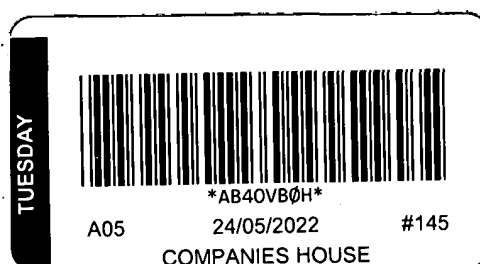


**Registered Number. 02278174**

**Yokohama H.P.T. Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**



# **Yokohama H.P.T. Limited**

## **Annual Report and Financial Statements 2021**

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# Yokohama H.P.T. Limited

## Strategic report

### PRINCIPAL ACTIVITIES

The principal activity of the Company in the year was the sale of Yokohama passenger car tyres and motorsports tyres through a distribution network of customers in the UK. It has operated in a competitive market where its tyre sales have increased by 14% over last year (2020: 20% decrease). This sales increase is largely attributed to improved consumer demand as a result of the UK recovering from the Covid 19 pandemic. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The results of the Company are set out on page 9. Turnover has increased to £27,764k in the year (2020: £24,402k). Profit margin before tax has increased to 3% (2020: 1%) and profit before tax has increased to £840k (2020: £272k) after receiving support from the government's Coronavirus Job Retention Scheme of £69k.

The Company's balance sheet has remained strong and shareholders' funds stand at £4,532k (2020: £3,853k). Return on capital employed (being operating profit divided by shareholders' funds at the year-end) is 19% (2020: 8%).

Cash at bank and in hand decreased by £550k in the year to £2,981k (2020: £1,304k increase) with inter-group borrowings reduced to nil (2020: £2,500k) as a result of the increased trading from higher consumer demand.

### KEY PERFORMANCES INDICATORS ("KPIs")

The Directors of the Company closely monitor a range of KPI's. Turnover, which has increased by 14% to £27,764k; Gross margin, which increased from 18% to 20%; and EBITDA which increased to £1,561k (2020: £959k). Metrics such as tyre volumes are also tracked and reported internally on a regular basis.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks which could affect the Company's performance of financial position are:

**Supply** – trading is dependent upon a reliable supply of tyres from the Yokohama Rubber Company in Japan. Manufacturing is carried out in a number of factories in different countries which assists in mitigating supply issues.

**Grey Market** – this is the availability of Yokohama product in the UK marketplace sourced from abroad. The Company is unable to influence this activity to mitigate any risk.

**Competition** – the risk that the Company loses market share as a result of competitors' products being offered at lower prices. The Company continually monitors competitor activity to mitigate this risk.

**Credit risk** – the Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables; all non-inter-group receivables are insured to mitigate this risk. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is only made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

**Covid 19** – the risk of a reduction in consumer demand due to future lockdowns and changes to the travel habits of the public. The company can mitigate the impact of this by continuing to monitor market conditions.

## **Yokohama H.P.T. Limited**

### **Strategic report**

#### **FUTURE DEVELOPMENTS IN THE BUSINESS**

The outlook for the coming year is for another period of competitive trading; expected earnings are projected to be of a similar level as for the year ended 31 December 2021.

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

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'B. G. Philpott', with a stylized flourish at the end.

B G Philpott  
Director

Date: 18<sup>th</sup> May 2022

## **Yokohama H.P.T. Limited**

### **Directors' report**

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2021.

The strategic report includes details of the future developments and financial risk management policies of the company.

#### **GOING CONCERN**

In 2021, the company operations recovered as the impact of the COVID 19 pandemic began to decline. The company experienced a growth in revenues for 9 months in 2021 compared to 2020, with the total increase totalling 14%. The use of the government Coronavirus Job Retention scheme allowed the company to reduce the impact of the COVID pandemic with grants totalling £69k in 2021 (2020: £237k). This recovery allowed the company to fully repay the inter-group borrowings to reduce the balance to nil at 31<sup>st</sup> December 2021 (2020: £2,500k).

The directors have completed detailed forecasts for the next twelve months to May 2023, where the base forecast indicates a requirement to borrow £4m due to a reduction in supplier payment terms. An 80% downside forecast indicating similar trading results to 2021 shows that the Company would still operate within the cash and borrowings resources available. The parent company has also provided the board of directors with a letter of support confirming that any amounts falling due to Yokohama Europe GmbH under the loan agreement in the period until 31st May 2023 will not be called for repayment unless the Company can repay those amounts from its own cash and bank resources. Based on the circumstances described the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which encompasses a period of at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

#### **DIVIDENDS**

The directors do not recommend a final dividend for the year ended 31 December 2021 (2020: nil). No dividends have been paid in the year ended 31 December 2021 (2020: nil).

#### **DIRECTORS**

The directors who served during the year and to the date of this report were as follows:

D R Seward	(resigned 1 October 2021)
T A Melsom	(resigned 1 October 2021)
H Shioiri	
T Fujino	(resigned 1 April 2022)
K Koseki	(appointed 1 May 2021)
N R Greenfield	(appointed 1 October 2021)
B G Philpott	(appointed 1 October 2021)
A I Gramatikov	(appointed 1 April 2022)

#### **DIRECTORS INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **REGISTERED OFFICE**

The Company's registered office is: Dawson Road, Mount Farm, Bletchley, Buckinghamshire, United Kingdom MK1 1QY.

## **Yokohama H.P.T. Limited**

### **Directors' report**

#### **STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

#### **AUDITOR**

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



B G Philpott  
Director

Date: 18<sup>th</sup> May 2022

## **Yokohama H.P.T. Limited**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 auditor's report to the members of Yokohama H.P.T. Limited**

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

#### **Opinion**

In our opinion the financial statements of Yokohama H.P.T. Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **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.

#### **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.



## **Independent auditor's report to the members of Yokohama H.P.T. Limited (Continued)**

### **Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies act, accounting standards, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety regulations, employment laws and tyre manufacturing and selling laws.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud relating to revenue recognition. This has been pinpointed to cut off of revenue. We have performed substantive testing over sales recognised around the year end and ensured these are recognised in the correct financial year. We also assessed the design and implementation of internal controls around the recognition of revenue.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

## **Independent auditor's report to the members of Yokohama H.P.T. Limited (Continued)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (Continued)**

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

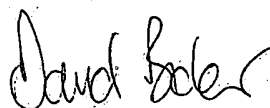
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

#### **Use of our report**

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



**David Bicker (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
Cambridge, United Kingdom  
18<sup>th</sup> May 2022

## Yokohama H.P.T. Limited

### Profit and loss account

For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	27,763,776	24,402,110
Cost of sales		(22,126,915)	(19,937,866)
<b>Gross profit</b>		<u>5,636,861</u>	<u>4,464,244</u>
Distribution costs		(3,315,192)	(2,953,924)
Administrative expenses		(1,529,243)	(1,457,637)
Other operating income	4	68,553	236,892
<b>Operating profit</b>		<u>860,979</u>	<u>289,575</u>
Interest receivable and similar income	7	-	3
Interest payable and similar expenses	8	(20,568)	(17,321)
<b>Profit before taxation</b>		<u>840,411</u>	<u>272,257</u>
Tax on profit	9	(161,686)	(51,558)
<b>Profit for the financial year</b>	10	<u><u>678,725</u></u>	<u><u>220,699</u></u>

Turnover and operating profit are all derived from continuing operations.

There are no other comprehensive income or expenses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of comprehensive income has been prepared.

## Yokohama H.P.T. Limited

### Balance sheet

As at 31 December 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	12	18,176	32,813
Tangible Assets	13	155,181	192,971
Right-of-Use assets	14	3,043,507	31,633
		<u>3,216,864</u>	<u>257,417</u>
<b>Current assets</b>			
Stocks	15	9,052,455	6,952,834
Debtors	16	8,553,596	10,185,907
Cash at bank and in hand		<u>2,981,423</u>	<u>3,531,204</u>
		20,587,474	20,669,945
<b>Creditors: Amounts falling due within one year</b>	17	<u>(16,606,659)</u>	<u>(16,583,462)</u>
<b>Net current assets</b>		<u>3,980,815</u>	<u>4,086,483</u>
<b>Total assets less current liabilities</b>		<u>7,197,679</u>	<u>4,343,900</u>
<b>Creditors: Amounts falling due after more than one year</b>	18	<u>(2,116,762)</u>	<u>(6,580)</u>
<b>Provisions for liabilities</b>	19	<u>(549,036)</u>	<u>(484,164)</u>
<b>Net assets</b>		<u>4,531,881</u>	<u>3,853,156</u>
<b>Capital and reserves</b>			
Called up share capital	22	364,500	364,500
Capital redemption reserve		52,500	52,500
Profit and loss account	23	4,114,881	3,436,156
<b>Shareholders' funds</b>		<u>4,531,881</u>	<u>3,853,156</u>

The financial statements of Yokohama H.P.T. Limited (registered number 02278174) were approved by the board of directors and authorised for issue on 18<sup>th</sup> May 2022. They were signed on its behalf by:



N R Greenfield

Director

Date: 18<sup>th</sup> May 2022

## Yokohama H.P.T. Limited

### Statement of changes in equity For the year ended 31 December 2021

	Note	Called-up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
<b>Balance at 1 January 2020</b>		364,500	52,500	3,215,457	3,632,457
Profit and total comprehensive income for the year		-	-	220,699	220,699
<b>Balance at 31 December 2020</b>		364,500	52,500	3,436,156	3,853,156
Profit and total comprehensive income for the year		-	-	678,725	678,725
<b>Balance at 31 December 2021</b>		364,500	52,500	4,114,881	4,531,881

The capital redemption reserve relates to shares in Yokohama H.P.T. Limited held by the company.

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 1. General information

Yokohama H.P.T. Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 3.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

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

The group accounts of Yokohama Rubber Company Limited are available to the public and can be obtained as set out in note 27.

#### Adoption of new and revised Standards

##### New and amended IFRS Standards that are effective for the current year

##### Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In the current year, the Company adopted the Phase 2 amendments *Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The company has no transactions which requires amending, therefore the impact of adopting this standard is nil.

##### Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

In the prior year, the Group early adopted *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the IASB issued *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reductions in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due in on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- There is no substantive change to other terms and conditions of the lease.

##### Impact on accounting for changes in lease payments applying the exemption

The Company has not received any rent concessions, therefore the impact of adopting this standard is nil.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

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

##### **Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Where relevant, equivalent disclosures have been given in the group accounts of its ultimate parent, Yokohama Rubber Company Limited, which may be obtained at 36 - 11, Shimbashi 5-chome, Minato-ku, Tokyo 105-8685, Japan.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for 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 IFRS 16, 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.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report further describes the financial position of the Company; its cash flows; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements from its cash reserves and inter-group borrowings. The current economic conditions create uncertainty over (a) the level of demand for the Company's products; (b) the exchange rate between Sterling and the Euro.

The Company's forecasts and projections as described in the Directors Report take account of reasonably possible changes in trading performance and show that the Company will be able to operate within the level of its current resources under these scenarios.

In 2021, the company operations recovered as the impact of the COVID 19 pandemic began to decline. The company experienced a growth in revenues for 9 months in 2021 compared to 2020, with the total increase totalling 14%. The use of the government Coronavirus Job Retention scheme allowed the company to reduce the impact of the COVID pandemic with grants totalling £69k in 2021 (2020: £237k). This recovery allowed the company to fully repay the inter-group borrowings to reduce the balance to nil at 31<sup>st</sup> December 2021 (2020: £2,500k).

The directors have completed detailed forecasts for the next twelve months to May 2023, where the base forecast indicates a requirement to borrow £4m due to a reduction in supplier payment. An 80% downside forecast indicating similar trading results to 2021 shows that the Company would still operate within the cash and borrowings resources available. The parent company has also provided the board of directors with a letter of support confirming that any amounts falling due to Yokohama Europe GmbH under the loan agreement in the period until 31st May 2023 will not be called for repayment unless the Company can repay those amounts from its own cash and bank resources. Based on the circumstances described the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future which encompasses a period of at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **2. Significant accounting policies (continued)**

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

##### ***Sale of goods***

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 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 economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### ***Dividend and interest revenue***

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.

##### **Leases**

Right-of-use assets and lease liabilities are accounted for by applying IFRS 16.

##### ***The Company as lessee***

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office-furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.



## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 2. Significant accounting policies (continued)

##### Leases (continued)

###### *The Company as lessee (continued)*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible fixed assets'.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **2. Significant accounting policies (continued)**

##### **Foreign currencies**

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 except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Operating profit**

Operating profit is stated before investment income and finance costs.

##### **Retirement benefit costs**

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **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.

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire fixed assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are presented as a credit in the profit and loss account within 'other operating income'.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **2. Significant accounting policies (continued)**

##### **Tangible fixed assets**

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Short leasehold improvements	over the term of the lease
Warehouse equipment	10 – 33.3% per annum
Motor vehicles	20 – 25% per annum
Furniture and equipment	10 – 33.3% per annum
Computer hardware	20 – 25% per annum

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.

Right-of-Use assets held under 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.

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. Software is amortised at 20% per annum. 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.

###### ***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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements**

For the year ended 31 December 2021

#### **2. Significant accounting policies (continued)**

##### **Impairment of tangible and intangible assets (continued)**

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.

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the FIFO (first-in, first-out) method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### **Financial assets**

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

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

##### **Classification of financial assets**

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

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

##### **(i) Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 2. Significant accounting policies (continued)

##### Financial instruments (continued)

###### *Classification of financial assets (continued)*

debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item (note 7).

###### *Impairment of financial assets*

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

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

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

###### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 2. Significant accounting policies (continued)

##### Financial instruments (continued)

##### *Impairment of financial assets (continued)*

similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 2. Significant accounting policies (continued)

##### Financial instruments (continued)

##### *(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

##### *(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *(v) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

##### *Derecognition of financial assets*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the profit and loss account reserve.



## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **2. Significant accounting policies (continued)**

##### **Financial instruments (continued)**

###### ***Financial liabilities and equity***

###### ***Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### ***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***

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

###### ***Financial liabilities measured subsequently at amortised cost***

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

###### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

###### ***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).

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **2. Significant accounting policies (continued)**

##### **Financial instruments (continued)**

##### **Provisions (continued)**

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.

#### **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.

The Directors believe there are no critical judgements or key sources of estimation uncertainty in applying the Company's accounting policies

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 4. Turnover and revenue

An analysis of the Company's turnover and revenue is as follows:

	2021 £	2020 £
<b>Continuing operations</b>		
Sales of goods	27,763,776	24,402,110
Turnover	27,763,776	24,402,110
Interest receivable and similar income (note 7)	-	3
Other operating income	68,553	236,892
Total revenue	27,832,329	24,639,005

An analysis of the Company's turnover by geographical market is set out below.

	2021 £	2020 £
<b>Turnover:</b>		
United Kingdom	27,571,739	24,321,015
Rest of the world	192,037	81,095
	27,763,776	24,402,110

#### 5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £34,400 (2020: £32,800).

Fees payable to Deloitte LLP and their associates for tax services to the Company were £6,695 (2020: £6,695).

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 6. Staff costs

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

	2021 Number	2020 Number
Sales and distribution	30	34
Administration	11	11
	<u>41</u>	<u>45</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,072,544	2,019,339
Social security costs	244,605	243,816
Other pension costs (see note 21)	208,111	144,621
	<u>2,525,260</u>	<u>2,407,776</u>

Disclosure of directors' remuneration is included in note 26.

#### 7. Interest receivable and similar income

	2021 £	2020 £
Bank deposits	<u>-</u>	<u>3</u>

#### 8. Interest payable and similar expenses

	2021 £	2020 £
Interest payable for leasing arrangements	16,367	6,370
Interest payable on group loan account	3,998	10,951
Interest payable on corporation tax due	203	-
	<u>20,568</u>	<u>17,321</u>

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 9. Tax on profit

	2021 £	2020 £
Current tax:		
UK corporation tax charge for the year	182,696	64,070
Deferred tax: (note 20)		
Origination and reversal of temporary differences	(21,010)	(12,512)
	<u>161,686</u>	<u>51,558</u>

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2021 £	2020 £
Profit before tax	840,411	272,257
Tax at the UK corporation tax rate of 19% (2020: 19%)	159,678	51,729
Tax effect of expenses that are not deductible in determining taxable profit	3,244	4,221
Tax effect of depreciation in excess of capital allowances	7,420	5,801
Tax effect of movement in short term timing differences	12,354	2,319
Tax effect of accelerated (decelerated) capital allowances	(8,655)	(760)
Tax effect of other timing differences	(12,355)	(11,752)
Tax expense for the year	<u>161,686</u>	<u>51,558</u>

The UK corporation tax rate enacted by the balance sheet date is 19%. The closing deferred tax assets and liabilities have been calculated at 19%, where this rate is deemed appropriate for those assets and liabilities.

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has been substantively enacted at the balance sheet date. The deferred tax balances as at 31 December 2021 have been measured at the rate they are expected to reverse.

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 10. Profit for the financial year

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

	2021 £	2020 £
Net foreign exchange losses/(gain)	688	(2,340)
Depreciation of tangible fixed assets	58,428	84,520
Amortisation of intangible assets included in administrative expenses	14,637	15,011
Depreciation of right-of-use assets	626,566	569,642
Cost of stock recognised as expense	21,240,053	19,027,001
Lease payments under short-term leases recognised as an expense	88,060	37,981
(Increase)/decrease in stock obsolescence provision	(113,728)	65,168
Staff costs (see note 6)	2,525,260	2,407,776
Government grant for the purpose of immediate financial support	(68,553)	(236,892)

In 2021, government grants of £68,553 were received as part of a Government initiative to provide immediate financial support as a result of the Covid-19 pandemic (2020 - £236,892). There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

#### 11. Dividends

	2021 £	2020 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 (nil per share) (2019 : nil)	-	-
Proposed final dividend for the year ended 31 December 2021 (2020 : nil)	-	-

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 12. Intangible assets

	Software costs £
<b>Cost</b>	
At 1 January 2021	117,687
Additions	-
Disposals	-
At 31 December 2021	117,687
<b>Amortisation</b>	
At 1 January 2021	84,874
Disposals	-
Charge for the year	14,637
At 31 December 2021	99,511
<b>Carrying amount</b>	
At 31 December 2021	18,176
At 31 December 2020	32,813

Software is amortised over estimated useful lives, which is on average five years.

#### 13. Tangible assets

	Short leasehold improvements £	Warehouse equipment £	Motor vehicles £	Furniture and equipment £	Computer hardware £	Total £
<b>Cost</b>						
At 1 January 2021	148,747	692,428	62,755	42,076	54,340	1,000,346
Additions	-	20,638	-	-	-	20,638
At 31 December 2021	148,747	713,066	62,755	42,076	54,340	1,020,984
<b>Accumulated depreciation and impairment</b>						
At 1 January 2021	148,747	548,651	31,346	42,074	36,557	807,375
Disposals	-	-	-	-	-	-
Charge for the year	-	38,162	12,564	-	7,702	58,428
At 31 December 2021	148,747	586,813	43,910	42,074	44,259	865,803
<b>Carrying amount</b>						
At 31 December 2021	-	126,253	18,845	2	10,081	155,181
At 31 December 2020	-	143,777	31,409	2	17,783	192,971

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 14. Right-of-Use assets

	Land and property £	Warehouse equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2021	1,017,151	58,297	93,853	1,169,301
Additions	3,491,971	63,145	83,324	3,638,440
Disposals	(1,017,151)	(58,297)	(56,223)	(1,131,671)
At 31 December 2021	3,491,971	63,145	120,954	3,676,070
<b>Accumulated depreciation and impairment</b>				
At 1 January 2021	1,017,151	54,649	65,868	1,137,668
Charge for the year	581,995	13,551	31,020	626,566
Disposals	(1,017,151)	(58,297)	(56,223)	(1,131,671)
At 31 December 2021	581,995	9,903	40,665	632,563
<b>Carrying amount</b>				
At 31 December 2021	2,909,976	53,242	80,289	3,043,507
At 31 December 2020	-	3,648	27,985	31,633

The land and property asset is a short leasehold property.

#### 15. Stocks

	2021 £	2020 £
Finished goods and goods for resale	9,052,455	6,952,834

#### 16. Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	7,959,111	9,722,589
Amounts owed by related companies	118,641	156,158
Other debtors	2,800	3,918
Prepayments	270,824	240,685
Deferred taxation (note 20)	77,729	56,719
VAT	124,491	5,838
	8,553,596	10,185,907

Amounts owed by related companies are non-interest bearing and are repayable on demand.



## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	849,848	716,417
Amounts owed to related companies	13,822,790	14,896,376
Corporation tax	124,020	64,070
Other taxation and social security	76,049	69,555
Lease liabilities (note 24)	797,631	21,889
Other creditors	16,535	6,939
Accruals	919,786	808,216
	<u>16,606,659</u>	<u>16,583,462</u>

Amounts owed to related companies includes an unsecured interest bearing loan of £nil (2020: £2,500,000) repayable on demand. The applicable interest rate is 0.5% above ICE Libor 1M. The remainder of the amounts are non-interest bearing and are repayable on demand.

#### 18. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Lease liabilities (note 24)	<u>2,116,762</u>	<u>6,580</u>

#### 19. Provisions for liabilities

	Dilapidation provision £
At 1 January 2021	484,164
Additional provision in the year	<u>64,872</u>
At 31 December 2021	<u>549,036</u>

The above dilapidations provision is the estimated costs to the company in respect of the leasehold property.

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 20. Deferred tax

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

	Accelerated tax depreciation £	Movement In provisions £	Total asset £
At 1 January 2020	(36,405)	80,612	44,207
Credit to profit or loss	760	11,752	12,512
At 31 December 2020	(35,645)	92,364	56,719
Credit to profit or loss	8,655	12,355	21,010
At 31 December 2021	(26,990)	104,719	77,729

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £	2020 £
Deferred tax liabilities	-	-
Deferred tax assets	77,729	56,719
	<u>77,729</u>	<u>56,719</u>

#### 21. Retirement benefit schemes

##### Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2021 was £208,111 (2020: £144,621). All contributions are fully paid as at 31<sup>st</sup> December 2021.

#### 22. Called up share capital

	2021 £	2020 £
Authorised, issued and fully paid 364,500 ordinary shares of £1 each	<u>364,500</u>	<u>364,500</u>

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

## **Yokohama H.P.T. Limited**

### **Notes to the financial statements** **For the year ended 31 December 2021**

#### **23. Profit and loss account**

	£
Balance at 1 January 2020	3,215,457
Dividends paid (note 11)	-
Net profit for the year	<u>220,699</u>
Balance at 31 December 2020	3,436,156
Dividends paid (note 11)	-
Net profit for the year	<u>678,725</u>
Balance at 31 December 2021	<u><u>4,114,881</u></u>

#### **24. Lease liabilities**

	£
Lease liabilities at 1 January 2021	28,469
Additions – new agreements	3,638,439
Payments made during year	(768,882)
Interest charged to profit and loss during year	<u>16,367</u>
Lease liabilities at 31 December 2021	<u><u>2,914,393</u></u>
Liability due within one year	<u>797,631</u>
Liability due between one and five years	<u><u>2,116,762</u></u>

#### **25. Events after the balance sheet date**

There are no events after the balance sheet to disclose.

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 26. Related party transactions

##### Trading transactions

The Company has made the following purchases from and sales to related companies during the year:

	Purchase of goods and services £	Sales of goods and services £	Balance due from/(to) as at 31 December 2021 £
Yokohama Italia Spa	-	16,094	20
Companies within Yokohama Rubber Co group	23,167,749	192,200	(13,704,149)

The Company has made the following purchases from and sales to related companies during the year to 31 December 2020:

	Purchase of goods and services £	Sales of goods and services £	Balance due from/(to) as at 31 December 2020 £
Yokohama Italia Spa	-	28,242	2,506
Companies within Yokohama Rubber Co group	15,441,296	64,905	(14,742,724)

Sales and purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

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

## Yokohama H.P.T. Limited

### Notes to the financial statements For the year ended 31 December 2021

#### 26. Related party transactions (continued)

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

	2021 £	2020 £
<b>Directors' remuneration:</b>		
Emoluments	450,735	429,320
Company contributions to defined benefit pension scheme	9,180	-
	<u>Number</u>	<u>Number</u>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	2	2
	<u>2021 £</u>	<u>2020 £</u>
<b>Remuneration of the highest paid director:</b>		
Emoluments	242,388	285,339
	<u>242,388</u>	<u>285,339</u>

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

#### Directors' transactions

There were no transactions with directors during the year.

#### 27. Controlling party

The immediate controlling party of Yokohama H.P.T. Limited is Yokohama Europe GmbH, a company incorporated in Germany.

The Company's ultimate parent and controlling party is Yokohama Rubber Company Limited, a company incorporated in Japan, which is the parent undertaking of the largest and smallest group which includes the Company and whose registered address is 36 – 11, Shimbashi 5-chome, Minato-ku, Tokyo 105 – 8685, Japan.