Hitachi Power Tools (UK) Limited

Report and Financial Statements

31 March 2012
Registered No 1545062

Directors
S Sakuma
T Yoshida
Y Tanaka
H Matsumoto

Secretary
T Yoshida

Auditors
Ernst & Young LLP
400 Capability Green
Luton LU1 3LU

Bankers
Barclays Bank PLC
1 Capability Green
Luton LU1 3US

Bank of Tokyo-Mitsubishi UFJ Ltd
12-15 Finsbury Circus
London EC2M 7BT

Mizuho Corporate Bank
One Friday Street
London EC4M 9JA

Solicitors
Borneo Linnell LLP
199 Silbury Boulevard
Milton Keynes MK9 1JL

Registered Office
Precedent Drive
Rooksley
Milton Keynes MK13 8PJ

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Directors' report

The directors present their report and financial statements for the year ended 31 March 2012

Results and dividends

The profit for the year after taxation amounted to £191,609 (2011 – loss of £1,607,642) In 2012 a dividend payment of £96,000 was declared based on the 2012 year end profit of £191,609 (2011 – £nil)

Principal activities and review of the business

The company's principal activity during the year continued to be a distributor of power tools

The UK economy was stagnant and recently moved back into recession accompanied with large falls in the construction sector and continued weak consumer confidence under the ongoing Euro-zone crisis Following on from extremely tough trading years where the market declined significantly, the UK housing and construction market remains stagnant and challenging

In the year ended March 2011, the bottom line had plunged into red due to accelerated price pressure in the market, whilst the turnover had increased dramatically Under these circumstances, Hitachi focused on streamlining the operation to improve profitability and strengthen financials throughout the year 2011/12 , which it accomplished

As a consequence, Pre-tax profit increased to £191,609 from a loss of £1,607,642 in the prior year, although turnover declined by 28 3% to £17,218,725 from £24,004,985

The primary reason for the turnover decline was tentative stock reduction of large scale retailers under a slumped market We anticipate the business to start picking up in the coming year Professional dealer business was still solid and it made great progression with aggressive branding/marketing activities throughout the year

In the year 2012/13, Hitachi will continue to expand both retail and independent channels aggressively with the consecutive launch of new innovative products and it is from here that the company anticipates modest growth

Principal risks and uncertainties

The principal risks associated with the company are broadly grouped as competitive and financial instrument risks

Competitive risks

The growth of the business depends on retaining existing customers and adding new ones This includes selling products and extending penetration into customers Competitive pressures from other suppliers, new technology and changing demands from customers are considered as competitive risks Continued marketing and investment in the company's products and services mitigate these risks

Financial instrument risks

The directors aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level

Liquidity and cashflow risk is mitigated by managing cash generation from operations and applying collection targets In addition financial support is available from the parent undertaking as needed The company also manages liquidity risk via its loan facilities

Credit risk on debtors is mitigated by processes and controls and requires that credit is only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

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Directors' report (continued)

Going concern

The directors have received written confirmation from the parent undertaking, Hitachi Koki Company Limited, that it intends to provide such financial support to the company as is necessary for the foreseeable future and at least for the next 12 months from the date of signing these financial statements to enable it to continue without any significant curtailment in business and to meet its liabilities as they fall due Accordingly they consider it appropriate for the financial statements to be prepared on a going concern basis

Events since the balance sheet date

There have been no significant events since the balance sheet date

Directors

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

H Yumoto (resigned 1 August 2011)
T Yoshida
Y Tanaka
H Matsumoto (appointed 1 August 2011)
S Sakuma (appointed 1 August 2011)
S Matsushima (resigned 1 August 2011)

Policy and practice on payment of creditors

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with At 31 March 2012, the company had an average of 88 days purchases owed to trade creditors

Environment

Hitachi Power Tools (UK) Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities

Corporate responsibility

The company recognises that, as part of the wider community of employees, customers, suppliers, shareholders, and others, it has a responsibility to act in a way that respects the environment and minimises any adverse impacts caused by its operations

As a global citizen the company aims to promote innovation throughout the world while developing the potentials of the future generation to pioneer next-generation products and services

Health and safety

The company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to company with relevant health and safety legislation In addition, the company aims to protect the health of employees with suitable, specific work-based strategies, seeking to minimise the risk of injury from company activity and ensure that systems are in place to address health and safety matters through the company's Health and Safety Committee Compliance with the company policy is monitored centrally

Health and safety audits and risk assessments have been carried out and additional actions and controls have been implemented and training conducted to ensure that employees can carry out their functions in a safe and effective manner

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Directors' report (continued)

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

By order of the Board

T Yoshida
Secretary

Date 13 June 2012

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) 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 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 proper 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 Hitachi Power Tools (UK) Limited

We have audited the financial statements of Hitachi Power Tools (UK) Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its Profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report (continued)

to the members of Hitachi Power Tools (UK) Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Fraser Bull (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Luton
Date 13 June 2012

Profit and loss account

for the year ended 31 March 2012

	Notes	2012 £	2011 £
Turnover	2	17,218,725	24,004,985
Cost of sales		(13,580,012)	(21,611,750)
Gross profit		3,638,713	2,393,235
Distribution costs		(522,110)	(726,873)
Administration expenses		(2,913,564)	(3,232,540)
Operating profit / (loss)	3	203,039	(1,566,178)
Interest receivable and similar income	6	1,316	1,447
Interest payable and similar charges	7	(12,746)	(27,911)
Profit / (loss) on ordinary activities before taxation		191,609	(1,592,642)
Tax	8	–	(15,000)
Profit / (loss) for the financial year		191,609	(1,607,642)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 March 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £191,609 in the year ended 31 March 2012 (2011 – loss of £1,607,642)

Balance sheet

at 31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible fixed assets	9	55,974	56,436
Current assets			
Stocks	10	3,803,679	6,771,403
Debtors Amounts falling due within one year	11	4,187,411	7,618,170
Cash at bank and in hand		2,418,092	809,771
		10,409,182	15,199,344
Creditors: amounts falling due within one year	12	(4,717,898)	(9,700,131)
Net current assets		5,691,284	5,499,213
Total assets less current liabilities		5,747,258	5,555,649
Net assets		5,747,258	5,555,649
Capital and reserves			
Called up share capital	13	4,700,000	4,700,000
Profit and loss account	14	1,047,258	855,649
Shareholders' funds		5,747,258	5,555,649

The financial statements were approved by the board and signed on its behalf by

T Yoshida

Director

Date 13 June 2012

Notes to the financial statements

at 31 March 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate for the following reasons Hitachi Koki Company Limited, the parent undertaking, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the company This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as and when they fall due for payment As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so Based on this undertaking, the directors believe it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard (FRS) 1 (revised) from including a statement of cash flows in the financial statements, on the grounds that the company is wholly owned and its ultimate parent, Hitachi Koki Company Limited, publishes group financial statements which are publically available

Turnover

Turnover represents invoiced sales value less Value Added Tax, derived from the sale of tools to customers during the year Revenue is recognised when the risks and rewards of ownership pass to the customer, usually as despatched

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Plant and machinery	–	3-10 years
Motor vehicles	–	3 years
Tools, furniture and fixtures	–	10 years

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

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

In determining the cost of goods purchased for resale, the cost is determined on a FIFO basis Goods in transit are stated at actual purchase price

Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs

Notes to the financial statements

at 31 March 2012

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law Timing differences arise from the inclusion of items if income and expenditure in taxation computations in periods different to those in which they are included in the financial statements

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leasing and hire purchase commitments

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease' The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter Future instalments under such leases, net of finance charges, are included within trade and other payables Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as 'operating leases' and the rental amounts are charged to the profit and loss account on a straight line basis over the life of the lease

Pensions

The company operates a defined contribution pension scheme The assets of the schemes are held separately from those of the company in an independently administered fund

Notes to the financial statements

at 31 March 2012

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report

An analysis of turnover by geographical market is given below

	2012	*2011*
	£	£
UK	14,134,971	20,747,729
Eire	2,692,229	2,817,385
Rest of World	150,175	141,959
Turnover to group companies	241,350	297,912
	17,218,725	24,004,985

3. Operating profit

This is stated after charging/(crediting)

		2012	*2011*
		£	£
Auditors' remuneration	– audit work	21,000	21,000
	– non audit work (taxation)	3,600	3,600
Depreciation owned fixed assets		30,023	28,246
Operating lease rentals	– plant and machinery	147,516	140,442
	– other	267,122	320,640
Foreign currency losses / (gains)		4,765	(5,177)
Management charges from group undertakings		15,014	16,926

4. Directors' remuneration

	2012	*2011*
	£	£
Remuneration	163,031	138,049

The remuneration of the highest paid director was £163,031 (2011 – £63,331)

No directors are accrued benefits under defined benefit pension schemes (2011 – £nil)

Notes to the financial statements

at 31 March 2012

5. Staff costs

	2012	*2011*
	£	*£*
Wages and salaries	1,210,024	1,119,676
Social security costs	114,496	103,813
Pension costs and health care costs	28,446	26,831
	1,352,966	1,250,320

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

	No	*No*
Sales	18	18
Distribution and workshop	13	14
Administration	10	10
	41	42

6. Interest receivable and similar income

	2012	*2011*
	£	*£*
Bank interest receivable	1,316	1,447

7. Interest payable and similar charges

	2012	*2011*
	£	*£*
On bank loans and overdrafts	12,746	27,911

Notes to the financial statements

at 31 March 2012

8. Tax

(a) Tax on Profit on ordinary activities

The tax charge is made up as follows

	2012 £	2011 £
Current tax		
UK corporation tax on the Profit for the year	–	–
Adjustment in respect of previous years	–	15,000
Total current tax (note 8(b))	–	15,000
Deferred tax		
Origination and reversal of timing differences	–	–
Tax on Profit on ordinary activities	–	15,000

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26% (2011 – 28%) The differences are explained below

	2012 £	2011 £
Profit / (loss) on ordinary activities before tax	191,609	(1,592,642)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 – 28%)	49,818	(445,940)
Effects of		
Expenses not deductible for tax purposes	15,688	7,342
Accelerated capital allowances	120	2,254
Movement in short term timing differences	9,983	(6,227)
Loss (utilised) / carried forward	(75,609)	442,571
Adjustments in respect of previous periods	–	15,000
Current tax for the year (note 8(a))	–	15,000

(c) Deferred tax

As at 31 March 2012, tax losses carried forward are £2,541,198 (2011 – £2,832,003)

A deferred tax asset of £609,888 (2011 – £647,008) has not been recognised in respect of these losses because at present it is uncertain when there will be sufficient taxable profits in the company against which these losses can be offset

Notes to the financial statements

at 31 March 2012

9. Tangible fixed assets

	Plant and machinery	*Motor vehicles*	*Tools, furniture and fixtures*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 April 2011	298,554	49,308	26,212	374,074
Additions	20,405	9,156	-	29,561
Disposals	(18,231)	(6,025)	-	(24,256)
At 31 March 2012	300,728	52,439	26,212	379,379
Depreciation				
At 1 April 2011	242,118	49,308	26,212	317,638
Charge for year	28,306	1,717	-	30,023
On disposals	(18,231)	(6,025)	-	(24,256)
At 31 March 2012	252,193	45,000	26,212	323,405
Net book value				
At 31 March 2012	48,535	7,439	-	55,974
At 1 April 2011	56,436	–	-	56,436

10. Stocks

	2012	*2011*
	£	*£*
Goods in transit	1,007,848	1,071,816
Finished goods	2,795,831	5,699,587
	3,803,679	6,771,403

11. Debtors

	2012	*2011*
	£	*£*
Trade debtors	3,720,626	7,446,923
Amounts owed by group undertakings	450,125	84,946
Other debtors	15,502	2,059
Prepayments and accrued income	1,158	84,242
	4,187,411	7,618,170

Notes to the financial statements

at 31 March 2012

12. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank loan	-	3,100,000
Trade creditors	151,078	136,979
Amounts owed to group undertakings	3,303,325	4,341,334
Other taxes and social security costs	337,373	547,150
Accruals and deferred income	926,122	1,574,668
	4,717,898	9,700,131

13. Issued share capital

		2012		2011
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	4,700,000	4,700,000	4,700,000	4,700,000

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	£	£
At 1 April 2010	4,700,000	2,463,291	7,163,291
Loss for the year	–	(1,607,642)	(1,607,642)
At 1 April 2011	4,700,000	855,649	5,555,649
Profit for the year	–	191,609	191,609
At 31 March 2012	4,700,000	1,047,258	5,747,258

15. Events since the balance sheet date

There have been no significant events since the balance sheet date

16. Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme Company contributions to the scheme in year to 31 March 2012 were £28,446 (2011 – £26,831) There were no unpaid or prepaid amounts at 31 March 2012 (2011 – £nil)

Notes to the financial statements

at 31 March 2012

17. Other financial commitments

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as set out below

		2012		*2011*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	£	£	£
Operating leases which expire				
Within one year	–	5,290	293,917	13,878
In two to five years	224,446	94,398	–	74,022
	224,446	99,688	293,917	87,900

18. Guarantees and other financial commitments

The company has given guarantees to Customs authorities in the UK in the normal course of trading which amounted to £130,000 at 31 March 2012 (2011 – £130,000)

19. Related party transactions

The company has taken advantage of the FRS 8 exemption for wholly owned subsidiaries from disclosing related party transactions with other wholly owned subsidiaries of the Hitachi Limited group

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Hitachi Koki Co Ltd The smallest group in which the results of the company are consolidated is that headed by Hitachi Koki Co Ltd

The ultimate parent undertaking, controlling party and the parent undertaking of the largest group which includes the company and for which group financial statements are prepared, is Hitachi Limited The group financial statements of this group are available to the public and may be obtained from

Hitachi Limited
6-6, Marunouchi 1-chome
Chiyoda-Ku
Tokyo 100-8280
Japan