

JAE Europe, Limited

Annual Report and Financial Statements

Year Ended

31 March 2020

Company Number 03244456



JAE Europe Limited

Company Information

Directors	W Oyamada K Tomizuka M Matsuo K Koyama S Nanao
Company secretary	W Oyamada
Registered number	03244456
Registered office	Royal Pavilion Tower 3 First Floor Wellesley Road Aldershot Hampshire GU11 1PZ
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD
Bankers	The Bank of Tokyo-Mitsubishi UFJ Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9AN

JAE Europe Limited

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JAE Europe Limited

Strategic Report For the Year Ended 31 March 2020

Introduction

The principal activity of the company is the distribution of electronic components manufactured by fellow group undertakings.

Business review

Overview

During the year ended 31 March 2020, the company achieved sales of £86.3m compared to £86.1m for the previous year. Profit before taxation remained static at £0.89m, the same as in the year ended 31 March 2019.

Connector Business

The connector business declined by 5% from the previous year, achieving sales of £71.1m compared with £75.1m in the previous year. The sales reduction is due to a slight decline in demand for the vehicles that house JAE's components.

The gross profit margin of the connector increased from 11.7% to 12.9%, a 1.2% improvement. The increase in margin was obtained purely from logistic cost improvements as a result of higher ocean freighting than the previous financial year. In the year ended 31 March 2019, logistic costs were 7.2% of sales, and this ratio improved to 6.9% of sales in 2020. In monetary terms, the business spent £0.5m less on freighting than in the previous year.

Aerospace Business

During the year ended 31 March 2020, the aerospace business achieved sales of £15.2m compared to £11.0m in 2018. The increase is caused by a combination of the further rebound from the oil drilling industry, plus higher demand for the resolver product which is a component for electric vehicles.

However, despite the good sales performance, the gross margin dropped from 17.6% to 12.4% over the year. The drop in margin percentage is due to the sales mix with a higher proportion of sales being derived from resolver products where the margin is very low.

JAE Europe Limited

Strategic Report (continued) For the Year Ended 31 March 2020

Overall

Financially the year ended 31st March 2020 remained relatively static compared to the previous year, and the company had good success with freight cost reductions. In addition to this, the first year of operating from JAE's new main warehousing hub in the Netherlands (as a post Brexit strategy), ran very smoothly.

The directors are satisfied with the results for the year.

Principal risks and uncertainties

The company recognises that its exposure to stock obsolescence remains high with more business being generated from harness products and a general increase in the number of stock parts being supplied to its growing customer base. In addition to this, the challenge of forecasting customer demands further ahead to make savings by using ocean freight continue to be a major focus for the company and its supply chain and planning departments.

The company also identifies the risk of operating in the automotive industry, where technology develops very quickly and so the company must invest in developing its products to keep in line with moving technology demands. Phase-in phase-out (PIPO) meetings are regularly held to ensure product transition periods are managed efficiently.

Exchange risk is managed by way of a natural hedge whereby the company buys and sells stock in the same currencies, primarily the US Dollar.

Financial key performance indicators

Key performance indicators used by the company to assess financial performance are those involving profit margins, logistic costs and stock. The aim of the company is to reduce its logistic costs and also to manage stock levels, which in turn reduces dead stock risk. A summary of the company's margin performance can be found in the Business Review section of this report.

Logistic costs are regularly assessed by the company as a percentage of sales. In the year ended 31 March 2020, the company (overall) achieved a ratio of 5.8%, which represents good cost efficiency and is an improvement on the prior year's 6.3%.

Reducing both logistic costs and stock days is an enormous and conflicting challenge for the company as a reduction in freight costs can only be made if the company freights more by ocean, which in turn, increases goods in transit levels and stock obsolescence risk.

JAE Europe Limited

Strategic Report (continued) For the Year Ended 31 March 2020

Other key performance indicators

Customer satisfaction is a key enabler in securing future business awards within the Automotive industry. As such, JAE measures several non-financial indicators which quantify our performance versus customer expectations. Three of the most important indicators are (i) On time delivery, (ii) Engineering change request throughput time and (iii) ensuring that the actions to launch new vehicles programs are on track.

On Time Delivery

This measure quantifies how well JAE satisfies our Customers' required delivery dates. It is a very demanding measure.

For the year which ended 31 March 2020 this stood at 80%. Although this is a good improvement on the previous year (61%), this result is still below the company's target of 95%.

Engineering Change Requests (ECR)

During the development of a new vehicle there are many iterations of the design. It is essential that we can turn around engineering change requests in a timely manner to support our customers.

In the year which ended 31 March 2020, our average ECR turnaround time stood at 4 days, which is below our target of ten days and excellent result within our industry. This is an improvement over the previous year where it was 7 days.

Programs on Track

JAE has to support a variety of build events with logistical, technical, industrial standard and quality related activities. We measure how well we satisfy every one of these aspects for every stage in the development of the vehicle.

In the year which ended 31 March 2020, our Programs on Track stood at 98.9%, which exceeds our target of 89%.

JAE Europe Limited

Strategic Report (continued) For the Year Ended 31 March 2020

Post Year End and Covid-19

In the last month of the financial year ending 31st March 2020, Europe became heavily impacted by the breakout of Covid-19. The majority of countries within JAE's supply chain network were quickly affected with enforced localised lockdowns.

Immediately into the new financial year in April 2020, JAE Europe experienced an immediate and major drop to its open order book due to a significant reduction in demand for automotive products. It took until the end of the first fiscal half of the new financial year to see demand recover as much of Europe was released from localised lockdown arrangements. Throughout the second fiscal half, JAE's turnover had recovered to that of a pre-Covid level. The two fiscal halves, when looked at as separate periods had very different financial challenges for the company.

In the first fiscal half of the new financial year, JAE decided to patiently 'ride out' the first Covid slump which pushed its financials into a loss position.

JAE's success over recent years has been directly attributable to the level of talent and expertise within its workforce. As a result, JAE's short term strategy was to ensure that it retained the talent that has made the company successful for when demand bounced back after Covid-19. This meant, JAE's cost base remained relatively high in proportion to its reduced sales levels which has been so heavily affected by Covid-19.

To offset the negative cash effect of the loss, the company went through a de-stocking process to release cash from excess inventory.

In the second half of the new financial year, the company saw a rapid return for the demand for its parts as the automotive industry bounced back, even though Covid was still present and affecting many countries in Europe.

The rapid bounce back of customer demand combined with a low starting inventory, plus reduced capacity at fellow JAE production plants globally, meant JAE Europe experienced a significant supply problem in the second half. This resulted in the company having to freight the majority of its inventory direct from factory to customer. In this situation, ocean freighting was impossible, which is JAE's preferred shipment method due to its cost efficiency. The company will soon report a record high freight cost due to high air freighting and DHL direct shipping.

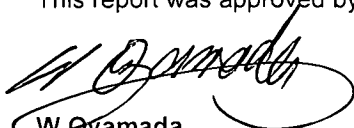
Given the high logistic cost is down to many factors outside of JAE Europe's control, the company is currently seeking to recover as much as possible from customers (who's demand forecast was below actual performance) and from factories (who's factory output was lower than JAE's forecasted demand).

The second half period will also report a loss for the financial year, even after recoverable values have been concluded.

JAE Europe has already gained a guarantee of finance from its parent company in Japan to support the business through a low cash period in the year following.

As the company now approaches the beginning of its financial year end March 2022, and a global vaccination program, the outlook is a return to normal trading conditions and a return to profit.

This report was approved by the board on *31ST AUGUST 2021* and signed on its behalf.


W. Oyamada
Director

JAE Europe Limited

Directors' Report For the Year Ended 31 March 2020

The directors present their report together with the audited financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Principal activity

The principal activity of the company is the distribution of electronic components manufactured by fellow group undertakings.

Business review

A fair review of the business, summary of the principal risks and uncertainties and information of the key performance indicators can be found in the strategic report on pages 1 to 4.

Results and dividends

The profit for the year, after taxation, amounted to £570,411 (2019 - £533,497).

Dividends declared and paid in the year amounted to £Nil (2019 - £Nil).

JAE Europe Limited

Directors' Report (continued) For the Year Ended 31 March 2020

Directors

The directors who served during the year were:

W Oyamada
K Tomizuka
M Matsuo
K Honda (resigned 1 April 2019)
K Koyama (appointed 1 April 2019)
H Saito (resigned 1 April 2020)

Subsequent to the year end, on 1 April 2020, S Nanao was appointed as a director.

Financial risk management

Stock Obsolescence

The company recognises that its exposure to stock obsolescence is high due to long ordering lead times and an ongoing increase in the number of stock parts being supplied to its growing customer base. In addition to this, the challenge of forecasting customer demands further ahead to make savings by using ocean freight continue to be an ongoing focus for the company and its staff to ensure an optimum level of inventory is ordered from group factories, whilst keeping costs low.

The company operates PIPO processes to monitor and control stock quantities at the end of customer contracts when the risk of obsolescence is at its highest.

Exchange Rate Risk

With an international customer base, the company trades in multiple currencies with USD being the primary currency.

Exchange risk is managed by way of a natural hedge whereby the company buys and sells stock in the same currencies as much as possible to avoid trading currencies when FX rates are not in the company's favour.

Credit Risk

The company recognises that it is exposed to credit risk and cash flow risk associated with selling on credit and manages this through credit control processes and regular reviews of overdue debt levels followed by appropriate action.

JAE Europe Limited

Directors' Report (continued) For the Year Ended 31 March 2020

Going concern

The Directors consider it necessary to acknowledge the uncertainty created by the current global situation with COVID-19. At the balance sheet date the company is in a net current asset position of £10,829,960 and an overall net asset position of £11,370,423 and made a post tax profit for the year of £570,411.

It is necessary to consider the potential impact of COVID-19 upon the future performance of the company.

The company has prepared the financial statements for the year ended 31 March 2020 on a going concern basis. The nature and extent of the Covid-19 pandemic and steps taken by the government in response to the pandemic are continuously changing and their impact on the economy is being continually re-assessed. As it is not possible to predict how long the pandemic will continue, although the expanding vaccination programme offers some hope in mitigating the main effects in the middle to later part of 2021, it is difficult for the company to make reliable forecasts in the short-term. The directors do have the performance of the company in the period from the start of the pandemic in March on which to base their assumptions but they do still recognise that there are some areas over which they have no control.

In light of the challenging economic environment, the company has taken a number of steps, including:

- utilising Covid-19 related government incentives and tax reliefs; and
- implementing cost reduction measures.

The company was impacted by reduced demand in the first half of the financial year and, additionally, had to bear significantly increased logistic costs, particularly when customer demand improved in the second half of the year. This resulted in the company suffering post tax losses of £3.8 million in the year to March 2021. At 31 March 2021 the company's net current asset position stood at £7.2 million.

Forecasts to June 2022 show the company making a profit of £470,000 and having a net current asset position of £7.8 million

In May 2021 the company received a loan from its parent of \$2.5 million which is due for repayment in May 2022. The company is currently in negotiations with its parent to extend the loan facility and for partial reimbursement of additional logistics costs borne during the period of the pandemic. At the date of signing these financial statements, neither of which have been formalised.

The company has also obtained a letter of support from its parent company. The directors note that the parent company has the ability and the commercial incentive to continue supporting the company and has provided a letter of support confirming that they will not withdraw the support currently given and pledging such further support that may be necessary for the foreseeable future, being at least one year from the signing of these financial statements.

Based on the successful steps taken by the company to mitigate the financial impact of the pandemic, the performance of the company in the pandemic period and the support offered by the company's parent company, the directors are of the opinion that, for the foreseeable future, being twelve months from the approval of these financial statements, the company will be able to meet its liabilities as they fall due. For this reason the directors believe that it remains appropriate to prepare the accounts on the going concern basis.

Future developments

Future developments are discussed in the "post year end and Covid 19" section of the strategic report.

JAE Europe Limited

Directors' Report (continued) For the Year Ended 31 March 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

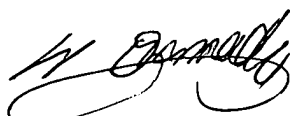
Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31ST AUGUST 2021 and signed on its behalf.



W Oyamada
Director

JAE Europe Limited

Independent Auditor's Report to the Members of JAE Europe Limited

Opinion

We have audited the financial statements of JAE Europe Limited ("the company") for the year ended 31 March 2020 which comprise the the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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

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

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

JAE Europe Limited

Independent Auditor's Report to the Members of JAE Europe Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 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 and 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.

JAE Europe Limited

Independent Auditor's Report to the Members of JAE Europe Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Nick Poulter

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Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Guildford
United Kingdom

Date: 31 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

JAE Europe Limited

Statement of Comprehensive Income For the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover	4	86,317,780	86,150,361
Cost of sales		(75,385,960)	(75,469,376)
Gross profit		10,931,820	10,680,985
Administrative expenses		(10,399,696)	(10,144,658)
Other operating income	5	382,381	359,482
Operating profit	6	914,505	895,809
Interest receivable and similar income	10	-	2,590
Interest payable and similar expenses	11	(25,107)	(5,194)
Profit before tax		889,398	893,205
Tax on profit	12	(318,987)	(359,708)
Total comprehensive income and profit for the financial year		570,411	533,497

There was no other comprehensive income for 2020 (2019- £Nil).

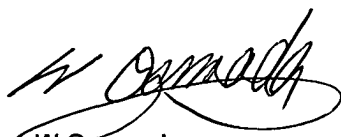
The notes on pages 16 to 30 form part of these financial statements.

JAЕ Europe Limited
Registered number:03244456

Balance Sheet
As at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	540,463	649,664
Current assets			
Stocks	14	8,135,817	9,125,653
Debtors: amounts falling due within one year	15	19,408,387	21,195,796
Cash and cash equivalents	16	5,353,886	2,908,708
		<u>32,898,090</u>	<u>33,230,157</u>
Creditors: amounts falling due within one year	17	(22,068,130)	(23,079,809)
Net current assets		<u>10,829,960</u>	<u>10,150,348</u>
Total assets less current liabilities		<u>11,370,423</u>	<u>10,800,012</u>
Net assets		<u>11,370,423</u>	<u>10,800,012</u>
Capital and reserves			
Called up share capital	20	400,000	400,000
Profit and loss account	21	10,970,423	10,400,012
		<u>11,370,423</u>	<u>10,800,012</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf
on **31ST AUGUST 2021**


W Oyamada
Director

The notes on pages 16 to 30 form part of these financial statements.

JAE Europe Limited

Statement of Changes in Equity For the Year Ended 31 March 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2019	400,000	10,400,012	10,800,012
Comprehensive income for the year			
Profit for the year	-	570,411	570,411
Total comprehensive income for the year	-	570,411	570,411
At 31 March 2020	400,000	10,970,423	11,370,423

Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2018	400,000	9,866,515	10,266,515
Comprehensive income for the year			
Profit for the year	-	533,497	533,497
Total comprehensive income for the year	-	533,497	533,497
At 31 March 2019	400,000	10,400,012	10,800,012

The notes on pages 16 to 30 form part of these financial statements.

JAE Europe Limited

Statement of Cash Flows For the Year Ended 31 March 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	570,411	533,497
Adjustments for:		
Depreciation of tangible assets	238,665	223,376
Loss on disposal of tangible assets	-	585
Interest payable	25,107	5,194
Interest receivable	-	(2,590)
Taxation charge	318,987	359,708
Decrease/(increase) in stocks	989,836	(2,758,150)
Decrease in debtors	1,787,409	1,060,678
(Decrease)/increase in creditors	(38,105)	224,425
Corporation tax (paid)/received	(292,561)	48,152
Net cash generated from operating activities	3,599,749	(305,125)
Cash flows from investing activities		
Purchase of tangible fixed assets	(129,464)	(65,313)
Interest received	-	2,590
Net cash from investing activities	(129,464)	(62,723)
Cash flows from financing activities		
New loans from group companies	-	1,000,000
Loans from group companies repaid	(1,000,000)	-
Interest paid	(25,107)	(5,194)
Net cash used in financing activities	(1,025,107)	994,806
Net increase in cash and cash equivalents	2,445,178	626,958
Cash and cash equivalents at beginning of year	2,908,708	2,281,750
Cash and cash equivalents at the end of year	5,353,886	2,908,708
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,353,886	2,908,708
	5,353,886	2,908,708

The notes on pages 16 to 30 form part of these financial statements.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

1. General information

JAE Europe Limited is a private company incorporated in England and Wales under the Companies Act 2006. It is a company limited by shares. The address of the registered office is given on the company information page and the nature of the company's operations and principal activities are given in the directors' report and strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The Directors consider it necessary to acknowledge the uncertainty created by the current global situation with COVID-19. At the balance sheet date the company is in a net current asset position of £10,829,960 and an overall net asset position of £11,370,423 and made a post tax profit for the year of £570,411.

It is necessary to consider the potential impact of COVID-19 upon the future performance of the company.

The company has prepared the financial statements for the year ended 31 March 2020 on a going concern basis. The nature and extent of the Covid-19 pandemic and steps taken by the government in response to the pandemic are continuously changing and their impact on the economy is being continually re-assessed. As it is not possible to predict how long the pandemic will continue, although the expanding vaccination programme offers some hope in mitigating the main effects in the middle to later part of 2021, it is difficult for the company to make reliable forecasts in the short-term. The directors do have the performance of the company in the period from the start of the pandemic in March on which to base their assumptions but they do still recognise that there are some areas over which they have no control.

In light of the challenging economic environment, the company has taken a number of steps, including:

- utilising Covid-19 related government incentives and tax reliefs; and
- implementing cost reduction measures.

The company was impacted by reduced demand in the first half of the financial year and, additionally, had to bear significantly increased logistic costs, particularly when customer demand improved in the second half of the year. This resulted in the company suffering post tax losses of £3.8 million in the year to March 2021. At 31 March 2021 the company's net current asset position stood at £7.2 million.

Forecasts to June 2022 show the company making a profit of £470,000 and having a net current

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

asset position of £7.8 million

In May 2021 the company received a loan from its parent of \$2.5 million which is due for repayment in May 2022. The company is currently in negotiations with its parent to extend the loan facility and for partial reimbursement of additional logistics costs borne during the period of the pandemic. At the date of signing these financial statements, neither of which have been formalised.

The company has also obtained a letter of support from its parent company. The directors note that the parent company has the ability and the commercial incentive to continue supporting the company and has provided a letter of support confirming that they will not withdraw the support currently given and pledging such further support that may be necessary for the foreseeable future, being at least one year from the signing of these financial statements.

Based on the successful steps taken by the company to mitigate the financial impact of the pandemic, the performance of the company in the pandemic period and the support offered by the company's parent company, the directors are of the opinion that, for the foreseeable future, being twelve months from the approval of these financial statements, the company will be able to meet its liabilities as they fall due. For this reason the directors believe that it remains appropriate to prepare the accounts on the going concern basis.

2.3 Revenue

Turnover comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the company's activities. Turnover is shown net of VAT and other sales taxes. Consideration received from customers is only recognised as turnover to the extent that the company has performed its contractual obligations in respect of that consideration.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as shown below.

Depreciation is provided on the following basis:

Plant & machinery	- between 4-5 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase and includes all costs of bringing stock to its present location and condition.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.8 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

2. Accounting policies (continued)

2.13 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.14 Interest payable

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have considered judgements they have made and have concluded that, due the straightforward nature of the company's business, there are no significant judgements involved in the financial statements.

However, they do consider the following to be key sources of estimation uncertainty:

- Stock Impairment (see note 14)

At each reporting date, stock is assessed for impairment. This assessment is based on a variety of factors such as the expected future sales of the stock, the condition of the stock, the likely obsolescence of the stock and any legal, regulatory or contractual provisions that can limit the realisable value of stock.

- Debtor impairment (see note 15)

At each reporting date, debtors are assessed for impairment. This assessment is based on a variety of factors such as the past experience of debtor recoverability, the ageing of debtor balances, specific information on individual trade debtors and any legal, regulatory or contractual provisions that can limit the realisable value of the debtors.

4. Turnover

The whole of the turnover is attributable to the principal activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	5,398,523	3,662,202
Rest of the world	80,919,257	82,488,159
	<u>86,317,780</u>	<u>86,150,361</u>

5. Other operating income

	2020 £	2019 £
Commissions receivable	<u>382,381</u>	<u>359,482</u>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangibles fixed assets	238,665	223,376
Exchange differences	(147,052)	26,963
Defined contribution pension costs	112,625	97,192
Other operating lease rentals:		
- vehicles	243,334	282,977
- office equipment	9,596	11,210
	<u>243,334</u>	<u>282,977</u>

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	24,000	21,000
Fees payable to the company's auditor and its associates in respect of:		
Audit related assurance services	6,500	6,300
Taxation compliance services	13,720	10,450
Accounts preparation services	1,550	1,200
	<u>21,770</u>	<u>17,950</u>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	6,751,824	6,237,845
Social security costs	421,387	373,599
Cost of defined contribution scheme	112,625	97,192
	<u>7,285,836</u>	<u>6,708,636</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Distribution staff	60	59
Administration staff	9	9
Management staff	11	9
	<u>80</u>	<u>77</u>

9. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	265,562	303,580

The highest paid director received remuneration of £265,562 (2019 - £303,580).

The directors are considered key management of the company. Total amounts paid to key management were £265,562 (2019 - £303,580).

10. Interest receivable and similar income

	2020	2019
	£	£
Other interest receivable	<u>-</u>	<u>2,590</u>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

11. Interest payable and similar expenses

	2020 £	2019 £
Other interest payable	25,107	5,194

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	318,987	359,708
Total current tax	318,987	359,708
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	318,987	359,708

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	889,398	893,205
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	168,986	169,709
Effects of:		
Expenses not deductible for tax purposes	16,410	170,023
Capital allowances for year in excess of depreciation	-	19,976
Other differences leading to an increase (decrease) in the tax charge	79,448	-
Unrecognised deferred tax	54,143	-
Total tax charge for the year	318,987	359,708

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

12. Taxation (continued)

Factors that may affect future tax charges

A change in the main UK corporation tax rate was announced in the budget on 3 March 2021, but this new law is yet to be enacted and therefore its effects are not included in these financial statements. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. This will increase the company's future tax charge accordingly.

13. Tangible fixed assets

	Plant & machinery £
Cost	
At 1 April 2019	1,296,252
Additions	129,464
Disposals	(13,193)
	<hr/>
At 31 March 2020	1,412,523
	<hr/>
Depreciation	
At 1 April 2019	646,588
Charge for the year	238,665
Disposals	(13,193)
	<hr/>
At 31 March 2020	872,060
	<hr/>
Net book value	
At 31 March 2020	540,463
	<hr/> <hr/>
At 31 March 2019	649,664
	<hr/> <hr/>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

14. Stocks

	2020 £	2019 £
Finished goods and goods for resale	<u>8,135,817</u>	<u>9,125,653</u>

The replacement cost of stocks is not materially different than the amount at which they are included in the accounts.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

15. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	18,939,139	20,351,090
Amounts owed by group undertakings	90,000	88,000
Other debtors	72,819	455,932
Prepayments and accrued income	256,649	250,994
Deferred taxation	49,780	49,780
	<u>19,408,387</u>	<u>21,195,796</u>

The impairment loss recognised in the statement of comprehensive income relating to bad and doubtful trade debtors was not material in both the current and prior years.

16. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>5,353,886</u>	<u>2,908,708</u>

17. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	405,615	599,166
Amounts owed to group undertakings	18,762,455	19,071,846
Corporation tax	197,881	171,455
Other taxation and social security	186,166	905,680
Accruals and deferred income	2,516,013	2,331,662
	<u>22,068,130</u>	<u>23,079,809</u>

Included in amounts owed to group undertakings in the previous year was an unsecured loan of £1 million bearing interest at 3.1% which was repaid in January 2020.

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

18. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>24,395,363</u>	<u>23,360,136</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(21,378,914)</u>	<u>(21,703,764)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and amounts owed to group undertakings.

19. Deferred taxation

	2020 £
At beginning of year	49,780
At end of year	<u>49,780</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(3,720)	(3,720)
Short term timing differences	53,500	53,500
	<u>49,780</u>	<u>49,780</u>

20. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
400,000 (2019 - 400,000) ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

21. Reserves

The company has the following reserves:

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

22. Analysis of net debt

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash at bank and in hand	2,908,708	2,445,178	5,353,886
Loan from group company	(1,000,000)	1,000,000	-
	<u>1,908,708</u>	<u>3,445,178</u>	<u>5,353,886</u>

23. Contingent liabilities

The company has provided a bank guarantee of £280,000 (2019 - £280,000) in favour of HM Revenue and Customs.

The company has also provided a bank guarantee of €70,000 (2019 - £nil) in favour of the Dutch tax authorities.

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £112,625 (2019 - £97,192). Contributions totalling £Nil (2019 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	448,943	459,955
Later than 1 year and not later than 5 years	514,466	713,858
	<u>963,409</u>	<u>1,173,813</u>

JAE Europe Limited

Notes to the Financial Statements For the Year Ended 31 March 2020

26. Related party transactions

The company has taken advantage of exemptions conferred by FRS 102 s33.1A and consequently these financial statements do not disclose transactions with the parent undertaking and fellow subsidiaries where 100% of the voting rights are controlled within the group.

27. Controlling party

The company's controlling party is NEC Corporation, a company incorporated in Japan. Copies of the group financial statements may be obtained from 7 - 1, Shiba 5-chome, Minato-ku, Tokyo, Japan.