

Registered No. 1545062

Hikoki Power Tools (UK) Limited

Report and Financial Statements

31 March 2021

FRIDAY



AAG3UC1E

A07

29/10/2021

#191

COMPANIES HOUSE

Hikoki Power Tools (UK) Limited

Directors

F Schondelmaier
T Yoshida
M Sheen

Secretary

F Schondelmaier

Auditors

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

Bankers

Nat West Bank PLC
501 Silbury Boulevard
Milton Keynes
MK9 3ER

Mizuho Corporate Bank
One Friday Street
London
EC4M 9JA

Solicitors

Franklins LLP
Silbury Court
Silbury Boulevard
Milton Keynes
MK9 2LY

Registered Office

Precedent Drive
Rooksley
Milton Keynes
MK13 8PJ

Strategic report

Registered No: 1545062

The directors present their Strategic report for the year ended 31 March 2021.

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:

	2021 £'000	2020 £'000	Change %
Turnover	10,369	10,944	-5.3%
Operating Profit / (Loss)	430	(564)	176%
Profit / (Loss) after tax	531	(635)	184%
Shareholders' funds	6,531	6,001	8.8%
Current Assets/Current Liabilities ('Quick Ratio')	1.59	2.38	-33.2%
Debtors days at period end	51	69	-26.0%
Stock turnover days at end of period	150	165	-9.1%
Average number of employees	29	32	-9.4%

The company is ultimately owned by Kohlberg Kravis Roberts & Co. Inc. ('KKR'). KKR, listed in New York Stock Market, 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 joined to strengthen the basis for future business growth.

Compared to the last year, company's turnover decreased by 5.3% to £10,369k and the operating result was a £430k profit. Sales declined mainly due to the effects of the Covid-19 pandemic in Q1 greatly reducing sales, with many customers closed during lockdowns. There were supply problems in Q4 caused by Brexit delaying containers coming into UK ports, but this eased towards the end of March.

Many staff were furloughed in Q1 and Q2 which helped reduce costs, particularly payroll, travel and other related costs. Marketing costs were also down, due to a lack of events curtailed by government restrictions. This and support by our parent company, resulted in a trading profit for the company.

The main product focus going forward will be on nailing tools, cordless including the innovative multi-volt battery system, brushless hammers, cost controls and streamlining operations.

The UK economy has seen a decline in GDP of 9.8% in the calendar year 2020. The overall decline continued by 1.5% January – March 2021. However, it was mixed, with construction output growing in that quarter. There is still some economic uncertainty stemming from Brexit and the Covid-19 pandemic, but strong UK GDP growth is expected in Q2 and Q3 of 2021 due to pent up demand as restrictions ease and rapid vaccine rollout.

Housing statistics are one of the key indicators for our industry, with the England Housing Statistic showing an 14% decline on last year, with new starts totalling 126,938.

The outlook for the construction and housing market is for a strong recovery in 2021. Subject to restrictions easing and reducing delays in the supply chain, we expect our sales to increase moderately from 2021 levels.

Strategic report

Registered No: 1545062

Principal risk 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 risk. Continued marketing and investment in the company's products and services mitigate these risks.

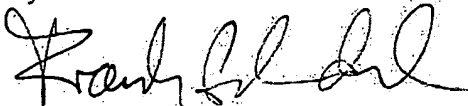
Financial instrument risks

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 cash flow 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.

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.

By order of the Board



F Schondelmaier
Secretary

Date: 26 October 2021

Directors' report

The directors present their report and financial statements for the year ended 31 March 2021.

Results and dividends

The profit for the year after taxation amounted to £530,707 (2020 - £634,580).

The directors have not recommended a final dividend. (2020 - £nil).

Events since the balance sheet date

On 28 June 2021 the decision was taken to relocate from Milton Keynes to Southampton with the move to take place late in 2021. This is a non-adjusting post balance sheet event with no impact on the numbers in the financial statements for the 31 March 2021 year end. The directors are currently assessing the financial impact and the effect on the accounting and disclosures for future years. It is likely to impact the recognition and measurement of certain assets and liabilities, such as the right of use asset recognised in relation to the business premises, and there will be both restructuring costs and potential cost synergies from the move.

COVID-19 and going concern

Having considered the principal risks and uncertainties facing the business, together with forecasts the directors believe that the company has adequate resources to meet its liabilities as they fall due for the period to 31 October 2022 (the going concern period).

These considerations included the impact of COVID-19 on the wider group and the UK operations. Trading has returned to pre COVID-19 levels with the easing of restrictions and the vaccine rollout. All staff are now back at work. There were some short-term supply chain issues as a result of Brexit and an unprecedented demand for shipping which are now resolved.

The Directors have continued to focus on streamlining operations, cost control and optimising cashflow and liquidity. These include tightly controlled stock purchases and discretionary spending.

Having considered the principal risks and uncertainties facing the business, together with forecasts covering the going concern period to 31 October 2022, the directors believe that the company can continue without any significant curtailment in business to meet its liabilities as they fall due. These considerations included the impact of COVID-19 on the wider group and an assessment of any developments since that date that would adversely affect that conclusion. 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:

T Seo	(resigned 1 October 2021)
F Schondelmaier	(appointed 1 April 2020)
D Yamashita	(resigned 1 April 2020)
M Sheen	(appointed 1 February 2021)

The following director was appointed subsequent to the year end:

T Yoshida	(appointed 1 October 2021).
-----------	-----------------------------

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. At 31 March 2021, the company had an average of 119 days purchase owed to trade creditors.

Directors' report

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 through 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 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 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.

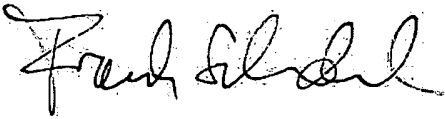
Disclosure of information to the auditors

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 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.

On behalf of the Board



F Schondelmaier
Secretary

Date: 26 October 2021

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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law 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) Limited for the year ended 31 March 2021 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 22, 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 a period of 12 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. 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. 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 there is 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.

Independent auditors' report

to the members of Hikoki Power Tools (UK) Limited

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 6, 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.

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.

Independent auditors' report

to the members of Hikoki Power Tools (UK) Limited

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are 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) Limited is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management, and those charged with governance to understand where it considered there was susceptibility to fraud. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue, particularly in relation to unusual contract terms and rebates. To address the risk of management override, we examined the underlying customer contracts to identify non-standard trading terms and concessions. We tested the completeness, basis and calculation of journal adjustments. We also used data analytics and obtained the entire population of journals for the year, and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved obtaining and reading board and management meeting minutes, enquiries of senior finance personnel and those charged with governance and agreement of samples of transactions throughout the audit to supporting source documentation.

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.

Ernst & Young LLP

Joanne Mason (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 26 October 2021

Income Statement

for the year ended 31 March 2021

	Notes	2021 £	2020 £
Turnover	3	10,369,096	10,944,049
Cost of sales		(7,236,205)	(8,191,900)
Gross profit		3,132,891	2,752,149
Distribution costs		(322,774)	(317,009)
Administrative expenses		(2,506,912)	(2,998,857)
Other operating income		127,066	-
Operating profit/(loss)	4	430,271	(563,717)
Interest receivable and similar income	7	2	8
Interest payable and similar expenses	8	(63,030)	(71,259)
Profit/(loss) on ordinary activities before taxation		367,243	(634,968)
Tax on profit/(loss) on ordinary activities	9	163,464	388
Profit/(loss) for the financial year		530,707	(634,580)

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 31 March 2021

	2021 £	2020 £
Profit/(loss) for the financial year	530,707	(634,580)
Other comprehensive income	—	—
Total comprehensive profit/(loss) for the year	530,707	(634,580)

Statement of Changes in Equity

for the year ended 31 March 2021

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total equity £</i>
At 31 March 2019	4,700,000	1,673,686	6,373,686
IFRS 16 Transition adjustment	—	261,435	261,435
At 31 March 2019 - restated	4,700,000	1,935,121	6,635,121
Loss for the year	—	(634,580)	(634,580)
Total comprehensive loss for the year	—	(634,580)	(634,580)
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

Balance sheet

at 31 March 2021

Registered No: 1545062

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	10	33,171	64,639
Right of use Assets	11	1,849,731	2,160,896
		<u>1,882,902</u>	<u>2,225,535</u>
Current assets			
Stock	12	3,428,521	3,284,453
Debtors	13	3,535,348	2,538,741
Cash at bank and in hand		4,673,247	1,779,028
		<u>11,637,116</u>	<u>7,602,222</u>
Creditors: amounts falling due within one year	14	(5,161,249)	(1,811,997)
		<u>6,475,867</u>	<u>5,790,225</u>
Net current assets			
		<u>8,358,769</u>	<u>8,015,760</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(1,497,623)	(1,785,370)
Provisions for liabilities	16	(329,898)	(229,849)
		<u>6,531,248</u>	<u>6,000,541</u>
Net assets			
Capital and reserves			
Called up share capital	17	4,700,000	4,700,000
Profit and loss account		1,831,248	1,300,541
		<u>6,531,248</u>	<u>6,000,541</u>
Shareholder's funds			
		<u>6,531,248</u>	<u>6,000,541</u>

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



F Schondelmaier
Director

Date: 26 October 2021

Notes to the financial statements

at 31 March 2021

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

The financial statements of Hikoki Power Tools (UK) Limited for the year ended 31 March 2021 were authorised for issue by the board of directors on _____ and the balance sheet was signed on the board's behalf by F Schondelmaier. Hikoki Power Tools (UK) Limited is a private company limited by shares and incorporated and domiciled in England and Wales.

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 principal 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 2021.

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.

Notes to the financial statements

at 31 March 2021

2. Accounting policies (continued)

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.

COVID-19 and going concern

Having considered the principal risks and uncertainties facing the business, together with forecasts the directors believe that the company has adequate resources to meet its liabilities as they fall due for the period to 31 October 2022 (the going concern period).

These considerations included the impact of COVID-19 on the wider group and the UK operations. Trading has returned to pre COVID-19 levels with the easing of restrictions and the vaccine rollout. All staff are now back at work. There were some short-term supply chain issues as a result of Brexit and an unprecedented demand for shipping which are now resolved.

The Directors have continued to focus on streamlining operations, cost control and optimising cashflow and liquidity. These include tightly controlled stock purchases and discretionary spending.

Having considered the principal risks and uncertainties facing the business, together with forecasts covering the going concern period to 31 October 2022, the directors believe that the company can continue without any significant curtailment in business to meet its liabilities as they fall due. These considerations included the impact of COVID-19 on the wider group and an assessment of any developments since that date that would adversely affect that conclusion. 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, spares 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 entity 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 entity 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 products:

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

Notes to the financial statements

at 31 March 2021

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 despatched 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 despatched 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.

An item of property, plant and equipment is 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.

Notes to the financial statements

at 31 March 2021

2. Accounting policies (continued)

Stocks

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

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 to completion and disposal.

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 entity's functional currency by applying the spot exchange rate ruling 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.

Notes to the financial statements

at 31 March 2021

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 change in the future lease payments. 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 lease 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 economical 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.

Notes to the financial statements

at 31 March 2021

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 profit and loss account in respect of pension costs represents the contributions payable in the year. 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 entity 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 market place (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 profit or loss; and 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 mode whose objective is to collect the contractual cashflows.
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Notes to the financial statements

at 31 March 2021

2. Accounting policies (continued)

Financial asset – recognition and measurement (continued)

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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

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 bank balance.
- 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.

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 as finance costs in the statement of profit and loss.

Notes to the financial statements

at 31 March 2021

2. Accounting policies (continued)

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or 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 statement of profit or loss.

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. Turnover

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

	2021 £	2020 £
UK	8,922,777	8,798,958
Eire	1,237,564	1,766,497
Rest of World	169,025	265,581
Turnover to group companies	39,730	113,013
	<u>10,369,096</u>	<u>10,944,049</u>

4. Operating profit/(loss)

This is stated after charging:

	2021 £	2020 £
Auditors' remuneration - audit work	38,500	35,000
- non audit work (taxation)	4,200	4,200
Depreciation of owned fixed assets	37,692	54,739
Depreciation of leased fixed assets	368,922	379,318
Other operating income	<u>127,066</u>	<u>-</u>

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

Notes to the financial statements

at 31 March 2021

5. Directors' remuneration

	2021	2020
	£	£
Remuneration	—	85,023

There was no directors remuneration paid during 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.

6. Staff costs

	2021	2020
	£	£
Wages and salaries	917,866	977,876
Social security and health care costs	98,725	104,248
Pension costs	49,466	55,244
	<u>1,066,057</u>	<u>1,137,368</u>

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

	2021	2020
	No.	No.
Sales	11	13
Distribution and workshop	11	11
Administration	7	8
	<u>29</u>	<u>32</u>

7. Interest receivable and similar income

	2021	2020
	£	£
Bank interest receivable	2	8

8. Interest payable and similar expenses

	2021	2020
	£	£
Lease interest payable	63,030	71,259

Notes to the financial statements

at 31 March 2021

9. Tax

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

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

	2021 £	2020 £
<i>Current tax:</i>		
UK corporation tax on the profit or loss for the year	—	—
Adjustment in respect of prior years	—	(388)
Total current income tax	—	(388)
<i>Deferred tax:</i>		
Recognition of deferred tax asset	(163,464)	—
Total deferred tax	(163,464)	—
Tax credit in the income statement	(163,464)	(388)

(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% (2020 – 19%). The differences are explained below:

	2021 £	2020 £
Profit / (Loss) before tax	367,243	(634,968)
Tax calculated at UK standard rate of corporation tax of 19% (2020 – 19%)	69,776	(120,644)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	28,827	41,003
Movement in unprovided deferred tax	—	73,018
IFRS 16 transition adjustment	6,209	6,623
Recognition of deferred tax asset	(163,464)	—
Adjustment in respect of prior years	—	(388)
Utilisation of previously unrecognised tax losses	(104,812)	—
Tax credit for the year	(163,464)	(388)

Notes to the financial statements

at 31 March 2021

9. Tax (continued)

(c) Deferred tax

The following deferred tax asset was recognised in the year:

	2021 £	2020 £
Temporary timing differences	115,399	—
Tax losses carried forward	48,065	—
Unrecognised deferred tax asset as at 31 March	163,464	—

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

Reconciliation on movement of deferred tax asset:

	2021 £	2020 £
Deferred tax asset as at 1 April	—	—
Credited to the profit and loss account	163,464	—
Deferred tax asset as at 31 March	163,464	—

The following deferred tax asset was not recognised in the year:

	2021 £	2020 £
Temporary timing differences	102,607	—
Tax losses carried forward	—	151,578
Unrecognised deferred tax asset as at 31 March	—	254,185

(d) Impact of rate change

The main rate of corporation tax in the UK has remained at 19%. In the March 2021 Budget the Chancellor announced plans to increase the main UK tax rate to 25% from April 2023 onwards. This change was not substantively enacted at the balance sheet date and no adjustments have been made in these financial statements. Deferred tax balances are stated using the current tax rate of 19%.

Notes to the financial statements

at 31 March 2021

10. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Tools, furniture and fixtures</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 April 2020	405,083	91,065	24,256	
520,404				
Additions	6,224	—	—	6,224
Disposals	—	—	—	—
At 31 March 2021	411,307	91,065	24,256	526,628
Depreciation:				
At 1 April 2020	343,122	91,065	21,578	455,765
Charge for the year	37,074	—	618	37,692
Disposals	—	—	—	—
At 31 March 2021	380,196	91,065	22,196	493,457
Net book value:				
At 31 March 2021	31,111	—	2,060	33,171
At 31 March 2020	61,961	—	2,678	64,639

11. Right of use assets

	<i>Property</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£
Cost:			
At 1 April 2020	2,402,983	137,231	2,540,214
Additions	—	69,015	69,015
Termination of contracts	—	(64,960)	(64,960)
At 31 March 2021	2,402,983	141,286	2,544,269
Depreciation:			
At 1 April 2020	320,398	58,920	379,318
Termination of contracts	—	(53,702)	(53,702)
Charge for the year	320,400	48,522	368,922
At 31 March 2021	640,798	53,740	694,538
Net book value:			
At 31 March 2021	1,762,185	87,546	1,849,731

Notes to the financial statements

at 31 March 2021

At 31 March 2020

2,082,585 78,311 2,160,896

12. Stocks

	2021 £	2020 £
Goods in transit	2,091,829	275,522
Finished goods	1,336,692	3,008,931
	<u>3,428,521</u>	<u>3,284,453</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 £6,936,678 (2020: £7,712,090)

13. Debtors

	2021 £	2020 £
Trade debtors	3,334,117	2,448,960
Amounts owed by group undertakings	235	62,009
Other debtors	28,754	11,330
Deferred Tax	163,464	—
Prepayments and accrued income	8,778	16,442
	<u>3,535,348</u>	<u>2,538,741</u>

The amounts owed by group undertakings related to trading activities and are unsecured, interest free and repayable on demand.

14. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	281,787	152,722
Amounts owed to group undertakings	3,639,725	669,102
Other taxes and social security costs	15,427	164,268
Accruals and deferred income	886,309	497,003
Lease liabilities	338,001	328,902
	<u>5,161,249</u>	<u>1,811,997</u>

The amounts owed to group undertakings related to trading activities and are unsecured, interest free and have no fixed repayment date.

Notes to the financial statements

at 31 March 2021

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

	2021 £	2020 £
Lease liabilities	1,497,623	1,785,370

The lease liabilities relate to property occupied by the company and the contract hire of vehicles.

Maturity analysis of lease liabilities based on the undiscounted gross cashflow is reported in the table below:

	2021 £	2020 £
Leases which expire:		
Within one year	391,383	390,494
Within two to five years	1,444,833	1,434,892
In more than five years	174,291	522,872
	<u>2,010,507</u>	<u>2,348,258</u>

Lease liabilities included in the balance sheet at 31 March 2021:

	2021 £	2020 £
Leases which expire:		
Within one year	338,001	328,902
Within two to five years	1,328,294	1,282,202
In more than five years	169,329	503,168
	<u>1,835,624</u>	<u>2,114,272</u>

	2021 £	2020 £
Total cash outflow for leases	<u>399,666</u>	<u>410,053</u>

16. Provisions for liabilities

	Warranty provision £	Dilapidations provision £	Total £
At 1 April 2020	87,251	142,598	229,849
Arising during the year	252,437	23,316	275,753
Utilised during the year	(175,704)	—	(175,704)
At 31 March 2021	<u>163,984</u>	<u>165,914</u>	<u>329,898</u>

Notes to the financial statements

at 31 March 2021

16. 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.

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. The anticipated cost is being recognised over the period to the lease expiry date.

17. Authorised and issued share capital

	No:	2021 £	No:	2020 £
Ordinary shares of £1 each	4,700,000	4,700,000	4,700,000	4,700,000

18. Pension

Defined contribution scheme

The company operates a defined contribution pension scheme. Company contributions to the scheme in the year to 31 March 2021 were £47,474 (2020 - £55,241). There were no unpaid or prepaid amounts at 31 March 2021 (2020 - £nil).

19. 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 2021 (2020 - £130,000).

20. 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.

All transactions were made on an arm's length basis and at full market value.

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

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking 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').

Notes to the financial statements

at 31 March 2021

22. Events since the balance sheet date

On 28 June 2021 the decision was taken to relocate from Milton Keynes to Southampton with the move to take place late in 2021. This is a non-adjusting post balance sheet event with no impact on the numbers in the financial statements for the 31 March 2021 year end. The directors are currently assessing the financial impact and the effect on the accounting and disclosures for future years. It is likely to impact the recognition and measurement of certain assets and liabilities, such as the right of use asset recognised in relation to the business premises, and there will be both restructuring costs and potential cost synergies from the move.