at cost less provision for any impairment in value.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

**Revenue recognition**

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 VAT.

***Sale of goods***

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

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

***Rendering of services and maintenance***

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. This is recognised on an accruals basis over the term of the maintenance/service period.

***Interest income***

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***Rental income***

The Group's policy for recognition of revenue from operating leases is described below.

**Leases**

The group acts as a lessor of certain types of rental equipment. As the risks and rewards of the assets are deemed to be retained, these are classified under operating leases.

***The Group as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

***The Group as lessee***

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

**Foreign currencies**

In the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company and its subsidiary, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. 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 recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions actually paid by the group during the year under review.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. All current and deferred tax is recognised in profit or loss.

***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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of Financial Position 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 statement of Financial Position 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.

The carrying amount of deferred tax assets is reviewed at each statement of Financial Position 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 statement of Financial Position date. Deferred tax is charged or credited in the income statement.

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

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

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 Group intends to settle its current tax assets and liabilities on a net basis.

**Property, plant and equipment**

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

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:

|                                  |               |
|----------------------------------|---------------|
| Freehold and Leasehold buildings | 2% per annum  |
| Motor vehicles                   | 20% per annum |
| Furniture and fittings           | 20% per annum |
| Plant and equipment              | 10% per annum |
| Rental equipment                 | 20% per annum |
| Computers                        | 25% per annum |

Freehold land is not depreciated.

The Group acts as a lessor of certain type of marine electronic equipment. As the risks and rewards of the assets are deemed to be retained, these are accounted for as fixed assets within the Group.

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.

**Impairment of tangible assets**

At each statement of Financial Position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use.

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

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



**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost represents purchase invoice value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. Inventory is accounted for on a first in first out (FIFO) basis.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

Financial assets are required to be classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables as appropriate. All financial assets are recognised initially at fair value plus, in the case of investments not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group's financial assets include loans and receivables.

***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

***Derecognition of financial assets***

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

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

***Financial liabilities***

Financial liabilities are required to be classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include payables. The Group has not entered into any derivative arrangements in the current or prior year.

***Derecognition of financial liabilities***

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

***Estimates***

In the application of the Group's accounting policies, 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 accounting judgements and sources of estimation uncertainty***

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the statement of Financial Position date and amounts of revenue and expenses recognised during the period. Such assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of Financial Position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

***Warranty provision***

The Group generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as evaluating recent trends that might suggest that past cost information may differ from future claims.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**2. Significant accounting policies (*Continued*)**

**Inventory provision**

The valuation of inventory requires management to estimate obsolete and excess inventory as well as inventory that is not of saleable quality. The estimate of future demand is compared to goods inventory levels to determine the amount, if any, of obsolete or excess inventory. If the demand forecast for specific products is greater than actual demand, there may be a requirement to write off inventory, which would negatively impact the gross margin.

**3. Adoption of new and revised Standards**

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

|  |   |
|--|---|
| Amendments to IAS 7, 'Statement of Cash Flows'   | <p>The Company has adopted the amendments to IAS 7 'Statement of Cash Flows' requiring disclosure of changes in liabilities arising from financing activities.</p> <p>The adoption of these amendments has had no impact on the Company's financial statements.</p>   |
| Amendments to IAS 12, 'Income Taxes'   | <p>The Company has adopted the amendments to IAS 12, 'Income Taxes' clarifying the recognition of deferred tax assets for unrealised losses centred around debt instruments.</p> <p>The adoption of these amendments has had no impact on the Company's financial statements.</p>   |
| Annual Improvements to IFRSs: 2014-16 Cycle (Dec 16): Amendments to IFRS 12, 'Disclosure of Interests in Other Entities' | <p>The Company has adopted the amendments to IFRS 12 'Disclosure of Interests in Other Entities', clarifying the disclosure requirements relating to the entity's interests, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.</p> <p>The adoption of these amendments has had no impact on the Company's financial statements.</p> |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**3. Adoption of new and revised Standards (*continued*)**

**New and revised IFRSs 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 IFRSs that have been issued but are not effective, or adopted by the EU, for the current reporting period (1 January 2017 to 31 December 2017):

|                                 |   |
|---------------------------------|---|
| IFRS 9                          | Financial Instruments (Effective date adopted by EU – 1 January 2018)                 |
| IFRS 15                         | Revenue from Contracts with Customers (Effective date adopted by EU – 1 January 2018) |
| IFRS 16                         | Leases (Effective date adopted by EU – 1 January 2018)                                |
| IFRS 2 (amendments)             | Classification and Measurement of Share-based Payment Transactions                    |
| IFRS 4 (amendments)             | Apply IFRS9 Financial Instruments to IFRS 4   |
| IFRS 17                         | Insurance Contracts   |
| IAS 40 (amendments)             | Transfer of Investment Property   |
| IFRS 10 and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| IAS 28                          | Long-term Interests in Associates and Joint Ventures                                  |

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:

- IFRS 15 may have an impact on revenue recognition and related disclosures; and
- IFRS 16 will require additional disclosures

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**4. Operating segments**

The Group's revenues from its major products and services were as follows:

|                 | Year<br>ended<br>2017<br>£ | Year<br>ended<br>2016<br>£ |
|-----------------|----------------------------|----------------------------|
| Equipment sales | 6,812,043                  | 5,510,647                  |
| Spares sales    | 809,912                    | 619,934                    |
| Service income  | 1,738,172                  | 1,363,127                  |
| Rental income   | 2,041,850                  | 2,230,372                  |
|                 | <u>11,401,477</u>          | <u>9,724,080</u>           |

The Group's revenues are derived from the following geographical areas:

|                   | Year ended<br>2017<br>£ | Year<br>ended<br>2016<br>£ |
|-------------------|-------------------------|----------------------------|
| UK                | 9,800,626               | 8,767,678                  |
| Europe            | 1,376,686               | 819,445                    |
| Rest of the world | 224,165                 | 136,957                    |
|                   | <u>11,401,477</u>       | <u>9,724,080</u>           |

**5. Profit for the year**

Profit for the year has been arrived at after (crediting) / charging:

|   | Year<br>ended<br>2017<br>£ | Year<br>ended<br>2016<br>£ |
|---|----------------------------|----------------------------|
| Net foreign exchange losses/(gains)                               | 67,913                     | (272,689)                  |
| Inventories recognised as an expense                              | 6,787,263                  | 5,625,116                  |
| Depreciation of property, plant and equipment (see note 13)       | 1,118,757                  | 1,316,951                  |
| Gain on disposal of property, plant and equipment                 | (312,253)                  | (161,395)                  |
| Write downs of inventories recognised as an expense (see note 15) | 132,000                    | 227,000                    |
| Staff costs (see note 7)  | 1,758,765                  | 1,697,846                  |
| Operating lease rentals (see note 23)                             | 11,009                     | 4,751                      |
| Impairment loss recognised on trade receivable (see note 16)      | 54,701                     | 47,248                     |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**6. Auditor remuneration**

The analysis of the auditor remuneration is as follows:

|   | Year<br>ended<br>2017<br>£ | Year<br>ended<br>2016<br>£ |
|---|----------------------------|----------------------------|
| Fees payable to the Company's auditor for the audit of the Company's annual Financial Statements                | 31,900                     | 31,000                     |
| Fees payable to the Company's auditor for other services to the Group – The audit of the company's subsidiaries | 8,240                      | 7,000                      |
| <i>Total audit fees</i>   | <u>40,140</u>              | <u>38,000</u>              |
| Fees payable to the Company's auditor for other services to the Group – Taxation advisory services              | <u>7,725</u>               | <u>9,750</u>               |

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

No services were provided pursuant to contingent fee arrangements.

**7. Staff costs**

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

|                        | Group and Company |                |
|------------------------|-------------------|----------------|
|                        | 2017<br>Number    | 2016<br>Number |
| Direct                 | 16                | 17             |
| Sales and distribution | 5                 | 5              |
| Administration         | 8                 | 8              |
|                        | <u>29</u>         | <u>30</u>      |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**7. Staff costs (Continued)**

Their aggregate remuneration comprised:

|                                   | <b>Group and Company</b>         |                                  |
|-----------------------------------|----------------------------------|----------------------------------|
|                                   | <b>Year ended<br/>2017<br/>£</b> | <b>Year ended<br/>2016<br/>£</b> |
| Wages and salaries                | 1,423,768                        | 1,441,815                        |
| Social security costs             | 229,452                          | 137,581                          |
| Other pension costs (see note 24) | 105,545                          | 118,450                          |
|                                   | <u>1,758,765</u>                 | <u>1,697,846</u>                 |

**8. Directors' remuneration**

|  | <b>Year<br/>ended<br/>2017<br/>£</b> | <b>Year<br/>ended<br/>2016<br/>£</b> |
|--|--------------------------------------|--------------------------------------|
| <b>Directors' remuneration</b>                           |                                      |                                      |
| Emoluments   | 247,422                              | 381,076                              |
| Company contributions to money purchase pension schemes  | 19,246                               | 37,535                               |
|  | <u>266,668</u>                       | <u>418,611</u>                       |
| <b>Remuneration of the highest paid director:</b>        |                                      |                                      |
| Emoluments   | 225,770                              | 208,078                              |
| Company contributions to defined benefit pension schemes | 13,229                               | 20,930                               |
|  | <u>239,000</u>                       | <u>229,008</u>                       |

**9. Investment revenue**

|                     | <b>Year<br/>ended<br/>2017<br/>£</b> | <b>Year<br/>ended<br/>2016<br/>£</b> |
|---------------------|--------------------------------------|--------------------------------------|
| Interest revenue:   |                                      |                                      |
| Bank deposits       | 14,786                               | 11,051                               |
| Parent company loan | 58,871                               | 28,291                               |
|                     | <u>73,657</u>                        | <u>39,342</u>                        |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**10. Finance costs**

|               | Year ended<br>2017<br>£ | Year ended<br>2016<br>£ |
|---------------|-------------------------|-------------------------|
| Finance cost: |                         |                         |
| Bank charges  | 7,734                   | 7,514                   |
|               | <u>7,734</u>            | <u>7,514</u>            |

**11. Tax**

|                            | Year ended<br>2017<br>£ | Year ended<br>2016<br>£ |
|----------------------------|-------------------------|-------------------------|
| Corporation tax:           |                         |                         |
| Current year               | 175,968                 | 294,999                 |
|                            | <u>175,968</u>          | <u>294,999</u>          |
| Deferred tax (see note 17) | (29,913)                | (34,302)                |
|                            | <u>146,055</u>          | <u>260,697</u>          |

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated taxable profit for the year. The applicable tax rate has changed following the substantive enactments of the Finance Act 2013.

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

|  | Year ended<br>2017<br>£ | Year ended<br>2016<br>£ |
|--|-------------------------|-------------------------|
| Profit before tax on continuing operations                                   | 827,835                 | 1,268,933               |
| Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)                  | 159,358                 | 253,786                 |
| Effect of:   |                         |                         |
| Tax effect of expenses that are not deductible in determining taxable profit | -                       | 24,427                  |
| Tax effect of income not taxable in determining taxable profit               | (999)                   | -                       |
| Effects of other tax rates   | -                       | 4,354                   |
| Amounts not recognised   | (12,304)                | (21,870)                |
| Tax expense for the year   | <u>146,055</u>          | <u>260,697</u>          |

In the Budget on 16 March 2016, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 17% by 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17% in accordance with the rates enacted at the balance sheet date.



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**12. Dividends**

|  | Year ended 2017<br>£ | Year ended 2016<br>£ |
|--|----------------------|----------------------|
| Amounts recognised as distributions to equity holders in the period:                 |                      |                      |
| Final dividend for the year ended 31 December 2017 of 250p<br>(2016: 250p) per share | 500,000              | 500,000              |
|  | <u>500,000</u>       | <u>500,000</u>       |

No dividend has been proposed based upon the Group's result for 2017.

**13. Property, plant and equipment**

**Group**

|                                 | Land and buildings<br>£ | Motor vehicle<br>£ | Furniture and fittings<br>£ | Plant and equipment<br>£ | Rental equipment<br>£ | Computers<br>£ | Total<br>£  |
|---------------------------------|-------------------------|--------------------|-----------------------------|--------------------------|-----------------------|----------------|-------------|
| <b>Cost</b>                     |                         |                    |                             |                          |                       |                |             |
| At 1 January 2016               | 2,135,178               | 300,332            | 117,624                     | 552,855                  | 6,320,208             | 107,555        | 9,533,752   |
| Additions                       | -                       | 105,639            | 135                         | 37,489                   | 1,309,325             | 15,961         | 1,468,549   |
| Disposals                       | -                       | (106,801)          | -                           | (7,209)                  | (948,220)             | (5,651)        | (1,067,881) |
| At 31 December 2016             | 2,135,178               | 299,170            | 117,759                     | 583,135                  | 6,681,313             | 117,865        | 9,934,420   |
| Additions                       | -                       | -                  | 1,860                       | 21,039                   | 884,842               | 10,581         | 918,322     |
| Disposals                       | -                       | (79,858)           | -                           | (6,508)                  | (2,410,930)           | (2,056)        | (2,499,352) |
| At 31 December 2017             | 2,135,178               | 219,312            | 119,619                     | 597,666                  | 5,155,225             | 126,390        | 8,353,390   |
| <b>Accumulated depreciation</b> |                         |                    |                             |                          |                       |                |             |
| At 1 January 2016               | 292,224                 | 112,500            | 108,702                     | 363,565                  | 3,360,788             | 76,496         | 4,314,275   |
| Charge for the year             | 33,071                  | 56,597             | 4,463                       | 41,756                   | 1,166,705             | 14,359         | 1,316,951   |
| Eliminated on disposal          | -                       | (64,687)           | -                           | (3,335)                  | (696,097)             | (5,425)        | (769,544)   |
| At 31 December 2016             | 325,295                 | 104,410            | 113,165                     | 401,986                  | 3,831,396             | 85,430         | 4,861,682   |
| Charge for the year             | 33,137                  | 48,959             | 1,904                       | 41,720                   | 978,103               | 14,934         | 1,118,757   |
| Eliminated on disposal          | -                       | (33,071)           | -                           | (2,224)                  | (1,698,955)           | (607)          | (1,734,857) |
| At 31 December 2017             | 358,432                 | 120,297            | 115,070                     | 441,482                  | 3,110,544             | 99,757         | 4,245,582   |
| <b>Carrying amount</b>          |                         |                    |                             |                          |                       |                |             |
| At 31 December 2017             | 1,776,746               | 99,016             | 4,549                       | 156,183                  | 2,044,681             | 26,633         | 4,107,808   |
| At 31 December 2016             | 1,809,883               | 194,760            | 4,594                       | 181,149                  | 2,849,917             | 32,435         | 5,072,738   |

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**13. Property, plant and equipment (*Continued*)**

**Company**

|                                     | Land and<br>buildings<br>£ | Motor<br>vehicle<br>£ | Furniture and<br>fittings<br>£ | Plant and<br>equipment<br>£ | Rental<br>equipment<br>£ | Total<br>£ |
|-------------------------------------|----------------------------|-----------------------|--------------------------------|-----------------------------|--------------------------|------------|
| <b>Cost</b>                         |                            |                       |                                |                             |                          |            |
| At 1 January 2016                   | 2,135,178                  | 300,332               | 117,624                        | 552,855                     | 6,320,208                | 3,213,544  |
| Additions                           | -                          | 105,639               | 135                            | 37,489                      | 1,309,325                | 159,224    |
| Disposals                           | -                          | (106,801)             | -                              | (7,209)                     | (948,220)                | (119,661)  |
| At 31 December 2016                 | 2,135,178                  | 299,170               | 117,759                        | 583,135                     | 6,681,313                | 3,253,107  |
| Additions                           | -                          | -                     | 1,860                          | 21,039                      | 884,842                  | 33,480     |
| Disposals                           | -                          | (79,858)              | -                              | (6,508)                     | (2,410,930)              | (88,422)   |
| At 31 December 2017                 | 2,135,178                  | 219,312               | 119,619                        | 597,666                     | 5,155,225                | 3,198,165  |
| <b>Accumulated<br/>depreciation</b> |                            |                       |                                |                             |                          |            |
| At 1 January 2016                   | 292,224                    | 112,500               | 108,702                        | 363,565                     | 3,360,788                | 953,487    |
| Charge for the year                 | 33,071                     | 56,597                | 4,463                          | 41,756                      | 1,166,705                | 150,246    |
| Eliminated on<br>disposal           | -                          | (64,687)              | -                              | (3,335)                     | (696,097)                | (73,447)   |
| At 31 December 2016                 | 325,295                    | 104,410               | 113,165                        | 401,986                     | 3,831,396                | 1,030,286  |
| Charge for the year                 | 33,137                     | 48,959                | 1,904                          | 41,720                      | 978,103                  | 140,654    |
| Eliminated on<br>disposal           | -                          | (33,071)              | -                              | (2,224)                     | (1,698,955)              | (35,902)   |
| At 31 December 2017                 | 358,432                    | 120,297               | 115,070                        | 441,482                     | 3,110,544                | 1,135,038  |
| <b>Carrying amount</b>              |                            |                       |                                |                             |                          |            |
| At 31 December 2017                 | 1,776,746                  | 99,016                | 4,549                          | 156,183                     | 2,044,681                | 2,063,127  |
| At 31 December 2016                 | 1,809,883                  | 194,760               | 4,594                          | 181,149                     | 2,849,917                | 2,222,821  |

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**14. Investment in subsidiary**

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Shares in Furuno Leasing Limited<br>100,000 ordinary shares of £1 | 100,000   | 100,000   |

The Group consists of a parent company, Furuno (UK) Limited, incorporated in the UK and a wholly owned subsidiary, Furuno Leasing Limited, incorporated in the UK, and a registered office of West Building, Penner Road, Havant, Hampshire, PO9 1QY. The principal activity is that of a lessor of marine rental equipment.

**15. Inventories**

|             | Group and Company |                  |
|-------------|-------------------|------------------|
|             | 2017<br>£         | 2016<br>£        |
| Spare parts | 280,719           | 327,021          |
| Equipment   | 2,491,810         | 1,953,508        |
|             | <u>2,772,529</u>  | <u>2,280,529</u> |

The cost of inventories recognised as an expense include £132,000 (2016: £227,000) in respect of write-downs of inventory to net realisable value, and has been increased by £nil (2016: £41,000) in respect of the reversal of such write-downs. There is no material difference between the statement of Financial Position value of stocks and their replacement cost.

**16. Trade and other receivables**

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>£        | 2016<br>£        | 2017<br>£        | 2016<br>£        |
| Trade receivables                                  | 1,570,667        | 1,274,824        | 1,083,647        | 917,325          |
| Less provision for impairment of trade receivables | (30,486)         | (56,133)         | (30,486)         | (4,571)          |
|  | <u>1,540,181</u> | <u>1,218,691</u> | <u>1,053,161</u> | <u>912,754</u>   |
| Receivables by holding company                     | 3,814,496        | 3,300,000        | 3,814,496        | 3,300,000        |
| Receivables by fellow subsidiaries                 | 40,267           | 11,714           | 40,267           | 11,714           |
| Deposit account                                    | 61,964           | 61,834           | 61,965           | 61,834           |
| Other receivables                                  | 145,011          | 49,268           | 145,011          | 49,268           |
|  | <u>5,601,920</u> | <u>4,641,507</u> | <u>5,114,900</u> | <u>4,335,570</u> |

**Furuno (UK) Limited**  
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**16. Trade and other receivables (*Continued*)**

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The directors believe the amount stated best represents the maximum exposure to credit risk.

Trade receivables are non-interest bearing and are generally on terms of less than 60 days. The Group provides for 100% of any trade receivables that are aged over 120 days as part of their bad debt policy.

The Company issued a loan of £3,800,000 to its parent company within the year with interest charged at market value and repayable to the Company in March 2018. Interest is earned at a rate of 1.08%. The deposit account is a 95 day demand account.

Ageing of past due but not impaired receivables

|             | <b>2017</b>    | <b>2016</b>    |
|-------------|----------------|----------------|
|             | <b>£</b>       | <b>£</b>       |
| 31-60 days  | 357,499        | 515,227        |
| 61-90 days  | 25,963         | 33,909         |
| 91-120 days | 16,712         | 122,677        |
| Total       | <u>400,174</u> | <u>671,813</u> |

Movement in the allowance for doubtful debts

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
|  | <b>£</b>      | <b>£</b>      |
| Balance at the beginning of the year                 | 56,133        | 65,849        |
| Impairment losses recognised                         | 54,701        | 47,248        |
| Amounts written off during the year as uncollectible | (55,807)      | (37,879)      |
| Amounts recovered during the year                    | (13,623)      | (19,085)      |
| Balance at the end of the year                       | <u>41,404</u> | <u>56,133</u> |

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

There are not any provisions for impairment of debt that relates to the liquidation of customers. When the Group becomes aware of the liquidation of a customer, the entire debt relating to that customer is written-off as bad debt.

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**17. Deferred tax**

The following are the major deferred tax assets and liabilities recognised by the group and company and the movements thereon during the current and prior reporting period. Note all movements have been charged directly to the income statement.

|  | Group<br>£    | Company<br>£  |
|--|---------------|---------------|
| <b>Deferred taxation movement for the year</b> |               |               |
| Balance as at 1 January 2016                   | (13,726)      | 5,476         |
| Charged to income statement                    | 34,302        | (10,214)      |
|  | <hr/>         | <hr/>         |
| Balance as at 1 January 2017                   | 20,576        | (4,738)       |
| Charged to income statement                    | 29,913        | 26,913        |
|  | <hr/>         | <hr/>         |
| Balance as at 31 December 2017                 | <u>50,489</u> | <u>22,175</u> |

The analysis of deferred tax balances including the offset between deferred tax assets and liabilities is as follows:

|                                 | Group         |               | Company       |                |
|---------------------------------|---------------|---------------|---------------|----------------|
|                                 | 2017<br>£     | 2016<br>£     | 2017<br>£     | 2016<br>£      |
| Fixed Assets                    | 33,999        | 6,806         | 5,685         | (18,508)       |
| Short term timing differences   | 16,490        | 13,770        | 16,490        | 13,770         |
|                                 | <hr/>         | <hr/>         | <hr/>         | <hr/>          |
| Deferred tax assets/(liability) | <u>50,489</u> | <u>20,576</u> | <u>22,175</u> | <u>(4,738)</u> |

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**18. Trade and other payables**

|                                    | <b>Group</b>     |                  | <b>Company</b>   |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | <b>2017</b>      | <b>2016</b>      | <b>2017</b>      | <b>2016</b>      |
|                                    | <b>£</b>         | <b>£</b>         | <b>£</b>         | <b>£</b>         |
| <b>Current</b>                     |                  |                  |                  |                  |
| Trade payables                     | 467,780          | 269,156          | 291,116          | 156,824          |
| Amount owed to parent company      | 548,948          | 180,480          | 548,948          | 180,480          |
| Amount owed to fellow subsidiaries | 51,392           | 94,020           | 51,392           | 94,020           |
| Amount owed to subsidiary company  | -                | -                | 7,846,652        | 6,099,105        |
| Other taxation and social security | 31,464           | 59,558           | 31,464           | 59,558           |
|                                    | <u>1,099,584</u> | <u>603,214</u>   | <u>8,769,572</u> | <u>6,589,987</u> |
| <b>Trade and other payables</b>    | 1,099,584        | 603,214          | 8,769,572        | 6,589,987        |
| Corporation tax payable            | 85,583           | 171,762          | 31,512           | 77,712           |
| Provisions                         | 97,000           | 81,000           | 97,000           | 81,000           |
| Accruals and deferred income       | 1,305,663        | 695,710          | 547,575          | 520,214          |
|                                    | <u>2,587,830</u> | <u>1,551,686</u> | <u>9,445,659</u> | <u>7,268,913</u> |
| <b>Non-current</b>                 |                  |                  |                  |                  |
| Accruals and deferred income       | 28,561           | 111,096          | -                | -                |
| Deferred tax liability             | -                | -                | -                | 4,738            |
|                                    | <u>28,561</u>    | <u>111,096</u>   | <u>-</u>         | <u>4,738</u>     |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables; however, the Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The prior year amounts have been regrouped as needed in order to be in line with current year groupings

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

**19. Provisions**

|                    | <b>Group and Company</b> |               |
|--------------------|--------------------------|---------------|
|                    | <b>2017</b>              | <b>2016</b>   |
|                    | <b>£</b>                 | <b>£</b>      |
| Warranty provision | <u>97,000</u>            | <u>81,000</u> |

The prior year amounts have been regrouped as needed in order to be in line with current year groupings.

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**19. Provisions (Continued)**

|                                  | Warranty<br>provision<br>£ |
|----------------------------------|----------------------------|
| At 1 January 2017                | 81,000                     |
| Additional provision in the year | 88,856                     |
| Utilisation of provision         | (72,856)                   |
|                                  | <hr/>                      |
| At 31 December 2017              | 97,000                     |
|                                  | <hr/>                      |

The warranty provision represents management's best estimate of the Company's liability under 12-month warranties granted on marine electronic equipment, based on past experience and evaluating recent trends.

**20. Share capital**

**Group and Company**

|                                    | 2017<br>£ | 2016<br>£ |
|------------------------------------|-----------|-----------|
| Authorised:                        |           |           |
| 200,000 ordinary shares of £1 each | 200,000   | 200,000   |
|                                    | <hr/>     | <hr/>     |
| Issued and fully paid:             |           |           |
| 200,000 ordinary shares of £1 each | 200,000   | 200,000   |
|                                    | <hr/>     | <hr/>     |

The Company has one class of ordinary shares which carry no right to fixed income.

**21. Retained earnings**

|                                | Group<br>£ | Company<br>£ |
|--------------------------------|------------|--------------|
| Balance as at 1 January 2017   | 14,734,474 | 6,047,173    |
| Dividends paid                 | (500,000)  | (500,000)    |
| Net profit for the year        | 681,780    | 79,796       |
|                                | <hr/>      | <hr/>        |
| Balance as at 31 December 2017 | 14,916,254 | 5,626,969    |
|                                | <hr/>      | <hr/>        |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
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**22. Notes to the cash flow statement**

|  | Year<br>ended<br>2017<br>£ | Year<br>ended<br>2016<br>£ |
|--|----------------------------|----------------------------|
| Profit for the year                                      | 681,780                    | 1,008,236                  |
| Adjustments for:   |                            |                            |
| Investment revenues                                      | (73,657)                   | (39,342)                   |
| Effects of foreign exchange                              | 78,120                     | (406,724)                  |
| Finance costs  | 7,734                      | 7,514                      |
| Income tax expense                                       | 146,055                    | 260,697                    |
| Depreciation of property, plant and equipment            | 1,118,757                  | 1,316,951                  |
| Gain on disposal of property, plant and equipment        | (312,253)                  | (161,395)                  |
| Increase/(decrease) in provisions                        | 16,000                     | (32,500)                   |
| Operating cash flows before movements in working capital | 1,662,536                  | 1,953,437                  |
| Increase in inventories                                  | (492,000)                  | (543,660)                  |
| Increase in receivables                                  | (429,633)                  | (123,721)                  |
| Increase/(decrease) in payables                          | 1,023,789                  | (76,413)                   |
| Cash generated by operations                             | 1,764,692                  | 1,209,643                  |
| Income taxes paid  | (262,147)                  | (355,770)                  |
| Net cash from operating activities                       | 1,502,545                  | 853,873                    |
| <b>Cash and cash equivalents</b>                         |                            |                            |
|  | 2017<br>£                  | 2016<br>£                  |
| Cash at bank   | 3,168,100                  | 3,992,808                  |
| Short term deposits                                      | 2,093,764                  | 589,098                    |
|  | 5,261,864                  | 4,581,906                  |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of Financial Position as shown above. All cash and cash equivalents are classified as current assets.



**Furuno (UK) Limited**  
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**22. Notes to the cash flow statement (Continued)**

**Analysis of changes in net cash**

|                     | 1 January<br>2017<br>£ | Cash Flow<br>£ | 31 December<br>2017<br>£ |
|---------------------|------------------------|----------------|--------------------------|
| Cash                | 3,992,808              | (886,673)      | 3,106,135                |
| Short term deposits | 589,098                | 1,504,666      | 2,093,764                |
| Net cash            | <u>4,581,906</u>       | <u>617,993</u> | <u>5,199,899</u>         |

**23. Operating lease arrangements**

**The Group as lessee**

|  | 2017<br>£    | 2016<br>£    |
|--|--------------|--------------|
| Lease payments under operating leases recognised as an expense in the year | <u>4,751</u> | <u>4,751</u> |

At the statement of Financial Position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases comprise:

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Within one year                        | 16,466         | 7,219          |
| In the second to fifth years inclusive | 39,690         | 27,281         |
| After five years                       | 239,653        | 229,236        |
|  | <u>295,809</u> | <u>263,736</u> |

Operating lease payments include rentals payable by the Group for certain of its land and office premises for a 60 year lease without option to extend and lease payment review every three years.

**The group as lessor**

Rental income from marine equipment (including maintenance) earned during the year was £2,041,850 (2016: £2,230,372). Certain items of the group's equipment held for rental purposes, with a carrying amount of £9,809 have been disposed of since the statement of Financial Position date. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee has the option to purchase the equipment at any point during the lease at a fair value.

At the statement of Financial Position date, the Company had contracted with customers for the following future minimum lease payments:

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Within one year                        | 109,673          | 587,646          |
| In the second to fifth years inclusive | 3,744,414        | 4,047,268        |
|  | <u>3,854,087</u> | <u>4,634,914</u> |

**Furuno (UK) Limited**  
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**24. Retirement benefit schemes**

**Defined contribution schemes**

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in an independently administered fund. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £105,545 (2016: £118,450) represents contributions payable as pension costs by the Group. As at 31 December 2017, contributions of £nil (2016: £nil) relating to pension costs due in respect of the current reporting period had not been paid.

**25. Financial Instruments**

**Categories of financial instruments**

**Group**

|                              | 2017<br>£ | 2016<br>£ |
|------------------------------|-----------|-----------|
| <b>Financial assets</b>      |           |           |
| Cash and cash equivalents    | 5,199,899 | 4,581,906 |
| Loans and receivables        | 5,601,920 | 4,641,507 |
| <b>Financial liabilities</b> |           |           |
| Held at amortised cost       | 2,433,809 | 1,410,020 |

**Company**

|                              | 2017<br>£ | 2016<br>£ |
|------------------------------|-----------|-----------|
| <b>Financial assets</b>      |           |           |
| Cash and cash equivalents    | 5,199,897 | 4,581,904 |
| Loans and receivables        | 5,114,900 | 4,335,570 |
| <b>Financial liabilities</b> |           |           |
| Held at amortised cost       | 9,317,147 | 7,104,725 |

At the end of the reporting period, the Group have not designated any loans and receivables as FVTPL.

**Reclassification of financial assets**

The Group has made no reclassifications of financial assets either in the prior or the current year.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

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**25. Financial Instruments (*Continued*)**

**Fair value measurements**

Fair value is considered to be materially equivalent to book value for the Group's financial assets and liabilities, where items are short term in nature, including cash, trade payables and other contractual liabilities. Further information on the provision for credit losses on trade receivables is given in note 16.

**Financial risk management objectives**

The Group's treasury policy seeks to minimise financial risks and to ensure sufficient liquidity for its operations and strategic plans. No complex financial instruments are used and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage currency risks arising from normal operations.

The Group is exposed primarily to currency risk and to a lesser extent to interest risk and liquidity risk. The Group's Board of Directors and senior managers oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**Foreign currency risk**

The Group is exposed to the foreign currency risk as a consequence of trading with foreign entities. Exchange rate exposures are managed through the monitoring of foreign currency bank accounts. The Group does not use foreign currency bank accounts for speculative purposes.

**Foreign currency sensitivity analysis**

During the year, the Group is mainly exposed to the following currencies: yen, euro, and US dollar.

The only item on the statement of Financial Position that could be materially impacted due to fluctuations in the foreign exchange rates is the payable to the parent company. However, this is effectively hedged at year-end as the Group have sufficient yen in the bank account at this time to cover the liability. As such the Group have not presented a foreign currency sensitivity analysis as the effect of any fluctuation in currency would be £nil on the profit and loss account for the year ending 31 December 2017.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk. The Group is exposed primarily to currency risk; prices are set by the ultimate Furuno Group. Financial instruments affected by market risk include deposits and trade and other receivables.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

**Capital risk management**

The Group defines its capital as the Group's total equity. Its objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and maintain sufficient financial resources to mitigate risks and unforeseen events.

The Group is not subject to any externally imposed capital requirements.

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**25. Financial Instruments (Continued)**

**Credit risk management**

Credit risk is the risk that a counterparty will default on its contractual obligations leading to a financial loss. The Group's principal financial assets are bank balances and cash, trade and other receivables, operating lease receivables and investments.

The Group's credit risk is primarily attributable to its trade and operating lease receivables. The amounts presented in the statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flow and where appropriate credit guarantee insurance is purchased as a means of mitigating risk of financial loss from defaults.

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

**Liquidity risk management**

The Group does not hold any long or short-term debt finance. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows and the use of money market deposit accounts. Details of additional undrawn facilities that the Group has at its disposal to further reduce its liquidity risk are set out below.

**Financing facilities**

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| <b>Secured bank overdraft facility:</b> |                |                |
| - amount used                           | -              | -              |
| - amount unused                         | 100,000        | 100,000        |
|   | <u>100,000</u> | <u>100,000</u> |

The Group does not hold any unsecured bank overdraft facilities or unsecured bill acceptance facilities.

**Furuno (UK) Limited**  
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**26. Related party transactions**

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Trading transactions**

During the year, group companies entered into the following transactions with related parties who are not members of the group:

|                                 | <b>Sale of goods</b> |             | <b>Purchase of goods</b> |             |
|---------------------------------|----------------------|-------------|--------------------------|-------------|
|                                 | <b>2017</b>          | <b>2016</b> | <b>2017</b>              | <b>2016</b> |
|                                 | <b>£</b>             | <b>£</b>    | <b>£</b>                 | <b>£</b>    |
| Furuno Electric Company Limited | 133,633              | 99,652      | 6,389,285                | 5,325,595   |
| Furuno Norge A/S                | 59,781               | 38,701      | (51,769)                 | 66,620      |
| Furuno U.S.A. Inc               | 6,790                | 3,427       | 118,404                  | 46,614      |
| Furuno Danmark A/S              | 46,204               | 43,932      | 14,956                   | 14,773      |
| Furuno Sverige A/B              | 82,536               | 15,473      | 6,688                    | 444         |
| Furuno France S.A.              | 2,780                | 1,099       | 33,258                   | 26,552      |
| Furuno Espana S.A.              | 24,749               | 4,138       | 17,966                   | 13,600      |
| Furuno Finland OY               | 917                  | 1,698       | 3,067                    | 23,842      |
| Furuno Deutschland GmbH         | 50,235               | 65,678      | 1,555                    | 17,420      |
| Furuno Eurus                    | 1                    | -           | -                        | -           |
| Furuno Polska SP Z.O.O          | 1,757                | 343         | 3,212                    | 651         |
| Furuno Hellas Limited           | 53,807               | -           | 14,897                   | 18,195      |
| Furuno Singapore Pte Ltd        | 45,776               | 25,291      | 256,164                  | 194,407     |
| Furuno (Cyprus) Limited         | 30,771               | 55,385      | 3,255                    | -           |
| Furuno European Branch Office   | 1                    | -           | -                        | 4,278       |
| Furuno Korea Company Limited    | 1,020                | 89          | 11,119                   | 25,508      |
| Furuno Italia S.r.l.            | 37,143               | 25,644      | 60,371                   | 14,897      |
| Furuno Shanghai Company Limited | 1                    | -           | -                        | 7,734       |
| Furuno China Company Limited    | 21,645               | 8,498       | 104,551                  | 29,399      |
| PT Furuno Electric Indonesia    | -                    | -           | 2,239                    | -           |
| Furuno Panama S.A.              | -                    | -           | 8,832                    | -           |

**Furuno (UK) Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2017

**26. Related party transactions (*Continued*)**

The following amounts were outstanding at the statement of Financial Position date:

|                                 | <b>Amounts owed by<br/>related parties</b> |                   | <b>Amounts owed to<br/>related parties</b> |                   |
|---------------------------------|--|-------------------|--|-------------------|
|                                 | <b>2017<br/>£</b>                          | <b>2016<br/>£</b> | <b>2017<br/>£</b>                          | <b>2016<br/>£</b> |
| Furuno Electric Company Limited | 3,814,596                                  | 3,300,000         | 548,982                                    | 180,480           |
| Furuno Norge A/S                | 14,459                                     | 5,652             | -  | -                 |
| Furuno U.S.A. Inc               | 4,460                                      | -                 | 6,833                                      | 1,705             |
| Furuno Danmark A/S              | 821  | -                 | 538  | 397               |
| Furuno Sverige A/B              | 2,933                                      | 354               | 1,665                                      | -                 |
| Furuno France S.A.              | -  | -                 | 15,069                                     | 4,013             |
| Furuno Espana S.A.              | -  | -                 | 5,069                                      | 28                |
| Furuno Finland OY               | -  | -                 | 491  | 7,200             |
| Furuno Deutschland GmbH         | 8,465                                      | 411               | -  | -                 |
| Furuno Eurus                    | -  | -                 | -  | -                 |
| Furuno Polska SP Z.O.O.         | -  | -                 | -  | 314               |
| Furuno Hellas Limited           | 2,740                                      | -                 | 3,199                                      | -                 |
| Furuno Singapore Pte Ltd        | 4,663                                      | -                 | 2,390                                      | 51,714            |
| Furuno (Cyprus) Limited         | 1,190                                      | 5,297             | -  | -                 |
| Furuno European Branch Office   | -  | -                 | -  | -                 |
| Furuno Korea Company Limited    | -  | -                 | 2,873                                      | 12,719            |
| Furuno Italia S.r.l.            | -  | -                 | 5,441                                      | 602               |
| Furuno Shanghai Company Limited | -  | -                 | -  | -                 |
| Furuno China Company Limited    | 536  | -                 | 7,756                                      | 15,328            |

The above companies are related parties as they are subsidiaries of the same parent company as Furuno (UK) Limited.

Sales of goods to related parties were made at the group's usual list prices. Purchases were made at market price.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The Group purchased services from S.J. Oliver, the brother of former director C.W. Oliver, to the value of £810 in the period to 30 June 2017 (2016: £10,968). These services were provided on normal commercial terms.

**Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

**Furuno (UK) Limited**  
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**26. Related party transactions (*Continued*)**

**Remuneration of key management personnel (*Continued*)**

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Salaries, fees, bonuses and benefits in kind | 247,422        | 381,077        |
| Post-employment benefits                     | 19,246         | 37,535         |
|  | <u>266,668</u> | <u>418,612</u> |

Two directors were members of a defined contribution pension scheme (2016: two).

M Koike, Y Furuno and S Ametani are directors of the ultimate parent company, Furuno Electric Company Limited, where their remuneration and benefits are recognised and disclosed. None of these amounts are allocated to the Group.

**27. Ultimate parent company and controlling party**

The ultimate parent company and controlling party is Furuno Electric Company Limited, a company incorporated in Japan, which is the parent undertaking of the largest group of which the company is a member, and for which group Financial Statements are drawn up. Copies of its financial statements can be obtained from Osaka Securities Exchange, Osaka, Japan.

The parent undertaking of the smallest group of which the Company is a member, and for which group Financial Statements are drawn up, is Furuno (UK) Limited, a company incorporated in England. Copies of its financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

**28. Subsequent events**

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