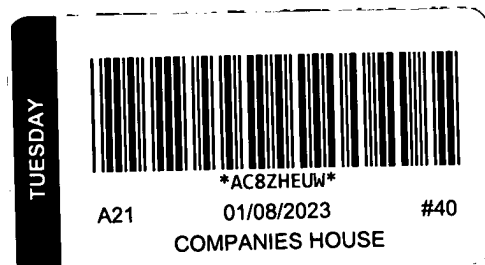


Registered number: 01931062

SHIMA SEIKI EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



SHIMA SEIKI EUROPE LIMITED

COMPANY INFORMATION

Directors	K Hojo R Webster H Shimada H Kato (resigned 22 July 2022) M Nakanishi (appointed 22 July 2022)
Company secretary	R Webster
Registered number	01931062
Registered office	Sills Road Willow Farm Business Park Castle Donington Derbyshire DE74 2US
Independent auditor	MHA 11 Merus Court Meridian Business Park Leicester LE19 1RJ
Solicitors	Nelsons Provincial House 37 New Walk Leicester LE1 6TU

SHIMA SEIKI EUROPE LIMITED

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SHIMA SEIKI EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

Shima Seiki Europe Limited is a subsidiary of Shima Seiki Mfg. Ltd., a world leader in the manufacture of flat knitting machines and related computer graphic systems. The company was established in 1985 in Milton Keynes, England, and moved to its current headquarters in Castle Donington in 2000. Shima Seiki Europe has a team of over 20 staff and operates in the UK, Ireland, Scandinavia, and the Baltics. The company also has a subsidiary in France that services France and Benelux.

Business review

Shima Seiki Europe Limited is a leading provider of flat knitting machines for the fashion, sportswear, and homeware industries. The company's machines are known for their high quality, productivity, and flexibility. Shima Seiki Europe Limited also offers a range of computer graphic systems that support the design and production of knitted garments.

In recent years, Shima Seiki Europe Limited has expanded its product offering to include subscription-based software aimed at designers, retailers, and other stakeholders in the fashion industry. The company's software solutions provide users with access to a range of tools and resources that can help them to improve their design and production processes.

Shima Seiki Europe Limited is committed to providing its customers with the best possible service and support. The company has a team of experienced engineers and technicians who are available to provide support to customers around the world, including a range of training courses that can help customers to get the most out of their machines and software.

Principal risks and uncertainties

The global economy is facing a number of challenges, including the war in Ukraine, and the global chip shortage. These challenges have had a significant impact on the textile industry, and Shima Seiki Europe Limited is no exception. The company has faced delays in the delivery of machines and components, as well as increased costs. However, the parent company Shima Seiki Mfg. Ltd has taken steps to mitigate these challenges, now having much improved delivery times, the company is confident that it will continue to grow and prosper in the years to come.

One of the ongoing challenges facing Shima Seiki Europe Limited is the need to diversify its customer base. The company's traditional markets, such as the fashion and sportswear industries, have been hit hard in recent years. As a result, Shima Seiki Europe Limited is looking to expand into new markets, such as the composite industry for aerospace and automotive.

Another challenge facing Shima Seiki Europe Limited is the need for new technologies. With the development of new and unique machinery from the parent company in Japan, this is now being trialled and tested in the Castle Donington facility which is being showcased to the composite industry, showing the company is committed to developing new machines and software that can help its customers to improve their productivity and efficiency, and that it is also investing in research and development in order to stay ahead of the competition.

SHIMA SEIKI EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Strategic Opportunities

Despite the challenges facing the global economy, there are a number of opportunities for Shima Seiki Europe Limited to grow and prosper. The company is well-positioned to benefit from the growing demand for knitted garments in the global fashion industry. Shima Seiki Europe Limited is also well-positioned to benefit from the growth of the composite industry.

In addition to these opportunities, Shima Seiki Europe Limited is also well-positioned to benefit from the company's strong brand reputation and its commitment to customer service. The company has a long history of providing its customers with high-quality products and services, and this reputation is likely to continue to attract new customers in the years to come.

In conclusion, Shima Seiki Europe Limited is a well-established company with a good track record of success. The company has been facing a number of challenges with delayed deliveries, but it is well-positioned to benefit from a number of opportunities. Management regularly meets to discuss such opportunities or matters which may affect the company. Information is passed down the chain if deemed necessary.

Shima Seiki Europe Limited is confident that it will continue to grow and prosper in the years to come.

Financial key performance indicators

Shima Seiki Europe Limited use several financial measures to monitor progress against strategies and objectives:

- Sales growth
- Gross profit growth
- Asset turnover

The Board monitor the Company's operations within the objective to ensure economic growth.

Section 172(1) Statement

The directors have had regard to the matters set out in S172(1) (a) to (f) of the Companies Act 2016. They have acted in good faith to promote the success of the Company for the benefit of its members, with specific actions as below.

S172(1) (A) The likely consequences of any decisions in the long term.

The Directors strategy is to grow the business in the long-term utilising the groups extensive knowledge in sustainable manufacturing and digitalisation of the industry. We see the implications of this not only beneficial to us but also our customers and the wider textile industry.

In line with the company's strategy to further grow the business, increase revenue and strengthen our position, we also continue to target burgeoning sectors of the industry.

S172(1) (B) The interests of the Company's employees.

The company has a long established 'open door policy' for any employee to be able to communicate freely with the Director's or any Managers to ideas, views and suggestions for consideration.

To encourage and maintain healthy lifestyle the company offers the employees biannual health assessments, also ongoing support through the annual health plan offered to each individual.

The Directors are committed to our equal employment and non-discrimination policy which also relates to how we provide services to our customers.

SHIMA SEIKI EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

S172(1) (C) The need to foster the Company's business relationships with suppliers, customers and others.

By maintaining a clear and honest relationship with our customers and providing a professional and timely service, these values have helped grow a strong customer base. The same qualities are held throughout the business and applied to suppliers and organisations dealt with during business activities.

S172(1) (D) The impact of the Company's operations on the community and the environment.

The company is aware of its impact on the community and the environment and conducts business in an environmentally manner, complying with current legislation. Working with our headquarters for an initial trial period we will be reducing the amount of packaging and using more environmentally friendly packaging when shipping goods.

As a company we try to encourage the staff to opt for electric vehicles to incentivise the take up of cleaner and less polluting cars. We are currently offering a reduced rate for charging their vehicle at the company premises.

S172(1) (E) The desirability of the Company maintaining a reputation for high standards of business conduct.

The company has a defined set of ethical standards including a zero-tolerance approach to modern slavery, bribery and corruption. These are laid out in company policy and are reviewed and updated regularly.

S172(1) (F) The need to act fairly as between members of the Company.

Consistent with the company strategy the Directors take a long-term view to achieve growth and profitability, working with a fair and balanced approach considering all stakeholders to attain the best results.

This report was approved by the board and signed on its behalf.


.....
R Webster
Director

Date: 27 July 2023

SHIMA SEIKI EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £973,390 (2021: £843,318).

No dividends have been paid during the year.

Directors

The directors who served during the year were:

K Hojo
R Webster
H Shimada
H Kato (resigned 22 July 2022)
M Nakanishi (appointed 22 July 2022)

Future developments

The Board is confident that Shima Seiki Europe Limited's strategy will continue to deliver results which will meet the expectations of our Parent Company Shima Seiki MFG Limited.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. The auditor, MHA, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SHIMA SEIKI EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

This report was approved by the board and signed on its behalf.



.....
R Webster
Director

Date: 27 July 2023

Sills Road
Willow Farm Business Park
Castle Donington
Derbyshire
DE74 2US

SHIMA SEIKI EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHIMA SEIKI EUROPE LIMITED

Opinion

We have audited the financial statements of Shima Seiki Europe Limited (the 'Company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

SHIMA SEIKI EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHIMA SEIKI EUROPE LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

SHIMA SEIKI EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHIMA SEIKI EUROPE LIMITED (CONTINUED)

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.

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

- enquiry of management and those charged with governance around actual, potential or suspected litigation, claims, non-compliance with applicable laws and regulations and fraud;
- enquiry of entity staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- reviewing of financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- discussing with engagement team in relation to how and where fraud might occur in the financial statements and any potential indicators of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

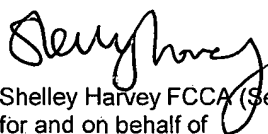
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

SHIMA SEIKI EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHIMA SEIKI EUROPE LIMITED
(CONTINUED)

Use of our report

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



Shelley Harvey FCCA (Senior Statutory Auditor)
for and on behalf of

MHA

Statutory Auditor

Leicester,
United Kingdom

Date: 27 July 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

SHIMA SEIKI EUROPE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	7,749,799	7,793,538
Cost of sales		(5,066,241)	(5,121,691)
Gross profit		2,683,558	2,671,847
Distribution costs		(678,887)	(756,579)
Administrative expenses		(974,228)	(1,048,221)
Other operating income	5	160,314	74,138
Other operating charges		9,768	(41,169)
Operating profit		1,200,525	900,016
Interest receivable and similar income	10	-	601
Interest payable and similar expenses	11	-	(8,771)
Profit before tax		1,200,525	891,846
Tax on profit	12	(227,135)	(48,528)
Profit for the financial year		973,390	843,318

There were no recognised gains and losses for 2022 or 2021 other than those included in the Profit and Loss Account.

There was no other comprehensive income for 2022 (2021: £NIL).

The notes on pages 14 to 30 form part of these financial statements.

SHIMA SEIKI EUROPE LIMITED
REGISTERED NUMBER: 01931062

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	1,309,898	1,331,575
Investments	14	148,115	148,115
		<u>1,458,013</u>	<u>1,479,690</u>
Current assets			
Stocks	15	1,935,670	1,440,824
Debtors	16	1,823,608	1,306,618
Cash at bank and in hand	17	4,934,037	5,046,517
		<u>8,693,315</u>	<u>7,793,959</u>
Creditors: amounts falling due within one year	18	(1,783,165)	(1,873,824)
Net current assets		<u>6,910,150</u>	<u>5,920,135</u>
Total assets less current liabilities		<u>8,368,163</u>	<u>7,399,825</u>
Provisions for liabilities			
Deferred tax	19	(22,064)	(27,116)
		<u>(22,064)</u>	<u>(27,116)</u>
Net assets		<u><u>8,346,099</u></u>	<u><u>7,372,709</u></u>
Capital and reserves			
Called up share capital	20	1,000,000	1,000,000
Profit and loss account		7,346,099	6,372,709
		<u><u>8,346,099</u></u>	<u><u>7,372,709</u></u>

SHIMA SEIKI EUROPE LIMITED
REGISTERED NUMBER: 01931062

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
R Webster
Director

Date: 27 July 2023

The notes on pages 14 to 30 form part of these financial statements.

SHIMA SEIKI EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	1,000,000	5,529,391	6,529,391
Comprehensive income for the year			
Profit for the year	-	843,318	843,318
At 1 January 2022	1,000,000	6,372,709	7,372,709
Comprehensive income for the year			
Profit for the year	-	973,390	973,390
At 31 December 2022	1,000,000	7,346,099	8,346,099

Profit and Loss Account

Includes all current and prior year retained profits and losses. All amounts are distributable.

The notes on pages 14 to 30 form part of these financial statements.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

The Company is a private company limited by shares, incorporated in England and Wales, registration number 01931062. The registered office is Sills Road, Willow Farm Business Park, Castle Donington, Derbyshire, DE74 2US.

The principal activity of the company during the year continued to be the sale of knitting machines together with related programmes and servicing.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company has adequate cash and working capital that will allow the Company to continue in operational existence for the foreseeable future. The directors believe the Company has the ability to continue as a going concern for at least 12 months from approval of the financial statements and has not identified any material uncertainty in relation to going concern. The Company therefore continues to adopt the going concern basis in preparing its financial information.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Shima Seiki Manufacturing Limited as at 31 December 2022 and these financial statements may be obtained from 85 Sakata, Wakayama City 641-8511, Japan.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease term.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and Loss Account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is British Pound Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land	- Not depreciated
Freehold buildings	- 2% straight-line per annum
Leasehold property	- 2% straight-line per annum
Plant and machinery	- 10-50% straight-line per annum
Showroom assets	- 10% straight-line per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Profit and Loss Account.

2.16 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at transaction price, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction price, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at transaction price, net of transaction costs and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.20 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Stocks provisioning

The Company continues to sell knitting machines and is exposed to changes in the garment industry. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of machine and parts stocks.

(iii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the age profile of debtors and historical experience.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Sale of machines	6,966,648	7,001,855
Sale of parts	559,323	555,430
Servicing income	93,831	115,164
Other income	129,997	121,089
	<u>7,749,799</u>	<u>7,793,538</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	4,848,675	4,064,691
Rest of Europe	2,684,842	3,518,480
Rest of the World	216,282	210,367
	<u>7,749,799</u>	<u>7,793,538</u>

5. Other operating income

	2022 £	2021 £
Government grants receivable	-	2,424
Sundry income	112,454	18,714
Management fees receivable	47,860	53,000
	<u>160,314</u>	<u>74,138</u>

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible fixed assets	48,717	45,476
Exchange differences	(9,768)	41,169
Operating lease costs	62,405	73,243
Profit on sale of tangible fixed assets	-	(9,000)
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	15,000	12,500
	<u> </u>	<u> </u>
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	1,000	1,000
All other services	6,884	3,676
	<u> </u>	<u> </u>
	<u>7,884</u>	<u>4,676</u>

SHIMA SEIKI EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	745,770	721,399
Social security costs	70,740	82,942
Cost of defined contribution scheme	27,156	25,517
	<u>843,666</u>	<u>829,858</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Sales and distribution	5	5
Administrative	4	3
Management	1	1
Technical	12	10
	<u>22</u>	<u>19</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	107,948	116,510
Company contributions to defined contribution pension schemes	3,301	3,041
	<u>111,249</u>	<u>119,551</u>

During the year retirement benefits were accruing to 1 director (2021: 1) in respect of defined contribution pension schemes.

10. Interest receivable

	2022 £	2021 £
Other interest receivable	-	601
	<u>-</u>	<u>601</u>

SHIMA SEIKI EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Interest payable and similar expenses

	2022 £	2021 £
Group interest payable	-	8,771
	<u>-</u>	<u>8,771</u>

12. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	232,187	21,412
	<u>232,187</u>	<u>21,412</u>
Total current tax	<u>232,187</u>	<u>21,412</u>
Deferred tax		
Origination and reversal of timing differences	(5,052)	27,116
Total deferred tax	<u>(5,052)</u>	<u>27,116</u>
Taxation on profit on ordinary activities	<u>227,135</u>	<u>48,528</u>

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,200,525	891,846
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	228,100	169,451
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	786	686
Depreciation for year in excess of capital allowances	2,819	2,111
Utilisation of tax losses	-	(142,453)
Other differences leading to an increase in the tax charge	(4,570)	18,733
Total tax charge for the year	227,135	48,528

Factors that may affect future tax charges

From 1 April 2023, the Corporation Tax main rate increased to 25% for profits over £250,000. A small profits rate was also introduced for profits of £50,000 or less, charging Corporation Tax at 19%. Profits between £50,000 and £250,000 will be taxed at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

There are no further factors that may affect future tax charges.

SHIMA SEIKI EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Showroom assets £	Total £
Cost or valuation				
At 1 January 2022	1,628,324	519,210	14,238	2,161,772
Additions	-	27,040	-	27,040
Disposals	-	(84,404)	-	(84,404)
At 31 December 2022	<u>1,628,324</u>	<u>461,846</u>	<u>14,238</u>	<u>2,104,408</u>
Depreciation				
At 1 January 2022	375,864	440,095	14,238	830,197
Charge for the year	26,124	22,593	-	48,717
Disposals	-	(84,404)	-	(84,404)
At 31 December 2022	<u>401,988</u>	<u>378,284</u>	<u>14,238</u>	<u>794,510</u>
Net book value				
At 31 December 2022	<u>1,226,336</u>	<u>83,562</u>	<u>-</u>	<u>1,309,898</u>
At 31 December 2021	<u>1,252,460</u>	<u>79,115</u>	<u>-</u>	<u>1,331,575</u>

Land with a cost of £321,993 (2021: £321,993) has not been depreciated.

SHIMA SEIKI EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	169,986
At 31 December 2022	<u>169,986</u>
Impairment	
At 1 January 2022	21,871
At 31 December 2022	<u>21,871</u>
Net book value	
At 31 December 2022	<u><u>148,115</u></u>
At 31 December 2021	<u><u>148,115</u></u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Shima Seiki France SARL	Espace Lumière 55 Bd de la République Bâtiment 7 78400 Chatou France	Sale of knitting machines together with related programmes and servicing.	Ordinary	100%

SHIMA SEIKI EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Debtors

	2022 £	2021 £
Trade debtors	363,796	435,645
Amounts owed by group undertakings	50,581	37,729
Prepayments and accrued income	1,409,231	833,244
	<u>1,823,608</u>	<u>1,306,618</u>

17. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	4,934,037	5,046,517
	<u>4,934,037</u>	<u>5,046,517</u>

18. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	54,030	50,153
Amounts owed to group undertakings	925,024	1,464,422
Corporation tax	232,187	21,412
Other taxation and social security	100,915	27,788
Other creditors	26,144	26,970
Accruals and deferred income	444,865	283,079
	<u>1,783,165</u>	<u>1,873,824</u>

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Deferred taxation

	2022 £
At beginning of year	27,116
Charged to profit or loss	5,052
At end of year	<u>22,064</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	22,064	27,116
	<u>22,064</u>	<u>27,116</u>

20. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1,000,000 (2021 - 1,000,000) Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Each ordinary share has equal voting and distribution rights, including repayment of capital in the event of winding up.

21. Pension commitments

The Company operates a group personal pension scheme arrangement. The scheme and its assets are held by independent managers. Contributions totalling £nil (2021 - £nil) were payable to the fund at the balance sheet date.

SHIMA SEIKI EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

22. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	54,421	48,803
Later than 1 year and not later than 5 years	55,682	36,412
	<u>110,103</u>	<u>85,215</u>

23. Contingencies

HM Revenue & Customs hold a maximum guarantee of £200,000 over the company in the form of a duty deferment bond.

24. Related party transactions

During the year the company entered into the following transactions with related parties:

	2022 £	2021 £
Amounts owed by parent entity	6,620	301
Amounts owed by other group entities	37,229	37,428
Amounts owed to parent entity	891,797	1,408,837
Amounts owed to other group entities	33,227	55,585
Sales to parent entity	29,368	5,562
Sales to other group entities including management services	270,110	264,176
Purchases from parent entity	4,584,746	4,550,492
Purchases from other group entities	84,503	111,683

25. Controlling party

The Company heading the largest and smallest group for which consolidated accounts are prepared is Shima Seiki Manufacturing Limited. This is the ultimate parent company and controlling entity and is incorporated in Japan. A copy of the group accounts, in which Shima Seiki Europe Limited is consolidated, is available at 85 Sakata, Wakayama 641, Japan.