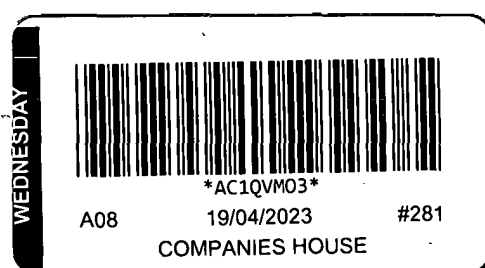


Registered No. 1545062

Hikoki Power Tools (UK) Limited

Report and Financial Statements

31 March 2022



Hikoki Power Tools (UK) Limited

Contents

Registered No: 1545062

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Independent Auditor's Report	7
Income Statement	11
Statement of Comprehensive Income	12
Statement of Changes in Equity	13
Balance Sheet	14
Notes to the Financial Statements	15

Hikoki Power Tools (UK) Limited

Company Information

Registered No: 1545062

Directors

F Schondelmaier
T Yoshida
M Sheen

Secretary

F Schondelmaier

Auditors

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
Hampshire
SO15 2BE

Bankers

Nat West Bank PLC
Floor 1, Hampshire House
Templars Way
Chandlers Ford
Hampshire
SO53 3UD

Mizuho Corporate Bank
One Friday Street
London
EC4M 9JA

Solicitors

Franklins LLP
Silbury Court
Silbury Boulevard
Milton Keynes
MK9 2LY

Registered Office

25 Majestic Road
Nursing Industrial Estate
Southampton
Hampshire
SO16 0YT

Hikoki Power Tools (UK) Limited

Strategic Report

Registered No: 1545062

The Directors present their Strategic Report for the year ended 31 March 2022.

Business review

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

The Key financial and other performance indicators during the year were as follows:

	2022 £'000	2021 £'000	Change %
Turnover	10,676	10,369	3.0%
Operating (Loss) / Profit	(1,274)	430	-396.3%
(Loss) / Profit after tax	(1,038)	531	-295.5%
Shareholders' funds	5,493	6,531	-15.9%
Current Assets less Stock /Current Liabilities ('Quick Ratio')	1.08	1.59	-32.2%
Debtor days at period end	59	110	-46.7%
Stock turnover days at end of period	223	169	32.2%
Average number of employees	19	29	-34.5%

The Company is ultimately owned by Kohlberg Kravis Roberts & Co. Inc. ('KKR'). KKR is listed on the New York Stock Market and is one of the world's most experienced alternative investment firms with more than 40 years history. KKR has considerable global experience in leading companies' transformation. The experience and capabilities of KKR, such as support for M&A and financial power, combined with Hikoki Koki's R&D capabilities, will be combined to strengthen the basis for future business growth.

Compared to the previous year, the Company's turnover increased by 3.0% to £10.7m. During 2021 the Company had experienced stock availability problems which had impacted turnover, however these issues were resolved in 2022 allowing those foregone 2021 sales to be realised in 2022.

In late 2021 the Company relocated from Milton Keynes to Southampton in order to share premises with another group company. The main reason for this was due to the annual cost savings to be made by operating two group companies from one site. The effect of the decision resulted in several significant one-off costs during the year totalling £1.4m. Excluding these costs the company's returned an operating profit of £0.1m as opposed to an operating loss of £1.3m.

The UK economy saw an increase in GDP of 8.9% in the 2022, but as at September 2022 GDP had fallen by 0.5% since March 2022. Due to the cost of living crisis and the invasion of Ukraine this is expected to fall further in 2023 with the UK forecast to enter into a recession.

To date construction output in the UK has grown consistently since the middle of 2021 however as with GDP the outlook for the remainder of 2023 is that this growth will stagnate, and the industry will become more challenging.

Principal risk and uncertainties

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

Hikoki Power Tools (UK) Limited

Strategic Report

Registered No: 1545062

Competitive risks

The growth of the business depends on retaining the existing customer base as well as gaining new customers where possible.

Competitive pressures from other suppliers, not acting upon new technology and the 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 ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Liquidity and cash flow risk is mitigated by frequent cashflow monitoring and ongoing dialogue with customers to ensure terms are kept to. In addition, financial support is available from the parent undertaking as needed.

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

By order of the Board,



F. Schondelmaier
Director

Date: 24 February 2023

Hikoki Power Tools (UK) Limited

Registered No. 1545062

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2022.

Results and dividends

The loss for the year after taxation amounted to £1,037,920 (2021 Profit - £530,707).

The Directors have not recommended a final dividend.

Events since the balance sheet date

Following the relocation from Milton Keynes to Southampton in late 2021 it was decided to terminate the lease on the building in Milton Keynes as of 30 June 2022. The payment required to surrender the lease early is £1,230,000 and is shown as part of 'lease liabilities' within 'creditors: amounts falling due within one year'.

Going concern

Having considered the principal risks and uncertainties facing the business, together with forecasts covering the going concern period to 29 February 2024, the Directors believe that the company can continue to meet its liabilities as they fall due.

These considerations include the cost-of-living crisis affecting the UK and Europe and any impact as a result of the invasion of Ukraine on the wider group and UK operations.

Following the completion of the premises move to Southampton and considerable cost reductions in the current year, the Directors will look to further focus on streamlining operations and reaching growth targets.

Accordingly, they consider it appropriate for the financial statements to be prepared on a going concern basis.

Directors

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

F Schondelmaier

M Sheen (resigned 31 December 2022)

T Yoshida

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 compiled with. As at 31 March 2022, the Company's creditor days (including group entities) were 169 days.

Environment

Hikoki 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 potential of the future generation to pioneer next-generation products and services.

Hikoki Power Tools (UK) Limited

Registered No. 1545062

Directors' Report

Health and safety

The Company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises, and to comply 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. The Company's Health and Safety Committee ensures that systems are in place to address health and safety throughout the company. Compliance with the company policy is monitored centrally.

Health and safety audits and risk assessments have been carried out. 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.

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 their 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 they are obliged to take as Director in order to make themselves 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.

On behalf of the Board



F Schondelmaier
Director

Date: 24 February 2023

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year, and the Directors have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the company will not 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 company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditors' report

to the members of Hikoki Power Tools (UK) Limited

Opinion

We have audited the financial statements of Hikoki Power Tools (UK) Ltd for the year ended 31 March 2022 which comprise of Income Statement, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 the period to 29 February 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this report, we do not express any form of assurance conclusion thereon.

Independent auditors' report

to the members of Hikoki Power Tools (UK) Limited

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

Independent auditors' report

to the members of Hikoki Power Tools (UK) Limited

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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations anti-money laundering and GDPR.
- We understood how Hikoki Power Tools (UK) Ltd is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the risk of management override as a pervasive risk and separately specifically, identified a fraud risk over cut off on revenue transactions. We performed detailed substantive procedures over revenue in the designated period to address the cut-off risk identified. The risk of management override in the accounts was addressed through journal entry testing, with specific focus on any journals posted, instigated or instructed by management within the business. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of senior management in departments other than finance to understand compliance monitoring procedures. Procedures were also performed to identify any reported incidents of non-compliance including internet searches and a review of the relevant accounts for fines and penalties.

Independent auditors' report

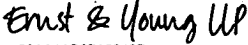
to the members of Hikoki Power Tools (UK) Limited

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

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Nikki Forster (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
27 Feb 2023

Hikoki Power Tools (UK) Limited

Income Statement

for the year ended 31 March 2022

	Notes	2022 £	2021 £
Turnover	4	10,675,918	10,369,096
Cost of sales		(8,213,313)	(7,421,667)
Gross profit		<u>2,462,605</u>	<u>2,947,429</u>
Distribution costs		(290,141)	(322,774)
Administrative expenses		(2,052,576)	(2,321,450)
Exceptional items		(1,401,097)	-
Other operating income		7,476	127,066
Operating (loss)/profit	5	<u>(1,273,733)</u>	<u>430,271</u>
Interest and similar income	8	31,883	2
Interest and similar expenses	9	(58,606)	(63,030)
(Loss)/profit on ordinary activities before taxation		<u>(1,300,456)</u>	<u>367,243</u>
Tax on (loss)/profit on ordinary activities	10	262,536	163,464
(Loss)/profit for the financial year		<u><u>(1,037,920)</u></u>	<u><u>530,707</u></u>

All amounts relate to continuing activities.

Hikoki Power Tools (UK) Limited

Statement of Comprehensive Income

for the year ended 31 March 2022

	2022	2021
	£	£
(Loss)/profit for the financial year	(1,037,920)	530,707
Other comprehensive income	—	—
Total comprehensive (loss)/profit for the year	(1,037,920)	530,707

Hikoki Power Tools (UK) Limited

Statement of Changes in Equity

for the year ended 31 March 2022

	Share capital £	Profit and loss account £	Total equity £
At 31 March 2020	4,700,000	1,300,541	6,000,541
Profit for the year	–	530,707	530,707
Total comprehensive profit for the year	–	530,707	530,707
At 31 March 2021	4,700,000	1,831,248	6,531,248
Loss for the year	–	(1,037,920)	(1,037,920)
Total comprehensive loss for the year	–	(1,037,920)	(1,037,920)
At 31 March 2022	4,700,000	793,328	5,493,328

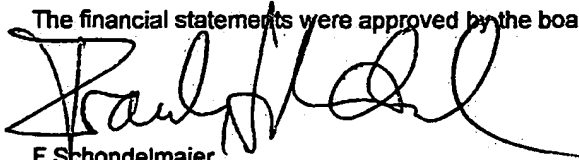
Hikoki Power Tools (UK) Limited**Balance sheet**

at 31 March 2022

Registered No: 1545062

	Notes	2022 £	2021 £
Fixed assets			
Tangible assets	11	17,187	33,171
Right of use assets	12	49,806	1,849,731
		<u>66,993</u>	<u>1,882,902</u>
Current assets			
Stock	13	5,014,082	3,428,521
Right of use asset	12	184,840	-
Debtors	14	1,784,044	3,371,649
Amounts owed by group undertakings	15	3,950,000	235
Deferred tax asset	10	426,000	163,464
Cash at bank and in hand		616,486	4,673,247
		<u>11,975,452</u>	<u>11,637,116</u>
Creditors: amounts falling due within one year	16	<u>(6,455,506)</u>	<u>(5,161,249)</u>
Net current assets		<u>5,519,946</u>	<u>6,475,867</u>
Total assets less current liabilities		<u>5,586,939</u>	<u>8,358,769</u>
Creditors: amounts falling due after more than one year	17	-	(1,497,623)
Provisions for liabilities	18	(93,611)	(329,898)
Net assets		<u>5,493,328</u>	<u>6,531,248</u>
Capital and reserves			
Called up share capital	19	4,700,000	4,700,000
Profit and loss account		793,328	1,831,248
Shareholder's funds		<u>5,493,328</u>	<u>6,531,248</u>

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



F Schondelmaier
Director

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

1. Authorisation of financial Statements and Statement of Compliance with FRS 101

The financial statements of Hikoki Power Tools (UK) Limited ("The Company") for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 24 February 2023 and the balance sheet was signed on the board's behalf by F Schondelmaier. The Company is a private company limited by shares and incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

The results of Hikoki Power Tools (UK) Limited are included in the consolidated financial statements of Koki Holdings Company Limited which are available from Shinagawa Intercity Tower A, 20th Floor, 15-1, Konan 2-chome, Minato-ku Tokyo 108-6020, Japan.

The accounting policies adopted by the Company are set out in note 2.

2. Accounting policies**Basis of accounting**

The Company reports under FRS 101 for all periods presented.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (d) the requirements of paragraphs 10(d), 10(f), 38, 40 and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (i) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)

Going concern

Having considered the principal risks and uncertainties facing the business, together with forecasts covering the going concern period to 29 February 2024, the Directors believe that the company can continue to meet its liabilities as they fall due.

These considerations include the cost of living crisis affecting the UK and Europe and any impact as a result of the invasion of Ukraine on the wider group and UK operations.

Following the completion of the premises move to Southampton and considerable cost reductions in the current year the Directors will look to further focus on streamlining operations and reaching growth targets.

Accordingly, they consider it appropriate for the financial statements to be prepared on a going concern basis.

Revenue recognition

Recognition:

The company earns revenue from the sale of power tools, spare parts and accessories. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the Company satisfies its performance obligations

Fee arrangements:

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of goods:

- Revenue is recognised when control is transferred and performance obligations are met, usually on dispatch of product to the customer. Terms of the fee arrangement are detailed in the terms and conditions attached to the invoice.

Hikoki Power Tools (UK) Limited

Notes to the financial statements**at 31 March 2022****2. Accounting policies (continued)**

Performance obligations:

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are dispatched to the customer. Delivery of goods to the carrier constitutes delivery to the buyer and, from the point in time immediately preceding loading, risk transfers to the buyer.

In certain cases, by separate agreement, sale of goods is recognised on delivery. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the trade customer has accepted the products in accordance with the sales agreement, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Transaction price:

The transaction price is the fair value of the consideration received for the product less discounts/rebates and value added taxes.

Payment of the transaction price is due immediately when control has passed to the customer.

A receivable is recognised when the goods are dispatched as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For those customers with a separate agreement, a receivable is recognised when the goods are delivered.

Tangible fixed assets

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

Cost comprises the aggregate amount paid, and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset 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 and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)

Stock

Stock is 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 any further costs expected to be incurred in order to get the goods to the customer.

Provision is made for obsolete, slow moving or defective items where appropriate.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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 exceptions:

- 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 currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions and balances:

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)**Leases****i) Right-of-use assets**

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the adoption date. Right-of-use assets are subsequently depreciated on a straight-line basis from the adoption date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term at follows:

Property	8 years
Motor vehicles	3 - 4 years

The estimated life of the right-of-use assets is determined under the depreciation requirements of IAS 16 Property, Plant and Equipment. Right-of-use assets are periodically tested for impairment and are also adjusted for any re-measurements of the lease liability.

ii) Lease liabilities

Lease liabilities are recognised at the commencement date of a lease. Lease liabilities are initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease liabilities are measured at amortised cost using the effective interest method. The lease liability is re-measured when there is a lease modification. Any re-measurement is also adjusted in the carrying amount of the right-of-use asset, or is recorded in the Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low value assets:

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of 12 months or less and leases of low-value assets. The payments of such leases are expensed on a straight-line basis over the term of the lease.

iii) Lease term

The lease term is a significant component in the measurement of both the right of use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include:

- the importance of the asset to the company's operations;
- comparison of terms and conditions to prevailing market rates;
- incurrence of significant penalties;
- existence of significant leasehold improvements; and,
- the cost and distribution to replace the asset.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)

Incremental borrowing rate:

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Pensions

The Company operates a defined contribution scheme and the amount charged to the Income Statement in respect of pension costs represents the contributions payable in the year. The difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – recognition and measurement:

Financial assets are recognised when the Company becomes a party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

The Company classifies its financial assets in the following categories:

- at fair value through the Income Statement;
- loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

There are no instruments which have been classified under this category.

(b) Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business account whose objective is to collect the contractual cashflows.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)

- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included within interest receivable and similar income in the Income Statement. The losses arising from impairment also are recognised in the Income Statement.

Impairment of financial assets:

In accordance with IFRS 9 the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and cash.
- b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities - recognition and measurement:

Financial liabilities are classified at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise of trade creditors and amounts owed to group undertakings.

Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:

- (a) Financial liabilities at fair value through profit or loss
- (b) Loans and borrowings

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The Company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

2. Accounting policies (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included within interest receivable and similar income in the Income Statement.

De-recognition:

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting financial instruments:

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

Government Grants

Income received under government grants is recognised within the Income Statement when the Company has complied with the conditions of the grant and so as to match the income against relevant expenditure incurred during a financial period.

3. Judgements and key sources of estimation uncertainty

The Directors have reviewed all the assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from these estimates.

In the opinion of the Directors, there are no key judgements or sources of estimation uncertainty which could materially impact the financial statements.

4. Turnover

Turnover recognised in the Income Statement all derives from the sale of goods. It is analysed by geographical market as follows:

	2022 £	2021 £
UK	8,872,810	8,922,777
Eire	1,419,448	1,237,564
Rest of World	375,994	169,025
Turnover to group companies	7,666	39,730
	<u>10,675,918</u>	<u>10,369,096</u>

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

5. Operating (loss)/profit

This is stated after charging:

	2022	2021
	£	£
Auditors' remuneration - statutory audit	44,100	38,500
- non audit work (taxation)	-	4,200
Exceptional items	1,401,097	-
Depreciation of owned tangible fixed assets	20,334	37,692
Depreciation of right of use assets	364,008	368,922
Other operating income	7,476	127,066
	<u>7,476</u>	<u>127,066</u>

Exceptional items relate to one-off costs incurred due to the relocation from Milton Keynes to Southampton.

Other operating income was received as a grant under the government's Coronavirus Job Retention Scheme.

6. Directors' remuneration

	2022	2021
	£	£
Remuneration	68,061	-
Pension contributions	2,625	-
	<u>70,686</u>	<u>-</u>

There was no Directors remuneration and pension contributions paid directly during the year ended 31 March 2022. Remuneration and pension contributions for M Sheen are recharged from a fellow group company and included within administrative expenses. There was no similar recharge in the year ended 31 March 2021.

The Directors are employed by fellow group companies and their services in the period were deemed wholly attributable to that qualifying service.

7. Staff costs

	2022	2021
	£	£
Wages and salaries	645,153	917,866
Social security and health care costs	97,741	98,725
Pension costs	55,560	49,466
	<u>798,454</u>	<u>1,066,057</u>
Restructuring costs	287,209	-
Total staff costs	<u>1,085,663</u>	<u>1,066,057</u>

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

7. Staff costs (continued)

Restructuring costs relate to staff redundancy costs as a result of the decision to relocate from Milton Keynes to Southampton.

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

	2022 No.	2021 No.
Sales	4	11
Distribution and workshop	7	11
Administration	8	7
	19	29
	19	29

8. Interest and similar income

	2022 £	2021 £
Bank interest	-	2
Loan interest from group undertakings	31,883	-
	31,883	2
	31,883	2

9. Interest and similar expenses

	2022 £	2021 £
Other interest	5,080	-
Lease interest	53,526	63,030
	58,606	63,030
	58,606	63,030

10. Tax

(a) Tax charged/(credited) in the income statement

The tax charge/(credit) is made up as follows:

	2022 £	2021 £
Current tax:		
UK corporation tax on the profit or loss for the year	-	-
Adjustment in respect of prior years	-	-
	-	-
Total current income tax	-	-
	-	-

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

10. Tax (continued)

	2022	2021
	£	£
Deferred tax:		
Prior year movement	74,326	-
Origination and reversal of timing differences	(234,573)	-
Effect of tax rate change	(102,289)	-
Recognition of deferred tax asset	-	(163,464)
	<u>(262,536)</u>	<u>(163,464)</u>
Total deferred tax	(262,536)	(163,464)
Tax credit in the income statement	<u>(262,536)</u>	<u>(163,464)</u>

(b) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	2021
	£	£
(Loss) / profit before tax	(1,300,456)	367,243
	<u>(1,300,456)</u>	<u>367,243</u>
Tax calculated at UK standard rate of corporation tax of 19% (2021 – 19%)	(247,087)	69,776
Effects of:		
Expenses not deductible for tax purposes	12,307	28,827
IFRS 16 transition adjustment	-	6,209
Recognition of deferred tax asset	-	(163,464)
Tax rate difference	(102,082)	-
Adjustment in respect of prior years	74,326	-
Utilisation of previously unrecognised tax losses	-	(104,812)
	<u>(262,536)</u>	<u>(163,464)</u>
Total tax expense included within Income Statement	(262,536)	(163,464)

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

10. Tax (continued)

(c) Deferred tax

The following deferred tax asset was recognised in the year:

	2022 £	2021 £
Temporary timing differences	42,894	115,399
Tax losses carried forward	424,163	48,065
Deferred tax on IFRS 16 transitional adjustment	(41,057)	-
Recognised deferred tax asset as at 31 March	<u>426,000</u>	<u>163,464</u>

Based on trading forecasts the deferred tax asset is expected to be recoverable against future taxable profits.

Reconciliation on movement of deferred tax asset:

	2022 £	2021 £
Deferred tax asset as at 1 April	163,464	-
Credited to the profit and loss account	262,536	163,464
Deferred tax asset as at 31 March	<u>426,000</u>	<u>163,464</u>

(d) Impact of rate change

A UK corporation rate of 25% has been substantively enacted to be effective from 1 April 2023. The deferred tax asset as at 31 March 2022 has been calculated at 25% (2021 - 19%).

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

11. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Tools, furniture and fixtures £	Total £
Cost:				
At 1 April 2021	411,307	91,065	24,256	526,628
Additions	4,350	–	–	4,350
Disposals	–	–	–	–
At 31 March 2022	415,657	91,065	24,256	530,978
Depreciation:				
At 1 April 2021	380,196	91,065	22,196	493,457
Charge for the year	19,716	–	618	20,334
Disposals	–	–	–	–
At 31 March 2022	399,912	91,065	22,814	513,791
Net book value:				
At 31 March 2022	15,745	–	1,442	17,187
At 31 March 2021	31,111	–	2,060	33,171

12. Right of use assets

	Property £	Motor vehicles £	Total £
Cost:			
At 1 April 2021	2,402,983	141,286	2,544,269
Additions	–	5,870	5,870
At 31 March 2022	2,402,983	147,156	2,550,139
Depreciation:			
At 1 April 2021	640,798	53,740	694,538
Charge for the year	1,577,345	43,610	1,620,955
At 31 March 2022	2,218,143	97,350	2,315,493
Net book value:			
31 March 2022	184,840	49,806	234,646
At 31 March 2021	1,762,185	87,546	1,849,731

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

12. Right of use assets (continued)

Following the relocation from Milton Keynes to Southampton in late 2021, it was decided to terminate the lease on the building in Milton Keynes as of 30 June 2022 giving rise to accelerated depreciation in financial year 2022 of £1,089,491. The remaining lease balance that will be unwound through the period April 2022 to June 2022 has been transferred to current assets to reflect the lease exit and can be seen on the face of the Balance Sheet.

13. Stocks

	2022 £	2021 £
Goods in transit	1,797,053	2,091,829
Finished goods	3,217,029	1,336,692
	<u>5,014,082</u>	<u>3,428,521</u>

There is no material difference between the carrying value of stock and its replacement cost.

The amount of stock expense included in cost of sales is £7,641,532 (2021: £6,936,678).

14. Debtors

	2022 £	2021 £
Trade debtors	1,720,497	3,334,117
Other debtors	63,547	28,754
Prepayments and accrued income	-	8,778
	<u>1,784,044</u>	<u>3,371,649</u>

15. Amounts owed by group undertakings

The amounts owed by group undertakings relate to three separate loans totalling £3,950,000 to the parent company Koki Holdings Company Limited which were loaned during the year. The loans are unsecured with an interest rate of 2.99% and expected to be repaid within the year. No repayments were received before the year end.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

16. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	107,577	281,787
Amounts owed to group undertakings	3,700,303	3,639,725
Other taxes and social security costs	24,622	15,427
Accruals and deferred income	1,136,432	886,309
Warranty provision	117,923	-
Lease liabilities	1,368,649	338,001
	<u>6,455,506</u>	<u>5,161,249</u>

The amounts owed to group undertakings related to trading activities and are unsecured, interest free and are repayable in line with invoice terms.

The lease liabilities relate to property occupied by the Company and the contract hire of vehicles. Following the relocation from Milton Keynes to Southampton in late 2021 it was decided to terminate the lease on the building in Milton Keynes as of 30 June 2022. The lease liability in relation to the building is now showing as all within one year.

17. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Lease liabilities	-	1,497,623
	<u>-</u>	<u>1,497,623</u>

18. Provisions for liabilities

	Warranty provision £	Dilapidations provision £	Total £
At 1 April 2021	163,984	165,914	329,898
Arising during the year	218,852	24,860	243,712
Utilised during the year	(171,302)	-	(171,302)
Released during the year	-	(190,774)	(190,774)
Within one year	(117,923)	-	(117,923)
At 31 March 2022	<u>93,611</u>	<u>-</u>	<u>93,611</u>

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

18. Provisions for liabilities (continued)**Warranty Provision:**

A provision is recognised for expected warranty claims based on products sold, using past experience of the level of repairs and returns.

It is expected that most of these costs will be incurred in the next financial year. The standard warranty is one year, extending to a limited three year warranty in relation to material and manufacturing defects.

Dilapidation Provision:

A provision is recognised for expected dilapidations expense at the end of the property lease to bring the premises back to their original condition as required by the lease agreement.

Following the relocation from Milton Keynes to Southampton in late 2021 it was decided to terminate the lease on the building in Milton Keynes as of 30 June 2022. The dilapidated provision has therefore been surrendered as part of the lease negotiations and has been released in full at the year end.

19. Authorised and issued share capital

		2022		2021
	No:	£	No:	£
Ordinary shares of £1 each	4,700,000	4,700,000	4,700,000	4,700,000
		<u> </u>		<u> </u>

20. Pension**Defined contribution scheme:**

The Company operates a defined contribution pension scheme. Company contributions to the scheme in the year to 31 March 2022 were £55,560 (2021 - £47,474). There were no unpaid or prepaid amounts at 31 March 2022 (2021 - £nil).

21. Guarantees and other financial commitments

The Company has given guarantees to Customs authorities in the UK in the normal course of trading which amounts to £130,000 at 31 March 2022 (2021 - £130,000). This guarantee is due to cease on the 1 June 2022.

Hikoki Power Tools (UK) Limited

Notes to the financial statements

at 31 March 2022

22. Related party transactions

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

There have been no transactions with Directors of the Company during the year.

23. Ultimate parent undertaking and controlling party

The immediate parent is Koki Holdings Company Limited. The smallest group in which the results of the Company are consolidated is that headed by Koki Holdings Co Ltd. The Group financial statements for Koki Holdings Co. Ltd may be obtained from Koki Holdings Co. Ltd at

Shinagawa Intercity Tower A,
20th Floor, 15-1, Konan 2-chome,
Minato-ku,
Tokyo 108-6020,
Japan

The ultimate parent company is HK Holdings Co. Ltd. Their address is 11th Floor, Meiji Yasuda Seimei Building, 2-1-1, Marunouchi, Chiyoda-Ku, Tokyo. The ultimate controlling party is Kohlberg Kravis Roberts & Co. Inc ('KKR').

24. Events since the balance sheet date

Following the relocation from Milton Keynes to Southampton in late 2021 it was decided to terminate the lease on the building in Milton Keynes as of 30 June 2022. The payment required to surrender the lease early is £1,230,000 and is shown as part of 'lease liabilities' within 'creditors: amounts falling due within one year'.