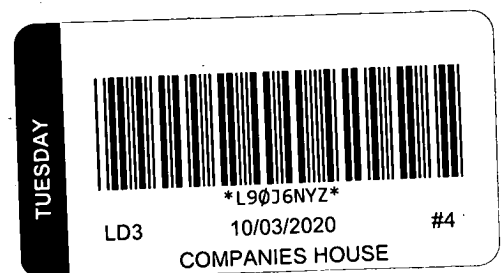


Furuno (UK) Limited

Annual report and financial statements For the Year ended 31 December 2019

Registered number: 01400252



Furuno (UK) Limited

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Furuno (UK) Limited

Summary information

Directors

M Koike
S Ametani
K Kubo
J Williams
G Tomoshige (Appointed 1 January 2020)
B Hardy (Appointed 1 January 2020)
P King (Appointed 1 January 2020)

Company Secretary

P King

Registered office

West Building
Penner Road
Havant
Hampshire
PO9 1QY

Bankers

Clydesdale Bank PLC
62 Union Street
Aberdeen
AB10 1WD

Independent auditor

Deloitte LLP
Statutory Auditor
Mountbatten House
Grosvenor Square
Southampton, United Kingdom
SO15 2BZ

FURUNO (UK) LIMITED

Strategic Report

The directors present their Strategic report and the affairs of the Group for the year ended 31 December 2019.

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.

We have a number of key performance indicators which we use to manage the business, and as with many businesses, focus in the income statement on sales, margin and overheads, along with the level of future orders.

The directors were encouraged by the level of business gained in 2019. We achieved an overall increase in total turnover of 11.0%, which included a 12.8% increase in equipment sales, 15.9% increase in spares sales, an increase of 0.8% in service income, and an increase in rental income of 8.7%, when comparing to 2018.

Direct material costs remain higher than earlier years due to an increase in primary supplier prices. The market has dictated that the company soak up this loss of margin.

Operating expenses have seen a marginal increase of 2.6% on the prior year largely due to staff costs, and general costs increase across the board. Operating profit has increased 17.9% on the prior year, increasing to £934,959.

At the date of this report we have a backlog of undelivered orders totalling nearly £2.8m for delivery 2020-2022. We have further excellent prospects of further new build fishing vessel orders being placed in during 2020, along with Deepsea retrofits and a number of special project installations coming to fruition. Considering the above, the directors look forward to continuing good business growth in 2020.

The directors report a consolidated profit before tax of £1,153,572 (2018: £950,328) with an increase of 21.4% on the prior year.

Further details of the Group's performance are given in the consolidated income statement on page 10 and the related notes from pages 15 to 47. The position of the group at the year-end is set out in the consolidated statement of financial position on page 11 and in the related notes on pages 15 to 47. The financial position of the Company at the year-end is set out in the Company statement of financial position on page 12 and in the related notes on pages 15 to 47.

The Group's key measurement of the effectiveness of its operations is the gross profit margin and the operating margin. The Group achieved a gross margin of 25.3% (2018: 26.4%) and an operating margin of 6.8% (2018: 6.4%).

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 its future purchase commitments. The Group aims to hold enough Yen for 3 months purchases.

Future Prospects

The Group has considerable financial resources and together with Group prospects for the financial year 2020, 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 702 live contracts (2019: 721) running at a standard contract period of 5 years and has obtained new equipment during 2019 to satisfy additional contract requirements.

Although the number of live contracts has decreased in 2019, there are over half a dozen significant potential Pelagic vessel new builds scheduled over the next 3 years. All of these new builds will have the opportunity to rent and maintain the equipment through the company. In preparation for the new builds, certain customers have already purchased assets that were on rental, resulting in the significant gain on sales of assets in the current year.

FURUNO (UK) LIMITED

Strategic Report

There are further opportunities for new build pelagic vessels in both the UK and Irish markets, and given the group's recent activity in this market, we are well placed to make the most of those opportunities. The group has a unique offering in that we are able to supply equipment under a rental maintenance agreement, and we will continue make this offer available to all UK fishing customers.

The fishing sector will continue to provide significant scanning sonar sales and new vessel orders will continue during 2020. We are confident that as the market leader in this sector, we can expect an extremely good level of orders in 2019. The Irish market looks to be particularly buoyant for the next couple of years.

The leisure sector continues to be challenging given the low cost competition but our equipment continues to be chosen for the larger production yachts and bespoke luxury yachts, built and refitted in the UK. The partnership between Furuno Electric and Suzuki has yet to yield any significant gains for the Group, but this will continue to be part of our offering.

We continue to expect to see growth in our Special Projects sector, with more coastal monitoring systems supplied. Interest from the support network supplying the Oil and Gas industry could result in some exciting installations throughout 2020.

The Deep Sea market continues to be competitive and Furuno continues to be a major player worldwide. We will continue with supplying radar, ECDIS, VDR and speed logs during 2020. Indeed, the outlook for 2020 is one of optimism with vessel docking plans increased from 2020, which will result in increased equipment and service orders.

BREXIT IMPACT

The future impact of Bréxit 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.

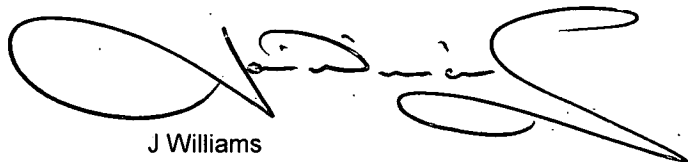
The main concern for the Group is impact upon the exchange rate, and therefore cost price of goods, given that the vast majority of goods are purchased from the parent company in Japan. Given the market uncertainty around foreign exchange rates, the directors have decided not to undertake any foreign currency hedging at the time of this report.

There are uncertainties around import and export. The company primarily sells to the UK and Ireland markets alone, with imports effectively coming from Japan via a bonded warehouse situated in Rotterdam. Import documentation and processes should not change due to Brexit, and we have obtained the necessary export licences to be able to continue to export after the transition period ends on 31 December 2020.

As the transition deadline approaches, the possibility of the negative impact on the logistics of importing to the UK will be reassessed by the Directors and may result in the Group committing to increasing stock levels towards the end of the 2020, to hedge against any such delays going into 2021.

The other area of concern regarding Brexit is the 'Type Approval' certification of the Group's products to enable them to be sold to certain markets and customers. We are actively in discussion with the necessary professional bodies and will be working closely with them when the full impact is known.

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



J Williams

Director
West Building, Penner Road, Havant, Hampshire, PO9 1QY
9 March 2020

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 2019.

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

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
S Ametani
K Kubo
J Williams
G Tomoshige (Appointed 1 January 2020)
B Hardy (Appointed 1 January 2020)
P King (Appointed 1 January 2020)

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

Dividends

The directors recommend that no dividend be paid to ordinary shareholders (2018: £nil).

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.

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

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.

Auditor

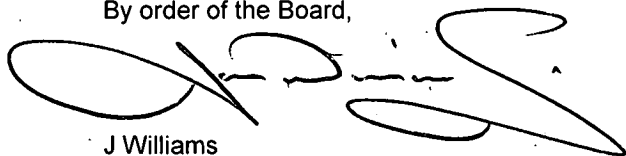
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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
9 March 2020

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 the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 of Furuno (UK) Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 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 which comprise:

- the consolidated income statement;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- 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 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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.

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

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

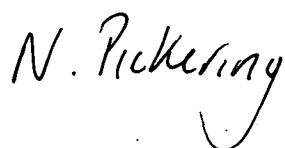
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Nicki Pickering, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Southampton, United Kingdom

9 March 2020

Furuno (UK) Limited
Consolidated income statement
For the year ended 31 December 2019

	Note	Year ended 2019 £	Year ended 2018 £
Revenue	4	13,744,280	12,380,070
Cost of sales		(10,267,662)	(9,109,460)
Gross profit		3,476,618	3,270,610
Operating expenses		(2,541,659)	(2,477,849)
Operating profit		934,959	792,761
Investment revenue	9	79,767	65,303
Finance costs	10	(24,680)	(8,442)
Other (losses)/gains			
(Losses)/gains of foreign exchange		(64,179)	56,874
Gains on sale of non-current assets		227,705	43,832
Profit before taxation		1,153,572	950,328
Taxation	11	(230,365)	(184,578)
Profit for the year	5	923,207	765,750

All results are derived from continuing operations.

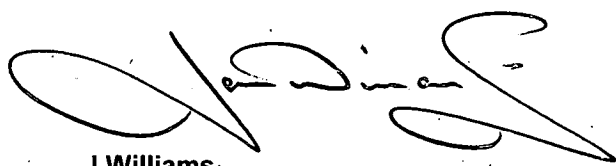
All gains and losses have been recognised in the income statement for both the current year and the prior year and as such represent Total Comprehensive Income of the Group.

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 2019

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	13	4,619,853	4,676,216
Deferred tax assets	17	-	97,996
		<u>4,619,853</u>	<u>4,774,212</u>
Current assets			
Inventories	15	3,381,026	2,670,025
Trade and other receivables	16	6,353,879	5,655,763
Cash and cash equivalents		6,499,398	5,945,546
		<u>16,234,303</u>	<u>14,271,334</u>
Total assets		<u>20,854,156</u>	<u>19,045,546</u>
Current liabilities			
Trade and other payables	18	(893,871)	(553,424)
Current tax liabilities	18	-	(90,109)
Provisions	18	(96,000)	(110,000)
Accruals and deferred revenue	18	(2,524,484)	(2,161,720)
Lease liabilities	18	(48,647)	-
		<u>(3,563,003)</u>	<u>(2,915,253)</u>
Non-current liabilities	18	(283,347)	(45,694)
Total liabilities		<u>(3,846,350)</u>	<u>(2,960,947)</u>
Net current assets		<u>12,671,300</u>	<u>11,356,081</u>
Net assets		<u>17,007,806</u>	<u>16,084,599</u>
Equity			
Share capital	20	200,000	200,000
Retained earnings	21	16,807,806	15,884,599
Equity attributable to the company owners		<u>17,007,806</u>	<u>16,084,599</u>

The financial statements were approved by the board of directors and authorised for issue on 9 March 2020.
They were signed on its behalf by:



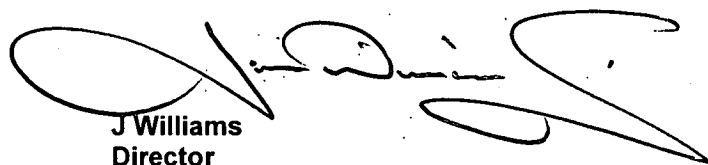
J Williams
Director

Furuno (UK) Limited
Company Statement of financial position
As at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	13	2,153,840	1,913,481
Investments in subsidiaries	14	100,000	100,000
Deferred tax assets	17	25,070	33,723
		<u>2,278,910</u>	<u>2,047,204</u>
Current assets			
Inventories	15	3,381,026	2,670,025
Trade and other receivables	16	5,788,830	5,472,199
Cash and bank balances		6,499,396	5,945,544
		<u>15,669,252</u>	<u>14,087,768</u>
Total assets		<u>17,948,162</u>	<u>16,134,972</u>
Current liabilities			
Trade and other payables	18	(1,375,884)	(553,424)
Current tax liabilities	18	-	(35,641)
Provisions	18	(96,000)	(110,000)
Accruals and deferred revenue	18	(1,534,380)	(1,131,519)
Lease Liabilities	18	(48,647)	-
		<u>(3,054,911)</u>	<u>(1,830,584)</u>
Non-current liabilities	18	(222,380)	-
Total liabilities		<u>(3,277,291)</u>	<u>(1,830,584)</u>
Net current assets		<u>12,614,341</u>	<u>12,257,184</u>
Net assets		<u>14,670,871</u>	<u>14,304,388</u>
Equity			
Share capital	20	200,000	200,000
Retained earnings	21	14,470,871	14,104,388
Equity attributable to the company owners		<u>14,670,871</u>	<u>14,304,388</u>

The Company reported a profit for the financial year ended 31 December 2019 of £366,483 (2018: £8,477,419).

The financial statements of Furuno (UK) Limited (registered number 01400252) were approved by the board of directors and authorised for issue on 9 March 2020. They were signed on its behalf by:


J Williams
Director

Furuno (UK) Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2019

Equity attributable to equity holders of the Group

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2018		200,000	15,118,849	15,318,849
Profit for the year		-	765,750	765,750
Dividends	12	-	-	-
Balance at 31 December 2018		200,000	15,884,599	16,084,599
Profit for the year		-	923,207	923,207
Dividends	12	-	-	-
Balance at 31 December 2019		200,000	16,807,806	17,007,806

Equity attributable to equity holders of the Company

	Note	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2018		200,000	5,626,969	5,826,969
Profit for the year		-	8,477,419	8,477,419
Dividends	12	-	-	-
Balance at 31 December 2018		200,000	14,104,388	14,304,388
Profit for the year		-	366,483	366,483
Dividends	12	-	-	-
Balance at 31 December 2019		200,000	14,470,871	14,670,871

Furuno (UK) Limited
Consolidated cash flow statement
For the year ended 31 December 2019

	Note	Year ended 2019 £	Year ended 2018 £
Net cash from operating activities	22	1,012,160	2,021,871
Investing activities			
Interest received		71,100	61,883
Interest paid		(15,437)	(8,442)
Proceeds on disposal of property, plant and equipment		746,003	212,178
Purchases of property, plant and equipment	13	(1,267,337)	(1,547,441)
Net cash used in investing activities		(465,671)	(1,281,822)
Financing activities			
Operating leases		28,986	-
Operating leases repayments		(47,883)	-
Net cash used in financing activities		(18,897)	-
Net increase in cash and cash equivalents		527,592	740,049
Cash and cash equivalents at beginning of year		5,945,546	5,199,899
Effect of foreign exchange rate changes		26,260	5,598
Cash and cash equivalents at end of year		6,499,398	5,945,546

Furuno (UK) Limited

Notes to the consolidated financial statements

For the year ended 31 December 2019

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 2006. 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.

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 consolidated financial statements

For the year ended 31 December 2019

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 £366,483 (2018: £8,477,419). The prior year's results included a dividend of £8,000,000 from the wholly owned subsidiary of the company.

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 consolidated financial statements
For the year ended 31 December 2019

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

The Company recognises revenue from the following major sources:

- Sale of goods and parts;
- Service income; and
- Rental income

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of a product or service to a customer. Except for rental income (described further below), the Company's revenue streams are recognised in accordance with IFRS 15.

The Company sells products and parts both direct to customers and indirectly through distributors. Sales-related warranties associated with these goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Revenue is recognised when control of the goods and parts has transferred, generally on delivery. In these cases there is one performance obligation and the payment is due at the point control has passed. Where the Company is required to install the product or part, then there are two performance obligations and the transaction price is allocated between the two performance obligations. In practice, the installation of the goods takes place within a short period of time after the supply of goods and therefore revenue is typically recognised for both performance obligations within the same month.

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.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

2. Significant accounting policies (*Continued*)

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 1. The details of accounting policies under IAS are disclosed separately if they are different from those under IFRS. This change of policy is applicable from 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either: the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether: fulfilment of the arrangement was dependent on the use of a specific asset or assets; and the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output; the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. (See Note 23)

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

2. Significant accounting policies (*Continued*)

Lease payments included in the measurement of the lease liability comprise the following: fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment'.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of turnover. The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

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 consolidated financial statements
For the year ended 31 December 2019

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	20% / 25% per annum
Right of use assets	Over the term of the lease

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.

In order to better reflect the substance of depreciation on rental equipment within the income statement, the charge has been reallocated to cost of goods sold. Comparatives have been updated accordingly.

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.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

2. Significant accounting policies (*Continued*)

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.

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 Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. 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

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

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

Classification of financial assets

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

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

The Company's financial assets consist of trade receivables, loans and other receivables that are held at amortised cost.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

2. Significant accounting policies (*Continued*)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

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

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. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

2. Significant accounting policies (Continued)

Critical accounting judgements and sources of estimation uncertainty

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.

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.

Critical accounting judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

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.

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.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

3. Adoption of new and revised Standards

Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments	IFRS 3 Business Combinations IFRS 11 Joint Arrangements IAS 12 Income Taxes; and IAS 23 Borrowing Costs
Amendments to IAS 19	Employee Benefits Plan Amendment, Curtailment or Settlement
IFRIC 23 Uncertainty over Income Tax Treatments	The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

Impact on introduction of IFRS16

In the current year, the Group has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

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

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting – Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- (a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement;
- (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in the income statement.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

3. Adoption of new and revised Standards (continued)

Impact on Lessee Accounting – Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

The Group had no finance leases in operation at either 1 January 2019 or during the year. There has been no impact to the Group with regards to changes in accounting for finance leases.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

The Directors have considered the definitions of finance and operating leases as a lessor, and there is no change in the underlying accounting from IAS 17 for the Company.

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 2019 to 31 December 2019):

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17	Insurance Contracts
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

The directors do not expect that the adoption of items listed above will have a material impact on the financial statements of the Company in future periods.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

4. Operating segments

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

	Year ended 2019 £	Year ended 2018 £
Equipment sales	9,341,794	8,278,246
Spares sales	970,221	837,092
Service income	1,470,052	1,458,890
Rental income	1,962,213	1,805,842
	<u>13,744,280</u>	<u>12,380,070</u>

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

	Year ended 2019 £	Year ended 2018 £
UK	11,216,540	9,787,846
Europe	2,385,405	2,382,558
Rest of the world	142,335	209,666
	<u>13,744,280</u>	<u>12,380,070</u>

5. Profit for the year

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

	Year ended 2019 £	Year ended 2018 £
Net foreign exchange losses/(gains)	64,179	(56,874)
Inventories recognised as an expense	8,114,013	7,060,655
Depreciation of property, plant and equipment (note 13)	1,040,508	1,037,007
Depreciation of property, plant and equipment under lease (note 13)	54,818	-
Gain on disposal of property, plant and equipment	(227,705)	(43,832)
Write downs/(reversal) of inventories recognised as an expense (note 15)	25,000	(19,000)
Staff costs (note 7)	1,677,866	1,669,459
Operating lease rentals (note 23)	2,997	43,110
Impairment loss recognised on trade receivable (note 16)	20,507	36,242

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6. Auditor remuneration

The analysis of the auditor remuneration is as follows:

	Year ended 2019 £	Year ended 2018 £
Fees payable to the Company's auditor for the audit of the Company's annual Financial Statements	34,884	34,814
Fees payable to the Company's auditor for other services to the Group – The audit of the company's subsidiaries	8,800	8,500
<i>Total audit fees</i>	<u>43,684</u>	<u>43,314</u>

No non-audit fees were payable to the Company's auditor. 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	
	2019 Number	2018 Number
Direct	17	17
Sales and distribution	5	5
Administration	8	8
	<u>30</u>	<u>30</u>

Their aggregate remuneration comprised:

	Group and Company	
	Year ended 2019 £	Year ended 2018 £
Wages and salaries	1,401,920	1,397,336
Social security costs	173,035	171,723
Other pension costs (see note 24)	102,911	100,400
	<u>1,677,866</u>	<u>1,669,459</u>

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8. Directors' remuneration

	Year ended 2019 £	Year ended 2018 £
<i>Directors' remuneration</i>		
Emoluments	195,356	192,538
Company contributions to money purchase pension schemes	9,778	9,961
	<u>205,134</u>	<u>202,499</u>
Remuneration of the highest paid director:		
Emoluments	195,356	192,538
Company contributions to defined benefit pension schemes	9,778	9,961
	<u>205,134</u>	<u>202,499</u>

9. Investment revenue

	Year ended 2019 £	Year ended 2018 £
Interest revenue:		
Bank deposits	23,538	17,546
Parent company loan	53,737	44,348
Interest due on overdue debts	2,492	3,409
	<u>79,767</u>	<u>65,303</u>

10. Finance costs

	Year ended 2019 £	Year ended 2018 £
Bank charges	8,266	8,442
Operating leases interest	9,243	-
Interest on overdue tax	7,171	-
	<u>24,680</u>	<u>8,442</u>

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

11. Tax

	Year ended 2019 £	Year ended 2018 £
Corporation tax:		
Current year	97,509	195,687
Prior years	(688)	-
Deferred tax (see note 17)	133,544	(11,109)
	<u>230,365</u>	<u>184,578</u>

Corporation tax is calculated at 19.00% (2018: 19.00%) 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 2019 £	Year ended 2018 £
Profit before tax on continuing operations	1,153,572	950,328
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	219,178	180,562
Effect of:		
Tax effect of expenses that are not deductible in determining taxable profit	1,187	4,016
Timing difference on fixed assets	10,688	-
Prior years	(688)	-
Tax charge for the year	<u>230,365</u>	<u>184,578</u>

The Finance Act 2016, which was substantively enacted on 19th September 2016, provides for a further reduction in the main rate of corporation tax to 17% from 1 April 2020. The rate reductions have been reflected in the calculation of the deferred tax balance at the balance sheet date.

12. Dividends

	Year ended 2019 £	Year ended 2018 £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2019 of £nil (2018: £nil) per share	-	-
	<u>-</u>	<u>-</u>

No dividend has been proposed based upon the Group's result for 2019.

Furuno (UK) Limited
Notes to the consolidated financial statements
For the year ended 31 December 2019

13. Property, plant and equipment - Group

	Land and buildings £	Leasehold right of use £	Motor vehicles £	Motor vehicles right of use £	Furniture and fittings £	Plant and equipment £	Rental equipment £	Computers £	Total £
Cost									
At 1 January 2018	2,135,178	-	219,312	-	119,619	597,666	5,585,581	126,390	8,783,746
Additions	-	-	-	-	12,940	22,139	1,505,942	6,420	1,547,441
Disposals	-	-	(156,697)	-	(3,321)	(37,053)	(1,038,351)	(5,042)	(1,240,464)
At 31 December 2018	2,135,178	-	62,615	-	129,238	582,752	6,053,172	127,768	9,090,723
Recognised 1 January 2019	-	200,825	-	89,099	-	-	-	-	289,924
Additions	-	-	-	28,986	-	12,606	1,150,905	74,840	1,267,337
Disposals	-	-	(62,615)	-	-	(27,942)	(1,657,662)	(50,772)	(1,798,991)
At 31 December 2019	2,135,178	200,825	-	118,085	129,238	567,416	5,546,415	151,836	8,848,993
Accumulated depreciation									
At 1 January 2018	358,432	-	120,297	-	115,070	441,482	3,314,580	99,757	4,449,618
Charge for the year	33,204	-	15,759	-	3,186	38,489	930,449	15,920	1,037,007
Eliminated on disposal	-	-	(93,581)	-	(3,321)	(15,792)	(954,592)	(4,832)	(1,072,118)
At 31 December 2018	391,636	-	42,475	-	114,935	464,179	3,290,437	110,845	4,414,507
Charge for the year	33,204	4,098	1,550	50,720	3,746	23,530	966,585	11,893	1,095,326
Eliminated on disposal	-	-	(44,025)	-	-	(10,232)	(1,176,620)	(49,816)	(1,280,693)
At 31 December 2019	424,840	4,098	-	50,720	118,681	477,477	3,080,402	72,922	4,229,140
Carrying amount									
At 31 December 2019	1,710,338	196,727	-	67,365	10,557	89,939	2,466,013	78,914	4,619,853
At 31 December 2018	1,743,542	-	20,140	-	14,303	118,573	2,762,735	16,923	4,676,216

Furuno (UK) Limited
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For the year ended 31 December 2019

13. Property, plant and equipment – Company (Continued)

	Land and buildings £	Leasehold right of use £	Motor vehicles £	Motor vehicles right of use £	Furniture and fittings £	Plant and equipment £	Computers £	Total £
Cost								
At 1 January 2018	2,135,178	-	219,312	-	119,619	597,666	126,390	3,198,165
Additions	-	-	-	-	12,940	22,139	6,420	41,499
Disposals	-	-	(156,697)	-	(3,321)	(37,053)	(5,042)	(202,113)
At 31 December 2018	2,135,178	-	62,615	-	129,238	582,752	127,768	3,037,551
Recognised 1 January 2019	-	200,825	-	89,099	-	-	-	289,924
Additions	-	-	-	28,986	-	12,606	74,840	116,432
Disposals	-	-	(62,615)	-	-	(27,942)	(50,772)	(141,329)
At 31 December 2019	2,135,178	200,825	-	118,085	129,238	567,416	151,836	3,302,578
Accumulated depreciation								
At 1 January 2018	358,432	-	120,297	-	115,070	441,482	99,757	1,135,038
Charge for the year	33,204	-	15,759	-	3,186	38,489	15,920	106,558
Eliminated on disposal	-	-	(93,581)	-	(3,321)	(15,792)	(4,832)	(117,526)
At 31 December 2018	391,636	-	42,475	-	114,935	464,179	110,845	1,124,070
Charge for the year	33,204	4,098	1,550	50,720	3,746	23,530	11,893	128,741
Eliminated on disposal	-	-	(44,025)	-	-	(10,232)	(49,816)	(104,073)
At 31 December 2019	424,840	4,098	-	50,720	118,681	477,477	72,922	1,148,738
Carrying amount								
At 31 December 2019	1,710,338	196,727	-	67,365	10,557	89,939	78,914	2,153,840
At 31 December 2018	1,743,542	-	20,140	-	14,303	118,573	16,923	1,913,481

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14. Investment in subsidiary

	2019 £	2018 £
Shares in Furuno Leasing Limited 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	
	2019 £	2018 £
Spare parts	298,618	262,280
Equipment	3,082,408	2,407,745
	<u>3,381,026</u>	<u>2,670,025</u>

The cost of inventories recognised as an expense include £25,000 (2018: £nil) in respect of write-downs of inventory to net realisable value, and has been increased by £nil (2018: £19,000) 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	
	2019 £	2018 £	2019 £	2018 £
Trade receivables	2,254,107	1,649,499	1,714,526	1,113,289
Less provision for impairment of trade receivables	(20,507)	(36,242)	(20,507)	(36,242)
	<u>2,233,600</u>	<u>1,613,257</u>	<u>1,694,019</u>	<u>1,077,047</u>
Receivables from holding company	3,810,620	3,810,005	3,810,620	3,810,005
Receivables from group subsidiaries	45,981	18,728	45,981	18,728
Receivable from direct subsidiary	-	-	-	352,646
Corporation tax repayable	30,537	-	5,069	-
Other receivables	233,141	213,773	233,141	213,773
	<u>6,353,879</u>	<u>5,655,763</u>	<u>5,788,830</u>	<u>5,472,199</u>

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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 reviews all past due receivables and provides against all items where there is uncertainty around collection.

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 2020. Interest is earned at a rate of 1.49%.

Ageing of past due but not impaired receivables

	2019 £	2018 £
31-60 days	485,080	463,209
61-90 days	44,578	105,328
91-120 days	23,791	121,628
Total	<u>553,449</u>	<u>690,165</u>

Movement in the allowance for doubtful debts

	2019 £	2018 £
Balance at the beginning of the year	36,242	41,404
Impairment losses recognised	20,507	36,242
Amounts written off during the year as uncollectible	(18,121)	(2,854)
Amounts recovered during the year	(18,121)	(38,550)
Balance at the end of the year	<u>20,507</u>	<u>36,242</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.

Under IFRS 9, the trade receivable provision is based upon expected losses, rather than incurred losses. 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/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 £	Company £
Deferred taxation movement for the year		
Balance as at 1 January 2018	86,887	22,175
Credited to income statement	11,109	11,548
	<hr/>	<hr/>
Balance as at 1 January 2019	97,996	33,723
Charged to income statement	(133,544)	(8,653)
	<hr/>	<hr/>
Balance as at 31 December 2019	<u>(35,548)</u>	<u>25,070</u>

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

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Fixed Assets	(51,868)	79,296	8,750	15,023
Short-term timing differences	16,320	18,700	16,320	18,700
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax (liability/asset)	<u>(35,548)</u>	<u>97,996</u>	<u>25,070</u>	<u>33,723</u>

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18. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current				
Trade payables	334,657	196,610	334,657	196,610
Amount owed to parent company	362,049	271,511	362,049	271,511
Amount owed to fellow subsidiaries	118,135	41,401	118,135	41,401
Amount owed to subsidiary company	-	-	482,013	-
Other taxation and social security	79,030	43,902	79,030	43,902
	<hr/>	<hr/>	<hr/>	<hr/>
Trade and other payables	893,871	553,424	1,375,884	553,424
Corporation tax payable	-	90,109	-	35,641
Provisions (note 19)	96,000	110,000	96,000	110,000
Accruals	2,087,754	1,358,579	1,534,380	1,131,519
Deferred income	739,736	803,141	-	-
Lease liabilities (note 23)	48,647	-	48,647	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,866,008	2,915,253	3,054,911	1,830,584
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current				
Accruals and deferred income	25,419	45,694	-	-
Lease liabilities (note 23)	222,380	-	222,380	-
Deferred taxation	35,548	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	283,347	45,694	222,380	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

The Group has applied IFRS 16 using the modified retrospective approach. On 1 January 2019, the Group recognised an equal liability and right of use asset in respect of qualifying operating leases for £289,924. New operating leases under IFRS 16 were recognised during the year amounting to £28,986.

Deferred income from 2018 was recognised as income earned in the current year totalling £728,121.

19. Provisions

	Group and Company	
	2019	2018
	£	£
Warranty provision	96,000	110,000
	<hr/>	<hr/>

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19. Provisions (Continued)

	Warranty provision £
At 1 January 2019	110,000
Additional provision in the year	63,991
Utilisation of provision	(77,991)
	<u>96,000</u>
At 31 December 2019	<u>96,000</u>

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

	2019 £	2018 £
Authorised:		
200,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
200,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

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

21. Retained earnings

	Group £	Company £
Balance as at 1 January 2018	15,118,849	5,626,969
Net Profit for the year	765,750	8,477,419
Dividends paid	-	-
	<u>15,884,599</u>	<u>14,104,388</u>
Balance as at 1 January 2019	15,884,599	14,104,388
Net profit for the year	923,207	366,483
Dividends paid	-	-
	<u>16,807,806</u>	<u>14,470,871</u>
Balance as at 31 December 2019	<u>16,807,806</u>	<u>14,470,871</u>

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

	Year ended 2019 £	Year ended 2018 £
Profit for the year	923,207	765,750
Adjustments for:		
Investment revenues	(79,362)	(65,303)
Effects of foreign exchange	(26,260)	(5,596)
Finance costs	15,437	8,442
Income tax expense	230,365	184,578
Depreciation of property, plant and equipment	1,095,326	1,037,007
Gain on disposal of property, plant and equipment	(227,705)	(43,832)
Decrease/increase in provisions	(14,000)	13,000
Operating cash flows before movements in working capital	1,917,008	1,894,046
(Increase)/decrease in inventories	(711,001)	102,504
Increase in receivables	(659,317)	(50,423)
Increase in payables	682,937	327,028
Cash generated by operations	1,229,627	2,273,155
Income taxes paid	(217,467)	(251,284)
Net cash from operating activities	1,012,160	2,021,871
Cash and cash equivalents		
	2019 £	2018 £
Cash at bank	2,376,088	2,587,583
Short-term deposits	4,123,310	3,357,963
	6,499,398	5,945,546

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.

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22. Notes to the cash flow statement (Continued)

Analysis of changes in net cash

	1 January 2019 £	Cash Flow £	31 December 2019 £
Cash	2,587,583	(211,495)	2,376,088
Short-term deposits	3,357,963	765,347	4,123,310
Net cash	<u>5,945,546</u>	<u>553,852</u>	<u>6,499,398</u>

23. Operating lease arrangements

The Group as lessee

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

	2018 £
Within one year	49,395
In the second to fifth years inclusive	67,508
After five years	234,580
	<u>351,483</u>

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019 under IFRS16:

	£
Total operating lease commitments disclosed at 31 December 2018	351,483
Recognition exemptions for low value assets/ceasing within 12 months	(4,525)
Other minor adjustments to commitment disclosure	5,385
Future variable cashflows on long-term property lease	188,800
Discounting using incremental borrowing rate (3.25%)	(251,219)
	<u>289,924</u>

The group has elected not to recognise a lease liability for short-term leases (leases of expected term of 12

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23. Operating lease arrangements (continued)

months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is as follows:

	2019 £	2018 £
Lease payments under operating leases recognised as an expense in the year	2,997	43,110

At 31 December 2019, the company had entered into a 3-year operating lease for a new vehicle with an undiscounted cash outflow totalling £19,388. The lease is set to begin in April 2020.

The group as lessor

Operating lease income from marine electronic equipment earned during the year totalled £1,962,213 (2018: £1,805,842). Certain items of the Company's equipment held for rental purposes, with a carrying amount of £14,866, 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.

The most significant risk around the assets held under operating leases is misappropriation and damage to the asset itself. Close relationships with our leasing customers, coupled with good oversight and established practices minimises these risks to the Company.

The following table sets out a maturity analysis of lease payments on current contracts, showing the undiscounted lease payments receivable after the reporting date:

	2019 £	2018 £
Within one year	1,455,781	1,627,010
One to two years	1,140,735	1,391,267
Two to three years	903,680	891,749
Three to four years	573,914	592,779
Four to five years	198,217	268,520
More than five years	-	-
Total undiscounted lease payments	4,272,327	4,771,325

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 £102,911 (2018: £100,400) represents contributions payable as pension costs by the Group. As at 31 December 2019, contributions of £nil (2018: £7,264) relating to pension costs due in respect of the current reporting period had not been paid.

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25. Financial Instruments

Categories of financial instruments

Group

	2019 £	2018 £
Financial assets		
Cash and cash equivalents	6,499,398	5,945,546
Loans and receivables	6,353,879	5,655,763
Financial liabilities		
Held at amortised cost	3,756,916	2,760,835

Company

	2019 £	2018 £
Financial assets		
Cash and cash equivalents	6,499,396	5,945,544
Loans and receivables	5,788,830	5,472,199
Financial liabilities		
Held at amortised cost	3,181,291	1,684,943

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.

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.

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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 2019.

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.

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.

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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.

	2019 £	2018 £
Secured bank overdraft facility:		
- amount used	-	-
- amount unused	-	100,000
	<hr/>	<hr/>
	-	100,000
	<hr/>	<hr/>

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

The Group removed the overdraft during 2019 as it was surplus to requirements.

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 immediate group:

	Sale of goods/services		Purchase of goods/service	
	2019 £	2018 £	2019 £	2018 £
Furuno Electric Company Limited	69,472	90,245	7,421,483	6,142,156
Furuno Norge A/S	17,298	39,220	123,189	92,317
Furuno U.S.A. Inc	2,547	-	66,548	100,045
Furuno Danmark A/S	63,577	46,659	56,318	69,017
Furuno Sverige A/B	44,226	70,569	11,197	1,811
Furuno France S.A.	1,422	3,657	25,738	40,336
Furuno Espana S.A.	6,190	6,606	24,037	14,743
Furuno Finland OY	15,281	2,461	7,479	37,756
Furuno Deutschland GmbH	41,440	16,121	15,285	5,981
Furuno Eurus	-	-	-	546
Furuno Polska SP z.o.o	1,872	3,874	3,812	3,148
Furuno Hellas Limited	46,867	81,273	14,320	18,227
Furuno Singapore Pte Ltd	14,340	28,891	210,681	102,051
Furuno (Cyprus) Limited	13,050	10,976	-	1,432
Furuno European B.V.	-	-	16,952	21,954
Furuno Korea Company Limited	7,540	5,818	18,451	6,586
Furuno Italia S.r.l.	34,121	32,799	47,192	43,286
Furuno Shanghai Company Limited	-	-	-	-
Furuno China Company Limited	23,732	7,679	181,546	81,532
PT Furuno Electric Indonesia	-	-	1,774	2,154
Furuno Electric (Malaysia) SDN. BHD.	-	-	8,432	2,873
Furuno Panama S.A.	-	-	20,840	22,770
WASSP Limited (new for 2019)	-	-	400,524	-

During 2019 WASSP Limited became a related party of the Group following the ultimate parent obtaining a controlling stake in that entity.

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26. Related party transactions (Continued)

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

	Amounts owed by related parties		Amounts owed to related parties	
	2019 £	2018 £	2019 £	2018 £
Furuno Electric Company Limited	3,810,620	3,810,005	362,049	271,511
Furuno Europe B.V	-	-	1,268	-
Furuno Norge A/S	3,117	1,200	5,084	-
Furuno U.S.A. Inc	-	-	8,428	7,796
Furuno Danmark A/S	9,454	2,159	44,769	-
Furuno Sverige A/B	-	1,371	-	-
Furuno France S.A.	-	2,083	313	393
Furuno Espana S.A.	3,093	-	840	-
Furuno Finland OY	-	-	-	14,237
Furuno Deutschland GmbH	2,713	3,759	-	186
Furuno Hellas Limited	7,976	5,351	1,798	3,011
Furuno Singapore Pte Ltd	1,425	135	14,917	8,591
Furuno (Cyprus) Limited	6,093	-	-	1,450
Furuno Korea Company Limited	5,507	-	-	-
Furuno Italia S.r.l.	6,603	2,670	-	-
Furuno Shanghai Company Limited	-	-	-	-
Furuno China Company Limited	-	-	37,449	-
Furuno Electric (Malaysia) SDN. BHD.	-	-	-	2,880
Furuno Panama S.A.	-	-	3,271	2,857

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.

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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*.

	2019 £	2018 £
Salaries, fees, bonuses and benefits in kind	195,356	192,538
Post-employment benefits	9,778	9,961
	<hr/> 205,134	<hr/> 202,499
	<hr/> <hr/>	<hr/> <hr/>

One director was member of a defined contribution pension scheme (2018: one).

M Koike, S Ametani, K Kubo, and G Tomoshige 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, or via the company's website at <https://www.furuno.co.jp/en/corporate/management/annualreport.html>. The company's registered office is at 9-52 Ashihara-cho, Nishinomiya City, Hyogo. 662-8580, Japan.

28. Subsequent events

There have been no significant events since the balance sheet date until the date of this report.