

Kawai UK Limited

Report and Financial Statements

31 December 2018

SATURDAY



A83RBEUX

A15

20/04/2019

#176

COMPANIES HOUSE

Directors

M Nishio

T Sekine

R Tanaka

Secretary

T Sekine

Auditors

Ernst & Young LLP

400 Capability Green

Luton LU1 3LU

Bankers

Bank of Tokyo Mitsubishi UFJ Limited

Ropemaker Place

25 Ropemaker Street

London EC2Y 9AN

Registered Office

Unit 8, Dunfermline Court

Maidstone Road

Milton Keynes

Buckinghamshire MK10 0BY

Registered No. 2007319

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation amounted to £387,526 (2017 – profit of £273,351). The directors do not recommend a final dividend (2017 – £nil).

Principal activities and future development

The principal activity of the company during the year continued to be the import and distribution of Kawai musical instruments. Though there are uncertainties resulting from Brexit, we expect stable sales in 2019 considering the current strong demand of customers.

Going concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

Directors

The directors who served the company during the year were as follows:

M Nishio
T Sekine
R Tanaka

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006. No Strategic Report has been prepared as the company meets the exemption requirements in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board



Takuya Sekine
Director

18-04-2019

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Kawai UK Limited

Opinion

We have audited the financial statements of Kawai UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 18, 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 FRS 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 company's affairs as at 31 December 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

Independent auditors' report (continued)

to the members of Kawai UK Limited

information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

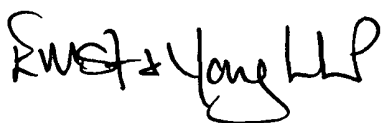
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report (continued)

to the members of Kawai UK Limited

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is stylized, with the "E" and "Y" being particularly prominent.

Juliet Thomas (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Luton

18.4.19

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	7,457,378	6,177,367
Cost of sales		(5,534,791)	(4,505,629)
Gross profit		1,922,587	1,671,738
Distribution costs		(476,577)	(398,539)
Administrative expenses		(962,661)	(934,187)
Profit on ordinary activities before taxation	4	483,349	339,012
Tax on profit on ordinary activities	7	(95,823)	(65,661)
Profit for the financial year		387,526	273,351
Other comprehensive income		-	-
Total comprehensive income for the year	14	387,526	273,351

The notes on pages 10 to 18 form part of these financial statements.

Statement of financial position

at 31 December 2018

		2018 £	2017 £
	Notes		
Fixed assets			
Tangible fixed assets	8	41,385	59,482
Current assets			
Stocks	9	1,847,743	1,894,104
Debtors	10	1,248,193	1,375,558
Cash at bank and in hand		<u>1,680,242</u>	<u>786,488</u>
		4,776,178	4,056,150
Creditors: amounts falling due within one year	11	<u>(1,838,001)</u>	<u>(1,543,643)</u>
Net current assets		<u>2,938,177</u>	<u>2,512,507</u>
Total assets less current liabilities		<u>2,979,562</u>	<u>2,571,989</u>
 Provisions for liabilities	12	<u>(55,490)</u>	<u>(35,443)</u>
		<u>(55,490)</u>	<u>(35,443)</u>
Net assets		<u>2,924,072</u>	<u>2,536,546</u>
Capital and reserves			
Called up share capital	13	2,120,000	2,120,000
Profit and loss account	14	804,072	416,546
Shareholders' funds	14	<u>2,924,072</u>	<u>2,536,546</u>

The notes on pages 10 to 18 form part of these financial statements.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS102 Section 1A.

The financial statements were approved by the board of directors and approved on its behalf by:



Takuya Sekine

Director

18-04-2019

Statement of changes in equity

at 31 December 2018

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total Share- holders' funds</i>
	£	£	£
At 1 January 2017	2,120,000	143,195	2,263,195
Total comprehensive income for the year	-	273,351	273,351
At 31 December 2017	2,120,000	416,546	2,536,546
Total comprehensive income for the year	-	387,526	387,526
At 31 December 2018	2,120,000	804,072	2,924,072

Notes to the financial statements

for the year ended 31 December 2018

1. General Information

Kawai UK Limited is private company limited by shares and it is incorporated in the United Kingdom. The address of its registered office is Unit 8, Dunfermline Court, Maidstone Road, Milton Keynes, Buckinghamshire MK10 0BY.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Section 1A of FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Going concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The directors are of the opinion that there are no significant judgements required in the preparation of the financial statements.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets less estimated residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life, as follows:

Fixtures and fittings installed at the inception of the lease for the company's offices	–	10 years straight-line
All other fixtures and fittings	–	20% per annum on a reducing balance basis
Motor vehicles	–	10 years straight-line
Stock used for demonstration	–	20% per annum on a reducing balance basis

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Statement of cash flows

The company has taken advantage of the exemption for small companies available under Section 1A of FRS 102 not to prepare a cash flow statement.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on invoice to third parties.

Notes to the financial statements

for the year ended 31 December 2018

2. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Goods for resale – purchase cost on a monthly average method

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Creditors

Short term trade creditors are measured at the transaction price and they are paid based on the agreed payment terms (usually between 30 to 60 days).

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

The company's functional and presentation currency is pound sterling.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Provisions for liabilities

Provisions are made against future costs arising out of goods supplied under cover of warranty. These provisions are credited to the profit and loss account over the period of warranty cover.

Notes to the financial statements

for the year ended 31 December 2018

3. Turnover

Turnover, which is stated net of value added tax, represents the amount of goods sold and services provided.

The turnover and pre-tax result is attributable to one continuing activity, the import and distribution of Kawai musical instruments. Turnover relates almost entirely to the United Kingdom and Republic of Ireland.

4. Profit on ordinary activities before taxation

This is stated after charging:

	2018 £	2017 £
Auditors' remuneration – audit service	24,300	21,000
– half year review	8,200	7,000
	<u>32,500</u>	<u>28,000</u>
Depreciation of owned fixed assets	18,360	23,899
Depreciation of assets held under finance leases and hire purchase contracts	1,831	1,831
	<u>20,191</u>	<u>25,730</u>
Operating lease rentals – land and buildings	<u>74,580</u>	<u>74,580</u>

5. Directors' remuneration

The company directors are also directors of other group companies. They are remunerated for their services by another company. The amount allocated to this company in respect of the charge for their services is £nil.

6. Staff costs

	2018 £	2017 £
Wages and salaries	266,866	256,779
Social security costs	28,929	29,979
Other pension costs	7,434	7,142
	<u>303,229</u>	<u>293,900</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Sales	2	2
Warehouse	2	2
Administration	3	3
	<u>7</u>	<u>7</u>

Notes to the financial statements

for the year ended 31 December 2018

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018 £	2017 £
Current tax:		
UK corporation tax on the profit for the year	95,320	69,015
Adjustments in respect of previous years	690	(9,420)
Total current tax	<u>96,010</u>	<u>59,595</u>
Deferred tax:		
Origination and reversal of timing differences	(1,800)	(2,198)
Adjustment in respect of previous periods	1,425	8,007
Effect of change in tax rate	188	257
Total deferred tax	<u>(187)</u>	<u>6,066</u>
Tax on Profit on ordinary activities	<u>95,823</u>	<u>65,661</u>

Notes to the financial statements

for the year ended 31 December 2018

7. Tax (continued)

(b) Factors affecting the current tax charge for the year

Tax on profit at standard UK tax rate of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	483,349	339,012
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	91,836	65,248
<i>Effects of:</i>		
Expenses not deductible	1,684	1,568
Adjustments in respect of previous years	2,115	(1,413)
Tax rate changes (note 7(a))	188	257
Roundings	-	1
Tax charge for the period	95,823	65,661

(c) Deferred tax

	2018 £	2017 £
Fixed asset timing differences	1,568	1,755
Short term timing differences - trading	-	-
Deferred tax (asset)/liability	1,568	1,755

£

At 1 January 2018	1,755
Profit and loss account movement arising during the year	(187)
At 31 December 2018	1,568

Notes to the financial statements

for the year ended 31 December 2018

8. Tangible fixed assets

	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Demon- stration stock</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2018	102,123	18,310	51,835	172,268
Additions	2,189	-	-	2,189
Disposals	(1,400)	-	-	(1,400)
At 31 December 2018	<u>102,912</u>	<u>18,310</u>	<u>51,835</u>	<u>173,057</u>
Depreciation:				
At 1 January 2018	84,398	15,257	13,131	112,786
Provided during the year	10,619	1,831	7,741	20,191
Disposals	(1,305)	-	-	(1,305)
At 31 December 2018	<u>93,712</u>	<u>17,088</u>	<u>20,872</u>	<u>131,672</u>
Net book value:				
At 31 December 2018	<u>9,200</u>	<u>1,222</u>	<u>30,963</u>	<u>41,385</u>
At 1 January 2018	<u>17,725</u>	<u>3,053</u>	<u>38,704</u>	<u>59,482</u>

Included in the amounts for motor vehicles above are the following amounts relating to leased asset under finance lease contracts:

	£
Cost:	
At 1 January 2018 and 31 December 2018	<u>18,310</u>
Depreciation:	
At 1 January 2018	15,257
Provided during the year	1,831
At 31 December 2018	<u>17,088</u>
Net book value:	
At 31 December 2018	<u>1,222</u>
At 1 January 2018	<u>3,053</u>

9. Stocks

	2018	2017
	£	£
Finished goods	<u>1,847,743</u>	<u>1,894,104</u>

Notes to the financial statements

for the year ended 31 December 2018

10. Debtors

	2018	2017
	£	£
Trade debtors	1,192,295	1,330,383
Prepayments and accrued income	50,445	45,175
Other debtors	5,453	-
	<u>1,248,193</u>	<u>1,375,558</u>

11. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	146,425	108,245
Amounts owed to group undertakings	1,513,713	1,298,412
Corporation tax	35,698	27,298
Accruals and deferred income	44,105	43,116
VAT	96,492	64,817
Deferred tax liabilities	1,568	1,755
	<u>1,838,001</u>	<u>1,543,643</u>

Notes to the financial statements

for the year ended 31 December 2018

12. Provisions for liabilities

	<i>Warranty provision</i>	<i>Total provision</i>
	£	£
At 1 January 2018	35,443	35,443
Arising during the year	31,788	31,788
Utilised during the year	(6,698)	(6,698)
Released during the year	(5,043)	(5,043)
At 31 December 2018	<u>55,490</u>	<u>55,490</u>

A warranty provision is recognised for expected warranty claims on products sold during five years for grand/upright pianos and two years for digital pianos.

13. Issued share capital

	2018		2017	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	£	<i>No.</i>	£
Ordinary shares of £1 each	2,120,000	<u>2,120,000</u>	2,120,000	<u>2,120,000</u>

14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 1 January 2017	2,120,000	143,195	2,263,195
Profit for the year	—	273,351	273,351
At 1 January 2018	<u>2,120,000</u>	<u>416,546</u>	<u>2,536,546</u>
Profit for the year	—	387,526	387,526
At 31 December 2018	<u>2,120,000</u>	<u>804,072</u>	<u>2,924,072</u>

15. Pensions

The company operates a defined contribution pension scheme for its UK employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions paid into the scheme during the year amounted to £7,434 (2017 – £7,142). There were no contributions outstanding or prepaid at the balance sheet date.

Notes to the financial statements

for the year ended 31 December 2018

16. Other financial commitments

At 31 December 2018 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2018</i>	<i>2017</i>
	<i>£</i>	<i>£</i>
Payments due:		
Not later than one year	74,580	74,580
Later than one year and not later than five years	230,942	223,740
Later than five years	442,965	447,480
	<u>748,487</u>	<u>745,800</u>

17. Related party transactions

The company has taken advantage of the exemption under Section 1A of FRS 102 from disclosing transactions with related parties that are part of the group.

18. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Kawai Europa GmbH, a company incorporated in Germany.

The ultimate parent undertaking and controlling party is considered by the directors to be Kawai Musical Instruments Manufacturing Company Limited, incorporated in Japan.

Kawai Musical Instruments Manufacturing Company Limited is the parent of both the smallest and largest group of which the company is a member and for which group financial statements are prepared.

They can be obtained from the address below:

Kawai Musical Instruments Manufacturing Company Limited
200 Terajima-Cho
Naka-ku
Hamamatsu
Japan 430-8665