

Domino Printing Sciences plc
Annual Report and Financial Statements
for the year ended 24 March 2017

Registered number: 01363137



Domino Printing Sciences plc

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Domino Printing Sciences plc

COMPANY INFORMATION

Directors

Nigel Bond
Rachel Hurst
Toshikazu Koike
Ichio Sasaki
Tetsuro Koide
Harumi Okuyama
Robert Pulford - appointed 22 September 2016

Secretary

John Paul Martin

Auditors

Deloitte LLP, Statutory Auditor
1 Station Square
Cambridge
Cambridgeshire
United Kingdom
CB1 2GA

Bankers

Nat West
23 Market Street
Cambridge
Cambridgeshire
CB2 3PU

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

Registered Office

Domino Printing Sciences plc
Trafalgar Way
Bar Hill
Cambridge
Cambridgeshire
United Kingdom
CB23 8TU

Domino Printing Sciences plc

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 24 March 2017.

Business review

Domino Printing Sciences plc is the parent company of the Domino group. The Domino group's principal activities are the research, development, manufacture, sale and service of coding and marking and digital printing solutions and related consumables. The principal activity of the Company continues to be the holding and management of its worldwide subsidiaries.

The profit for the year after taxation was £23,527,000 (17 months ended 25 March 2016: £2,415,000). A final ordinary dividend for the period ended 25 March 2016 of 17.53 pence per ordinary share, amounting to £20,100,000, was paid to Brother Industries Limited on 24 June 2016. The Directors recommended a final ordinary dividend of 18.31 pence per ordinary share, amounting to £21,000,000 which was paid to Brother Industries Limited on 26 June 2017.

There have been no impairments of the Company's investments in its subsidiaries during the current or prior reporting period.

The Company's key financial and other performance indicators during the year were as follows:

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Operating profit	22,434	2,885
Profit on ordinary activities before tax	22,913	3,675
Average number of employees	24	22

Operating profit and profit on ordinary activities before tax has increased in the year ended 24 March 2017 due to a higher level of intercompany dividend income.

The Directors are satisfied with the results for the year and for the Company's future prospects.

Treasury function

The Company performs a number of treasury activities on behalf of the wider Domino group. Excess cash held by a number of Domino group subsidiaries is placed on deposit with the Company through intercompany working capital facilities. If subsidiaries require short-term borrowings, they can also draw down required funds under the same facilities. The Company also runs the group's intercompany settlement process.

As a result of these activities, the Company is exposed to interest rate movements and changes in the value of sterling relative to a number of foreign currencies. The Company places surplus cash on short-term deposit with approved banks, with limits on the amount of exposure to any individual bank. To manage foreign exchange risk, the Company enters into forward foreign exchange contracts with a range of selected banks to cover anticipated receipts and purchases in selected foreign currencies.

Domino Printing Sciences plc

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company has maintained its established risk management process throughout the reporting period. Risks and uncertainties are assessed and formally evaluated across the business and actions are taken to mitigate the adverse effects of unplanned events.

The key risks and uncertainties to which the business is exposed are summarised as follows:

- Volatility in exchange rates. The Domino group manufactures products in the UK, Europe, the USA and Asia and sells its products and services across global markets in a range of currencies. As Domino group treasurer, the Company is particularly exposed to currency fluctuations. The Company manages exchange rate exposures within approved treasury policy parameters utilising forward foreign exchange contracts.

Future prospects

The acquisition of the Company by Brother Industries Limited has provided the opportunity for investment in and development of the wider Domino business. The Company continues to anticipate enhanced future performance of the Domino group as a result.



Rachel Hurst

Director

26 September 2017

Domino Printing Sciences plc

DIRECTORS' REPORT

Registered No. 01363137

The Directors who served during the year ended 24 March 2017 are shown on page 1.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed; subject to any material departures disclosed and explained in the financial statements;

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.

Recommended dividend

The Directors recommend a final ordinary dividend of 18.31 pence per ordinary share amounting to £21,000,000.

Going concern

At 24 March 2017, the Company held a cash balance of £10,362,000 (25 March 2016: £21,628,000) and had net assets of £145,384,000 (25 March 2016: £144,519,000).

As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have considered the Company's forecasts and projections which include the results of the Company and after making enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the authorisation of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Political contributions

The Company made no political contributions in the financial reporting period (period ended 25 March 2016: £nil).

Domino Printing Sciences plc

DIRECTORS' REPORT (CONTINUED)

Auditor

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a director to make themselves 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.

Directors' statement as to disclosure of information to auditor

The Directors who were appointed members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



Company Secretary

26 September 2017

Domino Printing Sciences plc

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF DOMINO PRINTING SCIENCES PLC

We have audited the financial statements of Domino Printing Sciences plc for the year ended 24 March 2017 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Domino Printing Sciences plc

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF DOMINO PRINTING SCIENCES PLC (CONTINUED)

Matters on which we are required to report by exception

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

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



Alexander Butterworth (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

26 September 2017

Domino Printing Sciences plc

Profit and loss account

For the year ended 24 March 2017

		Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
	Notes		
Sales and distribution costs		(958)	(918)
Administrative expenses and foreign exchange gains/(losses)		(6,132)	(8,517)
Research and development		(83)	(125)
Other operating income	5	27,040	12,445
Operating profit		19,867	2,885
Interest receivable and similar income	8	520	1,063
Interest payable and similar charges	9	(41)	(273)
Profit on ordinary activities before tax	4	20,346	3,675
Tax on profit on ordinary activities	10	614	(1,260)
Profit after taxation on ordinary activities		20,960	2,415

Operating profits are all derived from continuing operations.

Domino Printing Sciences plc

Statement of comprehensive income

For the year ended 24 March 2017

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Profit for the year/period	<u>20,960</u>	<u>2,415</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on overseas investments	<u>-</u>	<u>(633)</u>
Total comprehensive income and expense in the year/period	<u><u>20,960</u></u>	<u><u>1,782</u></u>

Domino Printing Sciences plc

Balance sheet

As at 24 March 2017

	Note	24 March 2017 £'000	25 March 2016 £'000
Fixed assets			
Intangible assets	12	73	57
Property, plant and equipment	13	1,509	1,510
Investments in subsidiaries	14	137,123	142,037
Deferred tax assets	19	8	8
		<u>138,713</u>	<u>143,612</u>
Current assets			
Receivables	16	45,354	29,869
Derivative financial instruments	18	945	1,181
Corporation tax		715	-
Cash and cash equivalents		10,362	21,628
		<u>57,376</u>	<u>52,678</u>
Current liabilities			
Payables	17	(48,531)	(49,085)
Derivative financial instruments	18	(2,041)	(2,427)
		<u>(50,572)</u>	<u>(51,512)</u>
Net current assets		<u>6,804</u>	<u>1,166</u>
Non-current liabilities			
Deferred tax liabilities	19	(133)	(259)
		<u>(133)</u>	<u>(259)</u>
Net assets		<u>145,384</u>	<u>144,519</u>
Capital and reserves			
Called up share capital	20	5,734	5,734
Share premium account	20	49,302	49,302
Revaluation reserve	20	1,004	999
Capital redemption reserve	20	908	908
Taxation reserve	20	99	99
Exchange reserve	20	(1,064)	(1,064)
Merger premium reserve	20	22,869	22,869
Retained earnings	20	66,532	65,672
Equity attributable to shareholders		<u>145,384</u>	<u>144,519</u>

The financial statements of Domino Printing Sciences plc, registered number 01363137 were approved by the Board of Directors and authorised for issue on 26 September 2017. They were signed on its behalf by:

Rachel Hurst
Director



Domino Printing Sciences plc

Statement of changes in equity

As at 24 March 2017

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger premium reserve £'000	Taxation reserve £'000	Exchange reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2014	5,627	40,697	908	998	22,869	295	(431)	(735)	77,420	147,648
Profit for the period	-	-	-	-	-	-	-	-	2,415	2,415
Other comprehensive income for the period	-	-	-	-	-	-	(633)	-	-	(633)
Total comprehensive income for the period	-	-	-	-	-	-	(633)	-	2,415	1,782
Issue of share capital	107	8,605	-	-	-	-	-	-	-	8,712
Dividends	-	-	-	-	-	-	-	-	(16,619)	(16,619)
Shares awarded to share scheme participants	-	-	-	-	-	-	-	735	(648)	87
Tax on items taken to equity	-	-	-	1	-	(196)	-	-	-	(195)
Credit to equity in respect of share based compensation charges	-	-	-	-	-	-	-	-	3,104	3,104
Balance at 25 March 2016	<u>5,734</u>	<u>49,302</u>	<u>908</u>	<u>999</u>	<u>22,869</u>	<u>99</u>	<u>(1,064)</u>	<u>-</u>	<u>65,672</u>	<u>144,519</u>

Domino Printing Sciences plc

Statement of changes in equity (continued)

As at 24 March 2017

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger premium reserve £'000	Taxation reserve £'000	Exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 26 March 2016	5,734	49,302	908	999	22,869	99	(1,064)	65,672	144,519
Profit for the year	-	-	-	-	-	-	-	20,960	20,960
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	20,960	20,960
Dividends	-	-	-	-	-	-	-	(20,100)	(20,100)
Tax on items taken to equity	-	-	-	5	-	-	-	-	5
Balance at 24 March 2017	<u>5,734</u>	<u>49,302</u>	<u>908</u>	<u>1,004</u>	<u>22,869</u>	<u>99</u>	<u>(1,064)</u>	<u>66,532</u>	<u>145,384</u>

Domino Printing Sciences plc

Notes to the financial statements

For the year ended 24 March 2017

1. General information

Domino Printing Sciences plc (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Brother Industries Limited. The group financial statements of Brother Industries Limited are available to the public and can be obtained as set out in note 25.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Financial statements and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

<p>Amendments to IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i></p>	<p>The Company has adopted the amendments to IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i> for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. As the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity, the adoption of the amendments has had no impact on the Company's financial statements.</p>
<p>Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i></p>	<p>The Company has adopted the amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 <i>Business Combinations</i>. Specifically, the amendments state that the relevant principles of accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The adoption of these amendments has had no impact on the Company's financial statements.</p>

Domino Printing Sciences plc

Notes to the financial statements

For the year ended 24 March 2017

1. General information (continued)

<p>Amendments to IAS 1 <i>Disclosure Initiative</i></p>	<p>The Company has adopted the amendments to IAS 1 <i>Disclosure Initiative</i> for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.</p> <p>In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes. The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.</p>
<p>Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i></p>	<p>The Company has adopted the amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:</p> <ul style="list-style-type: none"> (a) when the intangible asset is expressed as a measure of revenue; or (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. <p>As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively, the adoption of these amendments has had no impact on the Company's financial statements.</p>
<p>Amendments to IAS 16 and IAS 41 <i>Agriculture: Bearer Plants</i></p>	<p>The Company has adopted the amendments to IAS 16 and IAS 41 <i>Agriculture: Bearer Plants</i> for the first time in the current year. The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.</p> <p>The adoption of these amendments has had no impact on the Company's consolidated financial statements as the Company is not engaged in agricultural activities.</p>

Domino Printing Sciences plc

Notes to the financial statements

For the year ended 24 March 2017

1. General information (continued)

<p><i>Amendments to IAS 27 Equity Method in Separate Financial Statements</i></p>	<p>The Company has adopted the amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> for the first time in the current year. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, associates and joint ventures in its separate financial statements:</p> <ul style="list-style-type: none">• at cost;• in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or• using the equity method as described in IAS 28 <i>Investments in Associates and Joint Ventures</i>. <p>The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.</p> <p>The adoption of the amendments has had no impact on the Company's financial statements as the Company accounts for investments in subsidiaries and associates at cost and is not an investment entity.</p>
<p><i>Annual Improvements to IFRSs 2012-2014 Cycle</i></p>	<p>The Company has adopted the amendments to IFRSs included in the <i>Annual Improvements to IFRSs 2012 - 2014 Cycle</i> for the first time in the current year. The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.</p> <p>The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.</p> <p>The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.</p> <p>The adoption of these amendments has had no effect on the Company's financial statements.</p>

Domino Printing Sciences plc

Notes to the financial statements

For the year ended 24 March 2017

1. General information (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

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

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies

Basis of accounting

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Brother Industries Limited. The group financial statements of Brother Industries Limited are available to the public and can be obtained as set out in note 25.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Going concern

The financial statements have been prepared using the going concern basis of accounting.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company 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.

Foreign currency translation

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

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

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

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

Current tax

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

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax

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

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

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

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

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

Current tax and deferred tax for the year

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

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation with the exception of certain properties and land at the Company's headquarters in Cambridge which are stated at deemed cost following transition to IFRS, being valuation less accumulated depreciation at 1 November 2004. The Directors have considered the value of assets that are stated at cost less accumulated depreciation and are satisfied that the aggregate value of those assets is not less than the aggregate amount at which they are stated in the Company's financial statements.

Freehold land is not depreciated.

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

Buildings	2.5%
Plant and machinery	5% - 20%
Fixtures and fittings	15% - 20%
Computer equipment	20% - 33%

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Tangible fixed assets (continued)

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

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

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) 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.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

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 initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Impairment of financial assets

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Equity instruments

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

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 23.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

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

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

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

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

2. Significant accounting policies (continued)

Share-based payments

The Company has applied the requirements of IFRS 2, 'Share-based payments'. In accordance with the transitional provisions of IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested by 1 January 2005.

The Company issued equity-settled share-based payments to certain employees. Equity-settled share-based payments were measured at fair value at the date of grant.

The fair value determined at the grant date was expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that eventually vested. There were both non-market and market based performance conditions attached to the vesting and exercising of equity instruments.

Where plans have market based performance criteria, fair value is measured by the use of a Monte Carlo model, and by Black-Scholes models in all other cases. The expected life used in the models is based on management's best estimate of behavioural consideration based on historic exercise patterns. No changes to the fair value are made when the expected or actual level of awards vesting differs from the original estimate due to the non-attainment of market based conditions.

Charges made to the profit and loss account in respect of share-based payments are credited back to retained earnings.

Software

Software that is not integral to an item of hardware is classified as an intangible asset. Amortisation is charged on a straight-line basis over the shorter of the licence term and three years.

Investment in own shares

The cost of the Company's shares held by various trusts to satisfy equity-settled compensation schemes are deducted from equity attributable to shareholders in the Company balance sheet.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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 Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £151,154,000 with no impairment loss recognised in the year ended 24 March 2017 or the 17 months ended 25 March 2016.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation has been arrived at after charging/(crediting):

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Net foreign exchange losses/(gains)	2,028	(8,167)
Depreciation of tangible fixed assets	1	2
Amortisation of intangible assets (included in administrative expenses)	17	35
Share-based compensation charge	-	3,104
Staff costs (see note 7)	3,729	4,680

5. Other operating income

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Intercompany royalties	3,203	4,965
Intercompany dividends received	23,837	7,480
Total other operating income	27,040	12,445

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £9,700 (17 months ended 25 March 2016: £12,700).

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

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

7. Staff costs

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

	2017 Number	2016 Number
Selling and distribution	3	2
Administration	20	19
Research and development	1	1
	<u>24</u>	<u>22</u>

Their aggregate remuneration comprised:

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Wages and salaries	2,902	3,691
Social security costs	390	547
Other pension costs (see note 22)	437	442
	<u>3,729</u>	<u>4,680</u>

Disclosure of Directors' remuneration is included in note 24.

8. Interest receivable and similar income

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Interest receivable:		
Bank deposits	33	34
Interest received from subsidiaries	487	1,029
	<u>520</u>	<u>1,063</u>

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

9. Interest payable and similar charges

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Interest payable on bank overdrafts and loans	4	47
Interest payable on intercompany loans	37	131
Unwinding of discount on deferred consideration	-	95
Total interest payable	<u>41</u>	<u>273</u>

10. Tax on profit on ordinary activities

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Corporation tax:		
UK corporation tax	(612)	772
Withholding tax	119	217
Total current tax	<u>(493)</u>	<u>989</u>
Total deferred tax (note 19)	<u>(121)</u>	<u>271</u>
Tax on profit	<u>(614)</u>	<u>1,260</u>

Corporation tax is calculated at 20.00% (17 months ended 25 March 2016: 20.30%) of the estimated taxable profit for the year.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

10. Tax on profit on ordinary activities (continued)

The charge for the year can be reconciled to the profit and loss account as follows:

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Profit before tax	20,346	3,675
Tax at the UK corporation tax rate of 20.00% (period ended 25 March 2016: 20.30%)	4,069	746
(Income)/expenses not (chargeable)/deductible for tax purposes	(4,770)	539
Withholding taxes	121	232
Additional recognition and utilisation of deferred tax balances	(115)	271
Decrease in local tax rate	(6)	-
Transfer pricing adjustments	-	32
Tax incentives	-	(560)
Group relief	700	-
Prior period adjustments	(709)	-
Other	96	-
	<u>(614)</u>	<u>1,260</u>

As at 24 March 2017, the UK tax rate that has been substantively enacted for periods from 1 April 2018 is 19%.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

11. Dividends

	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period ended 25 March 2016 (equivalent to 17.53 pence per share, year ended 31 October: 14.76 pence per share).	20,100	16,563
Proposed final dividend for the year ended 24 March 2017 (equivalent to 18.31 pence per share, period ended 25 March 2016: 17.53 pence per share).	21,000	20,100

The proposed final dividend is subject to approval by shareholders passing a written resolution and has not been included as a liability in these financial statements.

The payment of this dividend will not have any tax consequences for the Company.

12. Intangible assets

	Technology £'000	Patents and trademarks £'000	Software £'000	Total £'000
Cost				
At 26 March 2016	207	125	97	429
Additions	-	33	-	33
At 24 March 2017	207	158	97	462
Amortisation				
At 26 March 2016	207	68	97	372
Charge for the period	-	17	-	17
At 25 March 2016	207	85	97	389
Carrying amount				
At 24 March 2017	-	73	-	73
At 25 March 2016	-	57	-	57

Patents and trademarks are amortised over their estimated useful lives, which is on average 10 years.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

13. Fixed assets

	Freehold land £'000	Leasehold buildings £'000	Total £'000
Cost or valuation			
As at 26 March 2016 and 24 March 2017	1,500	78	1,578
Depreciation			
At 26 March 2016	-	68	68
Charge for the year	-	.1	1
At 24 March 2017	-	69	69
Net book value			
At 24 March 2017	1,500	9	1,509
At 25 March 2016	1,500	10	1,510

14. Investments in subsidiaries

	£'000
Shares	
At 26 March 2016	115,339
Additions	5,890
At 24 March 2017	121,229
Loans	
At 26 March 2016	29,236
Repayment	(9,916)
Exchange adjustment	(888)
At 24 March 2017	18,432
Provisions	
At 26 March 2016 and 24 March 2017	(2,538)
Net book value	
At 24 March 2017	137,123
At 25 March 2016	142,037

Appendix 1 at page 43 includes details of all related undertakings and forms part of these financial statements.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

15 Associates

The Company disposed of its 20% investment in the equity of Radex AG, a company incorporated in Switzerland, on 16 June 2016 for consideration of CHF100,000. The gain arising on disposal was CHF100,000. This entity made up its accounts to 31 December (since it was not controlled by the Company) and was accounted for as an associate prior to its disposal.

16. Receivables

	24 March 2017 £'000	25 March 2016 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	45,107	29,301
Prepayments and accrued income	247	568
	<u>45,354</u>	<u>29,869</u>

17. Payables

	24 March 2017 £'000	25 March 2016 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	39,071	47,461
Amounts owed to Brother Finance (UK) PLC	7,000	-
Accruals and deferred income	2,460	1,035
Taxation and social security	-	569
Deferred and contingent consideration	-	20
	<u>48,531</u>	<u>49,085</u>

The Company has a credit facility arrangement of £19,100,000 (2016: £16,000,000) with Brother Finance (UK) PLC which is renewable on an annual basis and is used for working capital and investment purposes.

As at 24 March 2017, £7,000,000 was drawn down on this facility. This loan matures on 28 April 2017 and carries an interest rate of 0.6129%.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

18. Derivative financial instruments

The Company is party to a number of forward foreign exchange contracts, which are used to hedge significant future transactions and expected cash flows in foreign currencies. The instruments purchased are primarily in the currencies of the Company's principal markets.

At the balance sheet date, the total amount of outstanding forward foreign exchange contracts to which the Company is committed are as below (at contractual rates). These contracts were due to mature between 13 April 2017 and 2 March 2018.

	24 March 2017 £'000	25 March 2016 £'000
Derivatives		
Forward foreign currency contracts	<u>21,486</u>	<u>20,535</u>

Further details of derivative financial instruments are provided in note 23.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

19. Deferred tax

Deferred tax balances consist of the following amounts:

	24 March 2017 £'000	25 March 2016 £'000
Assets		
Temporary differences relating to:		
- other temporary differences	8	8
	<u>8</u>	<u>8</u>
Liabilities		
Temporary differences relating to:		
- capital allowances in excess of depreciation	(2)	(2)
- revaluation of freehold land	(128)	(141)
- other temporary differences	(3)	(116)
	<u>(133)</u>	<u>(259)</u>

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

	Accelerated tax depreciation £'000	Revaluation of land £'000	Share based payments £'000	Other temporary differences £'000	Total £'000
At 1 November 2014	(2)	(142)	385	(26)	215
Charge to profit or loss	-	-	(189)	(82)	(271)
Credit/(charge) direct to equity	-	1	(196)	-	(195)
	<u>(2)</u>	<u>(141)</u>	<u>-</u>	<u>(108)</u>	<u>(251)</u>
At 25 March 2016	(2)	(141)	-	(108)	(251)
Credit to profit or loss	-	-	-	121	121
Credit direct to equity	-	5	-	-	5
	<u>(2)</u>	<u>(136)</u>	<u>-</u>	<u>13</u>	<u>(125)</u>
At 24 March 2017	<u>(2)</u>	<u>(136)</u>	<u>-</u>	<u>13</u>	<u>(125)</u>

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. As at 24 March 2017, the UK tax rate that has been substantively enacted for periods from 1 April 2018 is 19%.

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Notes to the financial statements (continued)

For the year ended 24 March 2017

20. Share capital and reserves

	24 March 2017 £'000	25 March 2016 £'000
Issued and fully paid: 114,671,516 ordinary shares of 5 pence each (2016: 114,671,516 ordinary shares of 5 pence each)	<u>5,734</u>	<u>5,734</u>

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

The Company's other reserves are as follows:

- The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
- The revaluation reserve represents the cumulative effect of historic revaluations of freehold land.
- The capital redemption reserve arises in connection with the purchase and cancellation of the Company's own shares between 1 November 1996 and 31 October 2008.
- The taxation reserve arises as a result of tax relating to components of other comprehensive income and tax on items taken to equity.
- The exchange reserve arises as a result of currency translation differences on foreign currency net investments.
- The merger premium reserve arises as a result of the adoption by the Company of the merger relief provisions of the Companies Act 1985 whereby the premium arising on shares issued to fund the acquisitions of American Technologies Inc and Mandergraph Ltd in the year ended 31 October 1987 were taken to a merger premium reserve.
- Retained earnings represents cumulative profits or losses, net of dividends and other adjustments.

21. Share-based payments

Operating profit for the year ended 24 March 2017 is stated after charging £nil in respect of share-based compensation (17 months ended 25 March 2016: £3,104,000).

The Company had three share option schemes for employees of the Domino Group.

Executive Option scheme

The Executive Option scheme had a vesting period of three years. If options remain unexercised after a period of 10 years from the date of grant, the options expired. Options were forfeited if the employee resigned from the Domino Group before the options vested. Options were exercisable at a price equal to the average quoted market price of the shares over the three days prior to the date of grant. The Executive Share Option scheme was closed on acquisition by Brother Industries Limited in June 2015.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

21. Share-based payments (continued)

Details of share options granted, exercised and lapsed during the prior period are as follows:

	24 March 2017		25 March 2016	
	Share options number	Weighted average exercise price £	Share options number	Weighted average exercise price £
Executive Option scheme				
Outstanding at beginning of period	-	-	2,396,954	5.29
Granted in period	-	-	560,500	6.36
Lapsed in period	-	-	(1,728,428)	4.85
Exercised in period	-	-	(1,229,026)	3.36
Outstanding at end of period	-	-	-	-
Exercisable at end of period	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the prior period was £8.71. In the period ended 25 March 2016 options were granted on 19 December 2014. The aggregate of the estimated fair values of the options granted on 19 December 2014 was £793,000.

The assumptions used in the calculations of the Executive Option scheme share-based compensation charge were as follows:

	24 March 2017	25 March 2016
Vesting period	-	3 years
Expectation of ceasing employment	-	0-5 years
Expected volatility of Domino share price	-	38-46%
Expected life in years	-	4.5
Risk-free rate	-	0.86-2.25%
Expected dividend yield	-	2.96-3.81%

SAYE schemes

The SAYE schemes had vesting periods of three, five or seven years. Options were exercisable for a period of six months from the date of vesting, after this period the options expired. Options were exercisable at a price equal to the average quoted market price of the shares over the three days prior to the date of invitation discounted by a maximum of 20 per cent. The SAYE scheme closed on acquisition by Brother Industries Limited in June 2015.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

21. Share-based payments (continued)

Details of share options granted, exercised and lapsed during the prior period were as follows:

	24 March 2017	25 March 2016	24 March 2017	25 March 2016
	Share options number	Share options number	Weighted average exercise price £	Weighted average exercise price £
SAYE schemes				
Outstanding at beginning of the period	-	943,823	-	4.62
Granted in period	-	-	-	-
Lapsed in period	-	(383,100)	-	4.73
Exercised in period	-	(560,723)	-	4.49
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outstanding at end of period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at end of period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average share price at the date of exercise for share options exercised during the prior period was £6.92. No share options were granted in the prior period ended 25 March 2016.

The assumptions used in the calculations of the SAYE schemes share-based compensation charge were as follows:

	24 March 2017	25 March 2016
Expected volatility of Domino share price	-	26-44%
Expectation of ceasing employment/discontinuing SAYE contributions before vesting	-	8-75%
Expected life in years	-	Term ¹ plus 0.25
Vesting period	-	Term
Risk-free rate	-	0.17-4.62%
Expected dividend yield	-	1.21-5.94%

¹ Domino SAYE schemes had maturity periods of three, five or seven years.

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Notes to the financial statements (continued)

For the year ended 24 March 2017

21. Share-based payments (continued)

Long-Term Incentive Plan

Details of share options granted, vested and lapsed under the Company's Long-Term Incentive Plan during the prior period were as follows:

	24 March 2017	25 March 2016
Outstanding at the beginning of the period	-	816,364
Allocation of share options	-	311,583
Share options vesting in period	-	(376,922)
Share options lapsing in period	-	(751,025)
	<hr/>	<hr/>
Outstanding at end of period	-	-
	<hr/> <hr/>	<hr/> <hr/>

The assumptions used in the calculations of the Long-Term Incentive Plan share-based compensation charge were as follows:

	24 March 2017	25 March 2016
Expected volatility of Domino share price	-	26-45%
Expected life in years	-	3 years
Vesting period	-	3 years
Expectation of ceasing employment	-	0%
Risk-free rate	-	0.51-1.0%
Expected dividend yield	-	3.13-3.77%

22. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to income of £437,000 (17 months ended 25 March 2016: £442,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

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Notes to the financial statements (continued)

For the year ended 24 March 2017

23. Financial Instruments

Categories of financial instruments held at fair value

	24 March 2017 £'000	25 March 2016 £'000
Financial assets at fair value		
Derivative instruments	945	1,181
Loans and receivables (including cash and cash equivalents)	55,469	53,482
	<u>56,414</u>	<u>54,663</u>
Financial liabilities at fair value		
Derivative instruments	(2,041)	(2,427)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

23. Financial Instruments (continued)

Significant assumptions used in determining fair value of financial assets and liabilities

Derivatives

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

It is the policy of the Company to enter into forward foreign exchange contracts to cover anticipated foreign currency payments and receipts within 50 per cent to 90 per cent of the net exposure generated. Contracts denominated in a range of currencies are placed on a rolling 12 month basis.

Forward foreign currency contracts

The following table indicates the periods in which the cash flows associated with forward foreign exchange contracts are expected to occur:

	Carrying amount	Expected cash flows	Less than 3 months	3-6 months	6-12 months
	£'000	£'000	£'000	£'000	£'000
24 March 2017	(1,096)	21,486	5,045	4,916	11,525
25 March 2016	(1,246)	20,535	4,494	7,454	8,587

24. Related party transactions

The Directors' remuneration, analysed under the headings required by Company law is set out below.

	Year ended 24 March 2017	17 months ended 25 March 2016
	£'000	£'000
Directors' remuneration		
Emoluments	1,392	2,829
Company contributions to money purchase pension schemes	175	261
Amounts received under long-term incentive plans	156	1,741
Compensation for loss of office	-	472
Gain on exercise of share options	-	65
	<u>1,723</u>	<u>5,368</u>

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

24. Related party transactions (continued)

	2017 Number	2016 Number
The number of Directors who:		
Are members of a money purchase pension scheme	1	1
Exercised options over shares in the Company	-	3
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	-	3
	<u> </u>	<u> </u>
	Year ended 24 March 2017 £'000	17 months ended 25 March 2016 £'000
Remuneration of the highest paid director:		
Emoluments	839	1,449
Company contributions to money purchase schemes	100	140
Amounts received under long-term incentive plans	94	903
Gain on exercise of share options	-	22
	<u>1,033</u>	<u>2,514</u>

The highest paid director did not exercise share options in the year and had no shares receivable under the long-term incentive plans.

25. Controlling party

In the opinion of the Directors, the Company's ultimate parent company and ultimate controlling party is Brother Industries Limited, a company incorporated in Japan. The parent undertaking of the largest and smallest group, which includes the Company and for which group accounts are prepared is Brother Industries Limited, a company incorporated in Japan.

The Company is therefore exempt from the obligation to prepare and deliver group accounts. Copies of the group financial statements of Brother Industries Limited are available from 15-1 Naeshiro-cho, Mizuho-ku, Nagoya, 467-8561, Japan. The Company's immediate controlling party is Brother Industries Limited.

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

Appendix 1 Related undertakings disclosure

This forms part of these financial statements.

The Company has investments in the following subsidiary undertakings.

Subsidiary undertakings	Address	Country of incorporation	Holding
Domino UK Ltd	Trafalgar Way, Bar Hill, Cambridge, CB23 8TU	England and Wales	
Domino Deutschland GmbH	Lorenz-Schott-Strasse 3, 55252 Mainz Kastel	Germany	
Domino Holding Deutschland GmbH	Industriepark 312 D-78244 Gottmadingen	Germany	
Wiedenbach Apparatebau GmbH	Industriepark 312 D-78244 Gottmadingen	Germany	2
Domino Laser GmbH	Fangdieckstrasse 75a, D-22547 Hamburg	Germany	2
Pri-Ma-Tech Verwaltungs GmbH	Pastorstrasse 16, 56751, Polch	Germany	2
aps Alternative Printing Services GmbH	Stuttgarter Strasse 15, D-71083 Herrenberg	Germany	2
APS France SARL	ZA La Pimpie 26120 Montellier	France	2
Domino Amjet BV	Hoofdveste, 11 A, 3992 DH Houten	The Netherlands	
Domino Holdings France SARL	2 Rue Mege Mouries, ZA du Bel Air, 78120, Rambouillet	France	
Domino SAS	2 Rue Mege Mouries, ZA du Bel Air, 78120, Rambouillet	France	2
Domino Amjet Iberica SA	Av. Fuente Nueva 14, 28703 San Sebastián de los Reyes, Madrid	Spain	

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Notes to the financial statements (continued)

For the year ended 24 March 2017

Appendix 1 Related undertakings disclosure (continued)

Subsidiary undertakings	Address	Country of incorporation	Holding
Domino Print and Apply AB	Agnesfridsvägen 189, 213 75 Malmö	Sweden	2
Domino Sweden AB	Box 1242 581 12 Linköping	Sweden	2
InkJet AB	Box 1242 581 12 Linköping	Sweden	2
Domino Portugal Producao Commercializacao De Equipamento Electronico LDA	Avenue Vasco Gama N 668, 4100-000 Porto	Portugal	1,2
Marque TDI – Tecnologias de Codificação SA	Zona Industrial da Maia Setor X - Complexo Empresarial Soconorte Arm L 4475-249 Maia	Portugal	
Domino Holdings Inc	1290 Lakeside Drive, Gurnee, Illinois, 60031	USA	
Domino Amjet Inc	1290 Lakeside Drive, Gurnee, Illinois, 60031	USA	2
Citronix Inc	2241 S. Watson Road, Suite 111, Arlington, Texas 76010	USA	2
Domino Printing México SA de CV	Industrial Naucalpan, CP 53370 Naucalpan de Juárez	Mexico	
Domino Printing Solutions Inc	2257 rue Guenette, Ville Saint-Laurent, Quebec, H4R 2E9	Canada	
Domino Printech India LLP	Udyog Vihar Phase 1, Gurgaon, Haryana	India	

Domino Printing Sciences plc

Notes to the financial statements (continued)

For the year ended 24 March 2017

Appendix 1 Related undertakings disclosure (continued)

Subsidiary undertakings	Address	Country of incorporation	Holding
Domino China Limited	1150 Yunqiao Road, Shanghai Free Trade Test Zone, Shanghai	China	
Domino Coding (Hong Kong) Limited	6/F., Prosperous Commercial Building, 54-58 Jardines Bazaar, Causeway Bay, Hong Kong	China	
Domino Asia Limited	Part E, 2nd Floor, Building B, No.155, Fute Xiyi Road, Shanghai	China	
Domino Printing Technology Limited	5th Floor, No. 88, Tonggang Road, Jiangsu	China	
Domino Asia Pte Limited	33 Ubi Ave 3 #05-24, The Vertex, Tower B, 408868	Singapore	
Domino Korea Pte Limited	2F, Star Tower, 37, Sagimakgol-ro 62beon-gil, Jungwon-gu, Seongnam-si, Gyeonggi-do	South Korea	
Domino Printing Sciences Investments Corporation	1290 Lakeside Drive, Gurnee, Illinois, 60031	USA	
Squid Limited	Trafalgar Way, Bar Hill, Cambridge, CB23 8TU	England and Wales	2
Graph-Tech AG	Aeschwahrstrasse 15, CH-4665 Oftringen	Switzerland	
PostJet Systems Limited	Unit 7, Beechwood, Chineham Park, Basingstoke, RG24 8WA	England and Wales	

The Company directly or indirectly owns 100% of the ordinary share capital of all subsidiaries.

1 Dormant companies, 2 Indirectly held

